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RHOMBIC CORP
Form 10QSB
August 14, 2002

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, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from
to

Commission file number 0-29049

RHOMBIC CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

86-0824125
(I.R.S. Employer
Identification No.)

11811 N. Tatum Blvd. # 3031
Phoenix, Arizona 85028
(Address of principal executive offices (zip code))

(602) 953-7702
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to
be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the last 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

Indicate the number of shares outstanding of each of the issuer's classes of
common equity, as of the latest practicable date.

| Class ----- | Outstanding at June 30, 2002 ----- |
|---------------------------------|---------------------------------------|
| Common Stock, par value \$0.001 | 30,000,000 |

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENT

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RHOMBIC CORPORATION
CONSOLIDATED BALANCE SHEET
(A DEVELOPMENT STAGE COMPANY)
JUNE 30, 2002
(UNAUDITED)

ASSETS

| | |
|---------------------------------------|------------|
| CURRENT ASSETS: | |
| Cash | \$ 17,102 |
| OTHER ASSETS: | |
| Investments | 12,042 |
| Licensing Agreements and Technologies | 281,258 |
| Patents | 734 |
| | ----- |
| Total assets | \$ 311,136 |
| | ===== |

LIABILITIES

| | |
|--|-------------|
| CURRENT | |
| Accounts Payable | \$ 31,612 |
| STOCKHOLDERS' EQUITY | |
| Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued | |
| Common stock, \$.001 par value, 70,000,000 shares authorized, 30,000,000 issued and outstanding | 30,000 |
| Additional paid-in capital | 8,506,524 |
| (Deficit) accumulated during the development stage | (8,249,524) |
| Net unrealized holding (loss) on securities held for sale | (7,476) |
| | ----- |
| Total stockholders' equity | 279,524 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 311,136 |
| | ===== |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RHOMBIC CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | FOR THE SIX MONTHS ENDED JUNE 30, | | FOR THE THREE M ENDED JUNE 3 | |
|-----------------|--------------------------------------|-------|---------------------------------|-------|
| | 2002 | 2001 | 2002 | |
| | ----- | ----- | ----- | ----- |
| Royalty income | \$ 0 | \$ 0 | \$ 0 | \$ |
| Interest income | 0 | 80 | 0 | |
| | ----- | ----- | ----- | ----- |
| | 0 | 80 | 0 | |

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| | | | | |
|--------------------------------------|-------------|--------------|------------|-------|
| EXPENSES | | | | |
| Research and development expense | (9,183) | 5,781 | (9,183) | |
| Write down of Intellectual property | 0 | 0 | 0 | |
| Legal & accounting | 34,903 | 70,428 | 7,668 | |
| Transfer Agent Expenses | 1,518 | 429 | 1,218 | |
| Consulting, related party | 0 | 0 | 0 | |
| Consulting | 0 | 875 | 0 | |
| Interest expense | 120 | 2,917 | 120 | |
| Other general & administrative | 2,659 | 184,609 | (11,798) | |
| | ----- | ----- | ----- | |
| Total Expenses | 30,017 | 265,039 | (11,975) | |
| OTHER REVENUES & EXPENSES | | | | |
| (Loss) on sale of Investments | 0 | 0 | 0 | |
| | ----- | ----- | ----- | |
| NET INCOME (LOSS) | \$ (30,017) | \$ (264,959) | \$ 11,975 | \$ |
| | ===== | ===== | ===== | ===== |
| NET LOSS PER SHARE: | | | | |
| Basic | \$ (0.00) | \$ (0.01) | \$ (0.00) | \$ |
| | ===== | ===== | ===== | ===== |
| Diluted | \$ (0.00) | \$ (0.01) | \$ (0.00) | \$ |
| | ===== | ===== | ===== | ===== |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | | | |
| Basic | 28,704,241 | 26,310,824 | 28,711,360 | |
| | ===== | ===== | ===== | |
| Diluted | 28,704,241 | 26,310,824 | 28,711,360 | |
| | ===== | ===== | ===== | |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RHOMBIC CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

