

RECOM MANAGED SYSTEMS INC DE/
Form 10QSB
August 13, 2004

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 June 30, 2004

- 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: 34,082,941 shares of common stock, par value \$0.001 per share, as of July 15, 2004

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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 report as our *common shares* and *series A preferred shares*, respectively. The information in this report is current as of the date of this report (July 15, 2004), unless an earlier date is specified.

We prepare our interim consolidated financial statements in accordance with United States generally accepted accounting principles. Our consolidated financial condition and results of operations for the six-month interim period ended June 30, 2004 are not necessarily indicative of our prospective consolidated financial condition and results of operations for the full fiscal year ended December 31, 2004. The interim consolidated financial statements presented in this report as well as other information relating to our company contained in this report should be read in conjunction with the annual consolidated 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, 2003, as amended, together with any reports, statements and information filed with the SEC relating to periods or events occurring after December 31, 2003.

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 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 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 expressions. 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, 2003, as 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.

RECOM MANAGED SYSTEMS, INC.
(A Development Stage Company)
BALANCE SHEET
June 30, 2004

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,583,682
Prepaid expenses and other current assets	70,765
	2,654,447
Total current assets (including related party loans of \$22,200)	2,654,447
Property, plant and equipment, net of accumulated depreciation of \$67,924.	143,714
Intangibles patents, net of accumulated amortization of \$16,719	222,332
	3,020,493
TOTAL ASSETS	\$ 3,020,493
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 446,368
STOCKHOLDERS EQUITY	
Series A convertible preferred stock, \$.001 par value; 10,000,000 shares authorized; 1,083,872 shares issued and outstanding	1,084
Common stock, \$.001 par value; 100,000,000 shares authorized; 33,713,941 shares issued and outstanding	33,713
Additional paid-in capital	13,445,093
Deferred compensation	(21,048)
Deficit accumulated during development stage	(10,884,717)
	2,574,125
TOTAL STOCKHOLDERS EQUITY	2,574,125
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 3,020,493

The accompanying notes are an integral part of these financial statements.

RECOM MANAGED SYSTEMS, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
For The Three and Six Months Ended June 30, 2004 And 2003 And From Inception
Of Development Stage (November 7, 2000) To June 30, 2004

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		From Inception of Development Stage (Nov. 7, 2000 To June 30, 2004)
	2004	2003 (Restated)	2004	2003 (Restated)	
Revenue	\$	\$	\$	\$	\$
Research and development	242,189	51,666	432,444	81,749	997,576
General and administrative expenses	2,050,519	1,065,634	2,996,674	2,434,760	8,041,547
Total expense	2,292,708	1,117,300	3,429,118	2,516,509	9,039,123
Loss before income taxes	(2,292,708)	(1,117,300)	(3,429,118)	(2,516,509)	(9,039,123)
Provision for income taxes					
Net loss	\$ (2,292,708)				
)					
\$					(1,117,300)
)					
\$					(3,429,118)
)					
\$					(2,516,509)
)					
					\$
Preferred dividend					(9,039,123)
					69,371
					178,704
					2,131,874

Net loss attributed to common stockholders

\$		(2,362,079)
)		
\$		(1,117,300)
)		
\$		(3,607,822)
)		
\$		(2,516,509)
)		
		\$
		(11,170,997)

Basic and diluted loss per share attributed to common stockholders

\$		(0.07)
)		
\$		(0.04)
)		
\$		(0.10)
)		
\$		(0.08)
)		
		\$
		(0.51)

Basic and diluted loss per share to common stockholders

\$		
)		
\$		(0.07)
)		
\$		(0.04)
)		
\$		(0.11)
)		
\$		(0.08)
)		
		\$
		(0.63)

Weighted average shares outstanding basic and diluted

33,423,119
31,541,587
33,247,245
31,395,412
17,744,380

The accompanying notes are an integral part of these financial statements.

RECOM MANAGED SYSTEMS, INC.
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY
From Inception Of Development Stage (November 7, 2000) To June 30, 2004

Common Stock	Series A Convertible Preferred Stock	Deficit Accumulated	From Inception(Nov. 7, 2000)

**Additional
Paid-in**

Deferred

**During
Development**

**To
June 30,**

Shares

Amount

Shares

Amount

Capital

Compensation

Stage

2004

2000:

Balance November 7, 2000 (as restated for 3:1 stock split)

	4,139,784
\$	4,139
\$	
\$	(4,139)
)	
\$	
\$	
\$	

Contributed capital

	35,000
	35,000
Net loss	
	(36,673)
)	(36,673)
)	
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Balance December 31, 2000	4,139,784
	4,139

	30,861
)	(36,673)
)	(1,673)
2001:	

Capital contributed

	45,000
	45,000
Shares issued for services July 2001 \$0.033	150,000
	150
	4,850

	5,000
Net loss	
)	(50,000)
)	(50,000)
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Balance December 31, 2001	4,289,784
	4,289
	80,711
)	(86,673)
)	(1,673)
2002:	

Capital contributed

56,400