

RECOM MANAGED SYSTEMS INC DE/
Form 10QSB
May 16, 2005

United States

Securities And Exchange Commission

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

- Quarterly Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For The Quarterly Period Ended March 31, 2005**
- Transition Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For The Transition Period From _____ To _____
Commission File No. _____**

RECOM MANAGED SYSTEMS, INC.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

87-0441351

(I.R.S. Employer
Identification No.)

**4705 Laurel Canyon Boulevard, Suite 203
Studio City, California 91607
(818) 432-4560**

(Address Of Principal Executive Offices)
(Issuer s Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: As of May 3, 2005, there were issued and outstanding 37,610,524 shares of common stock, par value \$0.001 per share and 279,730 shares of series A preferred stock, par value \$0.001 per share.

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ADVISEMENTS

Unless the context requires otherwise, *Recom*, *the company*, *we*, *us*, *our* and similar terms refer to Recom Managed Systems, Inc. Our common stock, par value \$.001 per share, and our series A preferred stock, par value \$.001 per share, are commonly referred to in this quarterly report as our *common shares* and *series A preferred shares*, respectively. The information in this quarterly report is current as of the date of this quarterly report (March 31, 2005), unless another date is specified.

We prepare our interim financial statements in accordance with United States generally accepted accounting principles. Our financial condition and results of operations for the three-month interim period ended March 31, 2005 are not necessarily indicative of our prospective financial condition and results of operations for the full fiscal year ended December 31, 2005. The interim financial statements presented in this quarterly report as well as other information relating to our company contained in this quarterly report should be read in conjunction with the annual financial statements and more detailed background information relating to our company and our business contained in our annual report on form 10-KSB for our fiscal year ended December 31, 2004, as it may be amended, together with any reports, statements and information filed with the SEC relating to periods or events occurring after December 31, 2004.

On April 11, 2003, we effected a split in our common shares on a 3:1 forward basis through the mechanism of a stock dividend. Whenever we make any reference in this quarterly report to the grant or issuance of common shares or options or warrants to purchase common shares, such reference shall, for comparison purposes, be made in reference to post-split numbers and, in the case of options and warrants, exercise prices, unless we state otherwise.

In this quarterly report we make a number of statements, referred to as *forward-looking statements*, which are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. These forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to us and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe to be appropriate in the circumstances. You can generally identify forward-looking statements through words and phrases such as *seek*, *anticipate*, *believe*, *estimate*, *expect*, *intend*, *plan*, *budget*, *project*, *may be*, *may continue*, *may likely result*, and similar words and phrases. When reading any forward looking statement you should remain mindful that actual results or developments may vary substantially from those expected as expressed in or implied by that statement for a number of reasons or factors, such as those relating to: (1) the success of our research and development activities, the development of a viable commercial production model, and the speed with which regulatory authorizations and product launches may be achieved; (2) whether or not a market for our products develops and, if a market develops, the pace at which it develops; (3) our ability to successfully sell our products if a market develops; (4) our ability to attract the qualified personnel to implement our growth strategies, (5) our ability to develop sales, marketing and distribution capabilities; (6) our ability to obtain reimbursement from third party payers for the products that we sell; (7) the accuracy of our estimates and projections; (8) our ability to fund our short-term and long-term financing needs; (9) changes in our business plan and corporate strategies; and (10) other risks and uncertainties discussed in greater detail in the sections of this report, including those captioned *Plan of Operation* and *Uncertainties And Other Risk Factors That May Affect Our Future Results And Financial Condition*.

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this report as well as other public reports we file with the United States Securities and Exchange Commission (the *SEC*), including our annual report on form 10-KSB for our fiscal year ended December 31, 2004, as it may be amended. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this report to reflect new events or circumstances unless and to the extent required by applicable law.

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RECOM MANAGED SYSTEMS, INC.

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

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The accompanying notes are an integral part of these financial statements

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RECOM MANAGED SYSTEMS, INC.

(A Development Stage Company)

Balance Sheet

March 31, 2005

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents

\$ 6,511,641

Prepaid expenses and other current assets

175,444

Total current assets

6,687,085

Property and equipment, net of accumulated depreciation of \$114,400.

132,079

Intangible patents, including related party amounts, net of accumulated amortization of \$25,079,

347,377

TOTAL ASSETS

\$ 7,166,541

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:

Accounts payable and accrued expenses

\$ 1,227,750

Convertible debenture payable, net of unamortized debt discount of \$549,003

1,450,997

Total current liabilities

2,678,747

Commitments and contingencies

Stockholders equity:

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| | |
|--|---------------------|
| Series A convertible preferred stock, \$.001 par value; 10,000,000 shares authorized; 193,575 shares issued and outstanding | 193 |
| Series A convertible preferred stock to be issued for accrued dividends, 87,829 shares | 88 |
| Common stock, \$.001 par value; 100,000,000 shares authorized; 36,640,447 shares issued and outstanding | 36,641 |
| Additional paid-in capital | 21,186,541 |
| Deferred equity-based expense | (2,125) |
| Deficit accumulated during development stage | (16,733,544) |
| Total stockholders' equity | 4,487,794 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 7,166,541 |