| | Common Stock | | Additional | (De |
|---|--------------|----------|--------------|--------|
| | Shares | Amount | Paid-In | Accu |
| | ----- | ----- | Capital | D |
| | ----- | ----- | ----- | Deve |
| | ----- | ----- | ----- | S |
| Balance at December 31, 2000 | 26,286,100 | \$26,286 | \$ 8,043,540 | \$ (7, |
| Shares issued for services | 290,000 | 290 | 59,710 | |
| Net (loss) for the quarter ended March 31, 2001 | 0 | 0 | 0 | (|
| | ----- | ----- | ----- | ----- |
| Balance at March 31, 2001 | 26,576,100 | 26,576 | 8,103,250 | (7, |
| Shares issued for services | 400,000 | 400 | 91,600 | |
| Shares issued for debenture conversion | 1,166,142 | 1,166 | 198,834 | |
| Costs of offering | 0 | 0 | (20,831) | |
| Net (loss) for the quarter ended June 30, 2001 | 0 | 0 | 0 | (|
| | ----- | ----- | ----- | ----- |
| Balance at June 30, 2001 | 28,142,242 | \$28,142 | \$ 8,372,853 | \$ (7, |
| | ===== | ===== | ===== | ===== |
| Balance at December 31, 2001 | 28,697,042 | \$28,697 | \$ 8,452,629 | \$ (8, |

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| | | | | |
|---|------------|----------|--------------|-------|
| Net (loss) for the quarter ended March 31, 2002 | 0 | 0 | 0 | |
| Balance at March 31, 2002 | 28,697,042 | 28,697 | 8,452,629 | (8, |
| Shares issued for services | 1,302,958 | 1,303 | 53,895 | |
| Net income for the quarter ended June 30, 2002 | 0 | 0 | 0 | |
| Balance at June 30, 2002 | 30,000,000 | \$30,000 | \$ 8,506,524 | \$(8, |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RHOMBIC CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

| | FOR THE SIX MONTHS ENDED JUNE 30, | | FOR THE END |
|---|--------------------------------------|--------------|----------------|
| | 2002 | 2001 | 2002 |
| OPERATING ACTIVITIES | | | |
| Net (loss) income for the period | \$ (30,017) | \$ (264,959) | \$ 11,975 |
| Adjustments to reconcile net cash used by operations: | | | |
| Write down of intellectual property | 0 | 0 | 0 |
| Loss on sale of marketable securities | 0 | 0 | 0 |
| Rockford shares issued for services | 0 | 0 | 0 |
| Common stock issued for services | 55,198 | 152,000 | 55,198 |
| Fair value of options granted | 0 | 0 | 0 |
| (Increase) decrease in accounts receivable | 0 | (291) | 0 |
| (Increase) decrease in prepaid expenses | 300 | 1,500 | 0 |
| Increase (decrease) in accounts payable | 3,784 | (81,824) | (5,517) |
| Increase (decrease) in due to related parties | (21,263) | 0 | (51,374) |
| Net Cash (used) by operating activities | 8,002 | (193,574) | (10,282) |
| FINANCING ACTIVITIES | | | |
| Proceeds from private placements | 0 | 0 | 0 |
| Proceeds from convertible debenture | 0 | 200,000 | 0 |
| Offering costs | 0 | (20,831) | 0 |
| Proceeds from exercise of stock options | 0 | 0 | 0 |
| Cash provided from financing activities | 0 | 179,169 | 0 |
| INVESTING ACTIVITIES | | | |
| Cost of patents | 0 | (47,365) | 0 |
| Investment in Rockford Technologies | 0 | 0 | 0 |
| Proceeds from the sale of marketable securities | 0 | 0 | 0 |
| Cash used in investment activities | 0 | (47,365) | 0 |
| Increase in cash | 8,002 | (61,770) | 10,282 |

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| | | | |
|---|-----------|-----------|-----------|
| Cash at beginning of period | 9,100 | 93,384 | 6,820 |
| | ----- | ----- | ----- |
| Cash at end of period | \$ 17,102 | \$ 31,614 | \$ 17,102 |
| | ===== | ===== | ===== |
| Interest expense | \$ 120 | \$ 2,917 | \$ 120 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | | |
| Issuance of common stock for licensing agreements and technologies | \$ 0 | \$ 0 | \$ 0 |
| | ----- | ----- | ----- |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RHOMBIC CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERS ENDED AND
SIX MONTHS ENDED JUNE 30, 2002 and 2001

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles. These financial statements reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. Such financial statements generally conform to the presentation reflected in the Company's Forms 10-KSB and 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2001. The current interim period reported herein should be read in conjunction with the Company's Form 10-KSB subject to independent audit at the end of the year.

The results of operations for the three months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

Stockholders' Equity

During the second quarter of 2002, the Company issued 1,302,958 restricted common shares as payment in full for general corporate and securities counsel, officer fees and director fees at a deemed value of \$55,198.

During the second quarter of 2001, the Company issued 400,000 restricted common shares as payment in full for legal services regarding its patents. The transaction had a deemed value of \$ 92,000. It also issued 1,166,142 shares under the terms of its debenture for \$200,000 of cash advances.

