

Edgar Filing: SRM NETWORKS INC - Form 10QSB

SRM NETWORKS INC  
Form 10QSB  
May 15, 2002

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

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: 000-33231

SRM Networks, Inc.  
-----

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

Nevada  
-----

(State or other jurisdiction of  
incorporation or organization)

95-4868120  
-----

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

1241 North Central Avenue, Suite 7, Glendale, California 91202  
-----

(Address of principal executive offices)

(818) 243.1181  
-----

(Issuer's Telephone Number)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date. As of May 14, 2002, there were 35,475,000 shares of the issuer's \$.001 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements  
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SRM NETWORKS, INC.

FINANCIAL STATEMENTS

MARCH 31, 2002

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SRM NETWORKS, INC.

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SRM NETWORKS, INC.

BALANCE SHEET

MARCH 31, 2002

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(UNAUDITED)

ASSETS

-----

|                          |    |        |
|--------------------------|----|--------|
| Current assets           |    |        |
| Cash                     | \$ | 11,421 |
| Accounts receivable, net |    | ---    |
|                          |    | -----  |
| Total current assets     |    | 11,421 |
| Other assets             |    | ---    |
|                          |    | -----  |
| Total assets             | \$ | 11,421 |
|                          |    | =====  |

LIABILITIES AND STOCKHOLDERS' EQUITY

-----

|  |    |          |
|--|----|----------|
| Current liabilities                        |    |          |
| Accounts payable and accrued expenses      | \$ | 5,150    |
|  |    | -----    |
| Total current liabilities                  |    | 5,150    |
| Stockholders' Equity                       |    |          |
| Preferred stock, \$.001 par value;         |    |          |
| Authorized shares-- 5,000,000              |    |          |
| Issued and outstanding share-- 0           |    | ---      |
|  |    | -----    |
| Common stock, \$.001 par value;            |    |          |
| Authorized shares-- 50,000,000             |    |          |
| Issued and outstanding shares-- 35,475,000 |    | 3,225    |
| Additional paid-in capital                 |    | 50,922   |
| Accumulated deficit                        |    | (47,876) |
|  |    | -----    |
| Total stockholders' equity                 |    | 6,271    |
|  |    | -----    |
| Total liabilities and stockholders' equity | \$ | 11,421   |
|  |    | =====    |

See accompanying notes to financial statements.

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SRM NETWORKS, INC.

STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2002

(UNAUDITED)

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|   |    |            |
|---|----|------------|
| Net revenues  | \$ | 40         |
| Operating expenses                                      |    |            |
| Legal and professional fees                             |    | 11,125     |
| Occupancy   |    | 595        |
| Office supplies   |    | 260        |
|   |    | -----      |
| Total operating expenses                                |    | 11,980     |
|   |    | -----      |
| Loss from operations                                    |    | (11,940)   |
|   |    | -----      |
| Provision for income tax expense (benefit)              |    | ---        |
|   |    | -----      |
| Net loss/comprehensive loss                             | \$ | (11,940)   |
|   |    | =====      |
| Net loss per common share --- basic and diluted         | \$ | (---)      |
|   |    | =====      |
| Weighted average of common shares --- basic and diluted |    | 19,350,000 |
|   |    | =====      |

See accompanying notes to financial statements.

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SRM NETWORKS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JUNE 8, 2001 (INCEPTION) THROUGH MARCH 31, 2002

(UNAUDITED)

|   | Common Stock |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit |
|---|--------------|--------|----------------------------------|------------------------|
|   | Shares       | Amount |                                  |                        |
|   | -----        | -----  | -----                            | -----                  |
| Balance, June 8, 2001                         | ---          | \$ --- | \$ ---                           | \$ ---                 |
| Issuance of common stock,<br>June 9, 2001     | 2,500,000    | 2,500  | 7,500                            | ---                    |
| Issuance of common stock,<br>October 30, 2001 | 523,000      | 523    | 25,627                           | ---                    |
| Issuance of common stock,<br>November 1, 2001 | 202,000      | 202    | 9,898                            | ---                    |
| Registration expenses                         | ---          | ---    | 5,967                            | ---                    |
| Cost of occupancy                             | ---          | ---    |                                  | ---                    |

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|   |            |          |           |             |
|---|------------|----------|-----------|-------------|
| contributed by officer                      | ---        | ---      | 1,335     | ---         |
| Net loss/comprehensive loss                 | ---        | ---      | ---       | (35,936)    |
| Balance, December 31, 2001                  | 3,225,000  | 3,225    | 50,327    | (35,936)    |
| Stock split (11:1)<br>February 15, 2002     | 32,250,000 | ---      | ---       | ---         |
| Cost of occupancy<br>contributed by officer | ---        | ---      | 595       | ---         |
| Net loss/comprehensive loss                 | ---        | ---      | ---       | (11,940)    |
| Balance, March 31, 2002                     | 35,475,000 | \$ 3,225 | \$ 50,922 | \$ (47,876) |

See accompanying notes to financial statements.