The accompanying notes are an integral part of these financial statements

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RECOM MANAGED SYSTEMS, INC.**(A Development Stage Company)****Statements Of Operations****For The Three Months Ended March 31, 2005 And 2004 And From Inception****Of Development Stage (November 7, 2000) To March 31, 2005****(Unaudited)**

| | For the Three Months Ended March 31, | | From Inception of Development Stage (Nov. 7, 2000) to March 31, 2005 |
|--|---|-------------|---|
| | 2005 | 2004 | |
| Revenue | \$ | \$ | \$ |
| Research and development | 570,380 | 190,255 | 2,798,873 |
| General and administrative expenses | 1,099,079 | 946,154 | 11,201,229 |
| Loss before other income (expense) | (1,669,459) | (1,136,409) | (14,000,102) |
| Interest income | 4,475 | | 62,992 |
| Interest expense, including amortization of debt discount | (364,718) | | (379,893) |
| Change in fair value of warrant liability | 318,000 | | 187,570 |
| Warrant re-pricing and other financing cost | (600,000) | | (758,516) |
| Loss before provision for income taxes | (2,311,702) | (1,136,409) | (14,887,949) |

Provision for income taxes

| | | | |
|--|----------------|----------------|-----------------|
| Net loss | (2,311,702) | (1,136,409) | (14,887,949) |
| Preferred dividend | 18,242 | 109,334 | 2,266,864 |
| Net loss attributable to common stockholders | \$ (2,329,944) | \$ (1,245,743) | \$ (17,154,813) |
| Basic and diluted loss per share | \$ (0.07) | \$ (0.03) | \$ (0.72) |
| Basic and diluted loss per share attributable to common stockholders | \$ (0.07) | \$ (0.04) | \$ (0.83) |
| Weighted average shares outstanding basic and diluted | 34,992,042 | 33,072,549 | 20,592,141 |

The accompanying notes are an integral part of these financial statements

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RECOM MANAGED SYSTEMS, INC.

(A Development Stage Company)

Statement Of Stockholders Equity

From Inception Of Development State (November 7, 2000) To March 31, 2005

(Three Months Ended March 31, 2005 Unaudited)

| | Common Stock | | Series A Convertible Preferred Stock | | Series A Convertible Preferred Stock To Be Issued | | Additional Paid-in Capital | Deferred Compen- sation | Deficit Accumu- lated During Develop- ment Stage | Fro Incep (Nov 200 To Dec. 200 |
|---|--------------|-------------|--|--------|--|--------|----------------------------------|-------------------------------|--|--|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| nce ember 00 (as ted for 3:1 k split) | 4,139,784 | \$ 4,139 | | \$ | | \$ | \$ (4,139) | \$ | | \$ |
| ributed al | | | | | | | 35,000 | | | 35, |
| loss | | | | | | | | | (36,673) | (36, |
| nce ember 31,) | 4,139,784 | 4,139 | | | | | 30,861 | | (36,673) | (1, |
| : tal ributed | | | | | | | 45,000 | | | 45, |
| es issued ervices July \$0.033 | 150,000 | 150 | | | | | 4,850 | | | 5, |

| | | | | | | |
|------------------|------------|--------|-----|---------|----------|----------|
| loss | | | | | (50,000) | (50,000) |
| Balance | 4,289,784 | 4,289 | | 80,711 | (86,673) | (1,000) |
| September 30, | | | | | | |
| Balance: | | | | | | |
| Capital | | | | 56,400 | | 56,400 |
| contributed | | | | | | |
| Warrants issued | | | 305 | 125,000 | | 125,000 |
| cash | | | | | | |
| Balance of | | | | | | |
| common stock | | | | | | |
| Technology Sept. | | | | | | |
| 2006 | 23,400,000 | 23,400 | | 54,623 | | 78,023 |
| Warrants | | | | | | |
| exercised Oct. | 2,925,000 | 2,925 | | 17,958 | (19,678) | 1,000 |
| at \$0.021 | | | | | | |
| October 2002 | 564,810 | 565 | | 17,221 | | 17,786 |
| November 2002 | 71,250 | 71 | | 189,929 | | 190,150 |
| at \$0.021 | | | | | | |

The accompanying notes are an integral part of these financial statements

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RECOM MANAGED SYSTEMS, INC.

(A Development Stage Company)

Statement Of Stockholders Equity

From Inception Of Development State (November 7, 2000) To March 31, 2005

(Unaudited)

(continued)

| | Common Stock | | Series A Convertible Preferred Stock | | Series A Convertible Preferred Stock To Be Issued | | Additional Paid-in Capital | Deferred Compen- sation | Deficit Accumu- lated During Develop- ment Stage | From Inception (Nov. 7, 2000) To Dec. 31, 2004 |
|------------------------------------|---------------------|---------------|---|---------------|--|---------------|---|--|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Contributed services officer | | \$ | | \$ | | \$ | \$ 20,000 | \$ | \$ | \$ 20,000 |
| Warrants issued for services | | | | | | | | | | |