The deemed value of the all shares issued was determined based upon the trading value of the Company's common stock at the time of the issuance of the stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide an analysis of the Company's financial condition and Plan of Operation and should be read in conjunction with the Company's financial statements and the notes thereto. The matters discussed in this section, that are not historical or current facts, deal with potential future circumstances and developments. Such forward-looking statements include, but are not limited to the seeking of revenue producing acquisitions, the development plans for the technologies of the Company, trends

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in the results of the Company's development, anticipated development plans, operating expenses and the Company's anticipated capital requirements and capital resources. The Company's actual results could differ materially from the results discussed in the forward-looking statements.

The Company has not generated revenue from operations during the first six months of 2002 or since its inception. During the second quarter of 2002, the Company began the quarter with \$9,100 in cash and received a refund of approximately \$10,000 from a consultant for discontinued research.. At July 20, 2002, the Company had a working capital deficit. The Company had approximately \$5,000 in cash and trade payables of approximately \$20,000 at that date.

During the second quarter 2002, the Company had no cash disbursements but disbursed \$11,672 during July 2002 for auditing costs, electronic filing fees and transfer agent fees.

During the second quarter of 2001, the Company had cash disbursements of approximately \$50,000 in officer consulting fees, \$22,000 in general counsel and legal fees to submit its registration statement, \$16,500 in travel expenses, \$12,000 in director fees, \$10,500 for investor relation expenses, \$5,500 for office expenses, \$3,000 for auditing costs, \$2,665 in interest expense on the debenture and approximately \$8,000 on other general and administrative costs.

During the second quarter of 2002, directors personally incurred expenses of \$1,625 on behalf of the Company for patent renewal fees and office expenses. On June 30, 2002, the directors, officers and its general legal counsel reduced their accrued fees of \$112,000 to \$55,198 and agreed not to charge any more fees until the Company successfully acquires a revenue generating operation. The Company eliminated the debt of \$55,198 by issuing 1,302,958 restricted common shares.

Also during the second quarter of 2002, all stock options to directors expired leaving 500,000 options to a previous consultant remaining. All options are priced significantly higher than the trading market of Company's stock and the probability of their being exercised is low at this time.

The competition in the technology proliferation and transfer market is highly intense and is based on product and technology recognition and acceptance, novelty and marketability of an invention, price, and sales expertise. The Company has placed its primary emphasis on product development, dependability and commercial viability of its acquired technologies. Management is currently determining the cost-benefit involved to develop its Excimer Lamp intellectual property into commercial applications. To date, the Company has not generated any revenues from any of its acquired intellectual property except minimal royalties from Daimler Benz from the IEC Technology. Rhombic is currently a development stage company and is operating at a loss. None of the intellectual properties have been developed to commercialization. The Company is not able to determine an approximate date for commercialization of any of its intellectual property at this time. No assurances can be given that any of the Company's intellectual property will ever be developed to a point of usefulness or, if developed, that any will be commercially feasible.

Development of its intellectual property may be possible through joint ventures where Rhombic contributes its intellectual property for an ownership percentage in a joint venture and all costs are paid by the other joint venture partners. In the event Rhombic had an opportunity to raise cash, it would pay for a marketing study and development plan for the Excimer Lamp. An 18-month budget of approximately \$ 350,000 to develop a prototype with patent protection.

The Company is currently in discussions with potential acquisition candidates that are revenue producing that would bring value to the shareholders.

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The Company does not have any employees and uses consultants for matters pertaining to coordinating technology development and administration. The Company may hire employees during the next twelve months depending upon its success in developing prototype applications for sale and financing more development.

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Exchange Act of 1934. Although the Company believes that the expectations reflected in the forward-looking statements and the assumptions upon which the forward-looking statements are based are reasonable, it can give no assurance that such expectations and assumptions will prove to be correct.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings against the Company and the Company is unaware of any proceedings contemplated against it.

ITEM 2. CHANGES IN SECURITIES

The following information is given with respect to all unregistered securities sold or issued by Rhombic in the period covered by this report:

(1) Effective June 30, 2002, 1,302,958 restricted common shares were issued to the Company's general legal counsel and its directors and officers as payment in full for services pertaining to corporate administration and director fees. The deemed value of the shares issued was \$55,198 which was determined based upon the trading value of the Company's common stock at the time of the issuance of the stock and the agreement. These shares were issued by the Company pursuant to the exemption found in Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

99.1 Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

NONE

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RHOMBIC CORPORATION

August 14, 2002

Date

By: /s/ Albert Golusin

Chief Financial Officer,
Principal Financial Officer