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SRM NETWORKS, INC.

STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2002

(UNAUDITED)

|  |             |
|--|-------------|
| Cash flows from operating activities                                       |             |
| Net loss   | \$ (11,940) |
| Adjustments to reconcile net loss to net cash used in operating activities |             |
| Occupancy costs contributed by officer                                     | 595         |
| Changes in operating assets and liabilities                                |             |
| Decrease in accounts receivable  | 40          |
| (Decrease) in accounts payable and accrued expenses                        | (3,021)     |
| Net cash used by operating activities                                      | (14,326)    |
| Cash flows from investing activities                                       | ---         |
| Cash flows from financing activities                                       |             |
| Receipts on advances to stockholders                                       | 20,000      |
| Payments on advances from stockholder                                      | (4,635)     |
| Stock subscriptions payable  | (14,000)    |
| Net cash provided by financing activities                                  | 1,365       |
| Net decrease in cash and cash equivalents                                  | (12,961)    |
| Cash and cash equivalents, beginning of period                             | 24,382      |

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|  |    |        |
|--|----|--------|
| Cash and cash equivalents, end of period         | \$ | 11,421 |
|  |    | =====  |
| Supplemental disclosure of cash flow information |    |        |
| Income taxes paid                                | \$ | ---    |
|  |    | =====  |
| Interest paid                                    | \$ | ---    |
|  |    | =====  |

See accompanying notes to financial statements.

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SRM NETWORKS, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

(UNAUDITED)

NOTE 1 - NATURE OF OPERATIONS

SRM Networks, Inc. (the "Company") is an Internet solutions company that specializes in website hosting and development services. The Company was incorporated in the state of Nevada on June 8, 2001 is headquartered in Glendale, California.

NOTE 2 - BASIS OF PRESENTATION

The unaudited financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. These financial statements and the related notes should be read in conjunction with the Company's audited financial statements for the period ended December 31, 2001 included in the Company's annual report on Form 10-KSB.

NOTE 3 - COMMON STOCK

On June 9, 2001, the Company issued 2,500,000 shares of its common stock to its officers for cash of \$10,000. Since there was no readily available market value at the time of issuance, the value of \$0.004 per share was considered as a reasonable estimate of fair value between the Company and the officers.

On October 30 and November 1, 2001, the Company issued 725,000 shares of its common stock to various individuals and an entity pursuant to its registration statement filing on Form SB-2 under the Securities Act of 1933. Per the registration statement, the Company issued the shares at \$0.05 per share for a total of \$36,250.

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On February 8, 2002, the Company's Board of Directors authorized the splitting of the Company's common stock on an eleven-to-one (11:1) basis for stockholders of record on February 14, 2002 and the resulting shares from the split were distributed on February 15, 2002. On February 15, 2002, there were 35,475,000 shares issued and outstanding.

### NOTE 4 - RELATED PARTY TRANSACTIONS

On June 9, 2001, the Company issued 2,500,000 shares of its common stock to its current officers for cash as described in Note 3.

On August 31, 2001, legal and professional expenses related to the Company's registration statement were paid by its officer in the amount of \$5,967. The payment of the fees was considered an additional contribution to capital by the officer and the Company.

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SRM NETWORKS, INC.

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

(UNAUDITED)

### NOTE 4 - RELATED PARTY TRANSACTIONS (continued)

The Company occupies office space provided by its officer. Accordingly, occupancy costs have been allocated to the Company based on the square foot percentage assumed multiplied by the officer's total monthly costs. These amounts are shown in the accompanying statement of operations for the period June 8, 2001 (inception) through June 30, 2001 and are considered additional contributions of capital by the officer and the Company.

### Item 2. Plan of Operation

-----

The following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "will", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data

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and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

We are an Internet solutions company that specializes in website hosting and development services. Website hosting encompasses a broad range of possible services, including basic services, such as simply posting a customer's website on the Internet using the hosting company's computer hardware and software, as well as enhanced services such as enabling financial transactions over the Internet, email, audio and video capabilities. Enhanced services may be developed internally by the web hosting company or purchased from external sources and resold by the web hosting company.

