

Rim Semiconductor CO
Form 10QSB/A
July 11, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-21785

RIM SEMICONDUCTOR COMPANY

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

UTAH

(State or other jurisdiction of
incorporation or organization)

95-4545704

(I.R.S. Employer
identification no.)

305 NE 102ND AVENUE, SUITE 105
PORTLAND, OREGON 97220

(Address of principal executive offices)

(503) 257-6700

(Issuer's telephone number,
including area code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such 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

The number of shares of the issuer's Common Stock, par value \$.001 per share, outstanding as of July 5, 2006, was 324,973,732.

Transitional Small Business Disclosure Format (Check one) Yes No

EXPLANATORY NOTE

This Quarterly Report on Form 10-QSB/A (the "Report") is being filed by Rim Semiconductor Company (the "Company") to amend the Company's Quarterly Report on Form 10-QSB for the period ended April 30, 2006 that was initially filed with the Securities and Exchange Commission (the "SEC") on June 14, 2006. The Company is also filing amendments to its Annual Report on Form 10-KSB for the fiscal year ended October 31, 2005 and its Quarterly Reports on Form 10-QSB for the periods ended July 31, 2005 and January 31, 2006.

This Report reflects the restatement of the Company's previously issued condensed consolidated financial statements at and for the period ended April 30, 2006, and the notes related thereto, as discussed in Note 2 to the condensed consolidated financial statements included herein.

FORM 10-QSB/A

RIM SEMICONDUCTOR COMPANY

APRIL 30, 2006

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PART I - FINANCIAL INFORMATION**ITEM I. FINANCIAL STATEMENTS****RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET**

(Unaudited)

(Restated)

ASSETS

	April 30, 2006
Current Assets:	
Cash	\$ 4,007,470
Other current assets	43,872
TOTAL CURRENT ASSETS	4,051,342
Property and equipment (net of accumulated depreciation of \$2,477)	13,182
Technology license and capitalized software development fee (net of accumulated amortization of \$315,232)	5,735,768
Deferred financing costs (net of accumulated amortization of \$1,249,428)	2,292,390
Other assets	9,854
TOTAL ASSETS	\$ 12,102,536

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:	
Convertible notes payable	\$ 525,000
Convertible debentures (net of debt discount of \$24,136)	100,864
Conversion option liabilities	2,588,813
Derivative liabilities - warrants	10,419,140
Account payable and accrued expenses	785,473
TOTAL CURRENT LIABILITIES	14,419,290
Long-term portion of convertible debentures (net of debt discount of \$5,609,421)	431,143
TOTAL LIABILITIES	14,850,433

Commitments, Contingencies and Other Matters

Stockholders' Deficiency:

Preferred stock - \$0.01 par value; 15,000,000 shares authorized;

-0- shares issued and outstanding

Common stock - \$0.001 par value; 900,000,000 shares authorized;

323,542,617 shares issued and 323,042,763 shares outstanding

323,543

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Treasury stock - 499,854 shares at cost	(7,498)
Additional paid-in capital	69,480,132
Unearned compensation	(1,687,796)
Accumulated deficit	(70,856,278)
TOTAL STOCKHOLDERS' DEFICIENCY	(2,747,897)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 12,102,536

See notes to condensed consolidated financial statements.

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RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Six Months Ended April 30,	
	2006 (Restated)	2005
REVENUES	\$ 58,874	\$ 16,198
OPERATING EXPENSES:		
Cost of sales	—	11,945
Amortization of technology license and capitalized software development fee	315,232	—
Research and development expenses (including stock based compensation of \$26,860 and \$0, respectively)	137,600	7,053
Selling, general and administrative expenses (including stock based compensation of \$983,710 and \$888,930, respectively)	2,356,072	1,571,334
TOTAL OPERATING EXPENSES	2,808,904	1,590,332
OPERATING LOSS	(2,750,030)	(1,574,134)
OTHER (INCOME) EXPENSES:		
Interest expense	7,897,769	639,646
Derivative loss	484,538	—
Amortization of deferred financing costs	568,819	53,109
Gain on forgiveness of principal and interest on Zaiq Note	(1,169,820)	—
Gain on sale of property and equipment	—	(20,000)
Gain on exchange of Redeemable Series B Preferred Stock into common stock	—	(55,814)
Loss on exchange of notes payable into common stock	446,386	—
Other	(3,000)	(28,506)
TOTAL OTHER (INCOME) EXPENSES	8,224,692	588,435
NET LOSS	\$ (10,974,722)	\$ (2,162,569)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.04)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	267,242,791	93,198,867

See notes to condensed consolidated financial statements.

RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended April 30,	
	2006 (Restated)	2005
REVENUES	\$ 18,698	\$ 7,397
OPERATING EXPENSES:		
Cost of sales	—	5,320
Amortization of technology license and capitalized software development fee	212,536	—
Research and development expenses (including stock based compensation of \$5,044 and \$0, respectively)	52,556	—
Selling, general and administrative expenses (including stock based compensation of \$333,958 and \$609,381, respectively)	1,549,001	974,388
TOTAL OPERATING EXPENSES	1,814,093	979,708
OPERATING LOSS	(1,795,395)	(972,311)
OTHER (INCOME) EXPENSES:		
Interest expense	6,652,813	360,864
Derivative loss (gain)	460,400	—
Amortization of deferred financing costs	324,852	28,490
Gain on sale of property and equipment	—	(20,000)
Gain on exchange of Redeemable Series B Preferred Stock into common stock	—	(55,814)
Loss on exchange of notes payable into common stock	446,386	—
Other	(3,000)	(28,506)
TOTAL OTHER (INCOME) EXPENSES	7,881,451	285,034
NET LOSS	\$ (9,676,846)	\$ (1,257,345)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.03)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	306,633,326	99,061,445

See notes to condensed consolidated financial statements.

RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE SIX MONTHS ENDED APRIL 30, 2006

(Unaudited)

(Restated)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Unearned Compensation	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount				
Balance at October 31, 2005	184,901,320	\$ 184,902	—	—	-\$ 61,359,999	\$ (22,771)	\$(59,881,556)	\$ 1,640,574
Repurchase of common stock for cash	—	—	—	—	—	—	—	(7,498)
Issuance of common stock under consulting agreements	11,000,000	11,000	—	—	1,859,000	(1,870,000)	—	—
Issuance of common stock for conversion of convertible debentures and accrued interest	104,170,465	104,170	—	—	1,743,155	—	—	1,847,325
Issuance of common stock for convertible notes payable and accrued interest	35,714	36	—	—	14,964	—	—	15,000
Issuance of common stock for notes payable and accrued interest	12,064,494	12,064	—	—	1,278,837	—	—	1,290,901
Issuance of common stock	11,370,624	11,371	—	—	557,160	—	—	568,531

upon exercise of warrants									
Stock options issued to key employees and advisory board member	—	—	—	—	805,595	(805,595)	—	—	—
Reclassification of derivative liability upon exercise of warrants	—	—	—	—	1,100,639	—	—	—	1,100,639
Reclassification of conversion option liability	—	—	—	—	760,783	—	—	—	760,783
Amortization of unearned compensation expense	—	—	—	—	—	1,010,570	—	—	1,010,570
Net loss	—	—	—	—	—	—	(10,974,722)	(10,974,722)	—
Balance at April 30, 2006	323,542,617	\$ 323,543	(499,854)	\$(7,498)	\$ 69,480,132	\$(1,687,796)	\$(70,856,278)	\$(2,747,897)	

See notes to condensed consolidated financial statements.

RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended April 30,	
	2006 (Restated)	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (10,974,722)	\$ (2,162,569)
Adjustments to reconcile net loss to net cash used in operating activities:		
Consulting fees and other compensatory elements of stock issuances	1,010,570	888,930
Derivative loss	484,538	—
Fair value of Investors' warrants in excess of debt discount	5,608,156	—
Loss on exchange of notes payable into common stock	446,386	—
Gain on forgiveness of principal and interest on Zaiq Note	(1,169,820)	—
Gain on sale of property and equipment	—	(20,000)
Gain on exchange of Redeemable Series B Preferred Stock into common stock	—	(55,814)
Other non-cash income	—	(33,514)
Amortization of deferred financing costs	568,819	53,109
Amortization of film in production costs	—	11,945
Amortization of debt discount on notes	2,168,904	520,169
Amortization of technology license and capitalized software development fee	315,232	—
Depreciation	1,239	7,095
Change in Assets (Increase) Decrease:		
Other current assets	(9,841)	(898)
Other assets	370	(2,990)
Change in Liabilities Increase (Decrease):		
Accounts payable and accrued expenses	199,687	(22,329)
NET CASH USED IN OPERATING ACTIVITIES	(1,350,482)	(816,866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of technology license and development fee	(200,000)	—
Acquisition of property and equipment	(4,499)	—
NET CASH USED IN INVESTING ACTIVITIES	(204,499)	—
CASH FLOWS FROM FINANCING ACTIVITIES		