We offer, on a resale basis, a range of basic and enhanced web hosting services to businesses wishing to place their website on the Internet. These businesses often decide to use a web hosting company in order to avoid the financial cost, time and expertise requirements of hosting the website and obtaining enhanced services themselves. We focus on meeting the needs of small and medium-sized businesses and individuals who are establishing a commercial or informational presence on the Internet.

For the three months ended March 31, 2002.  
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Liquidity and Capital Resources. Our total current assets are \$11,421 as of March 31, 2002, all of which is represented by cash. We had no other assets as of March 31, 2002.

Our total current liabilities were approximately \$5,150 as of March 31, 2002, which is represented solely by accounts payable and accrued expenses. We had no other commitments or contingencies as of March 31, 2002.

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Results of Operations.

Revenues. For the three month period ended March 31, 2002, we realized revenues of approximately \$40 from providing web hosting and development services. We hope to generate more revenues as we expand our customer base and service menu.

Operating Expenses. For the three months ended March 31, 2002, our total expenses were approximately \$11,980. The majority of those expenses were represented by legal and professional fees of \$11,125. We also had expenses for occupying our offices, in the amount of \$595, and for office supplies in the amount of \$260. For the three months ended March 31, 2002, we experienced a net loss of approximately \$11,940.

Our Plan of Operation for the Next Twelve Months. To effectuate our business plan during the next twelve months, we must increase our current customer base. We must also effectively market our services. We anticipate that we will use the revenues generated to fund marketing activities and for working capital. Our failure to market and promote our services will harm our business and future financial performance.



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We had cash of \$11,421 as of March 31, 2002. In the opinion of management, available funds will satisfy our working capital requirements through the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could fail as a result of a number of factors. We anticipate that we may need to raise additional capital to expand our operations, although we have not made any efforts to obtain additional capital. Such additional capital may be raised through public or private financing as well as borrowings and other sources. We cannot guaranty that additional funding will be available on favorable terms, if at all. If adequate funds are not available, then our ability to expand our operations may be adversely affected. If adequate funds are not available, we believe that our officer and director will contribute funds to pay for our expenses. Our belief that our officer and director will pay our expenses is based on the fact that our officer and director owns 27,500,000 shares of our common stock, which represents approximately 77.52% of our common stock. We believe that our officer and director will continue to pay our expenses as long as he maintains his ownership of our common stock. Therefore, we have not contemplated any plan of liquidation in the event that we do not generate revenues.

We have also contemplated acquiring a third party, merging with a third party or pursuing a joint venture with a third party in order to support our development. We have conducted informal discussions with potential acquisition or merger candidates, although we have not conducted any formal negotiations. We cannot guaranty that we will acquire or merge with a third party, or that in the event we acquire or merge with a third party, such acquisition or merger will increase the value of our common stock.

We are not currently conducting any research and development activities, other than the development of our website. We do not anticipate conducting such activities in the near future. In the event that we expand our customer base, then we may need to hire additional employees or independent contractors as well as purchase or lease additional equipment.

### PART II -- OTHER INFORMATION

#### Item 1. Legal Proceedings.

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None.

#### Item 2. Changes in Securities.

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On February 8, 2002, our Board of Directors authorized a forward split of all of our issued and outstanding shares of common stock on an eleven to one (11:1) basis. Such split was effectuated through a dividend of ten (10) shares of common stock for each share of common stock then held of record by such holder. The record date for that declared dividend was February 14, 2002. The pay date for that declared dividend was February 15, 2002.

#### Item 3. Defaults Upon Senior Securities

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None.

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Item 4. Submission of Matters to Vote of Security Holders  
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None.

Item 5. Other Information  
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None.

Item 6. Exhibits and Reports on Form 8-K  
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(a) Exhibit No.  
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3.1 Articles of Incorporation\*

3.2 Bylaws\*

\* Included in the registration statement on Form SB-2 filed on August 7, 2001.

(b) Reports on Form 8-K  
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1. Form 8-K filed on February 25, 2002, which reported a change in control under Item 1 and resignation of directors under Item 6.

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SIGNATURES

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

SRM Networks, Inc.,  
a Nevada corporation

May 14, 2002

By: /s/ Jan H. Barcikowski  
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Jan H. Barcikowski  
Its: President, Secretary, Director

