

Edgar Filing: MEMS USA INC - Form 10QSB

MEMS USA INC
Form 10QSB
August 12, 2004

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2004

Or

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

For the transmission period from _____ to _____

Commission file number 0-4846-3

MEMS USA, INC.
(Formerly Lumalite Holdings, Inc.)
(Exact name of registrant as specified in charter)

Nevada

82-0288840

State or other jurisdiction
of Incorporation

IRS employer ID number

5701 Lindero Canyon Road., #2-100
Westlake Village, CA 91362
(Address of Principal Executive Offices)

Registrants telephone number (818)-735-4750

State the number of shares outstanding of each of the issuers classes of common
equity as of the last practicable date (June 30, 2004) 13,385,779 shares

MEMS USA, INC.
AND SUBSIDIARY
FOR THE THREE AND NINE MONTHS ENDED
JUNE 30, 2004

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Part I - FINANCIAL INFORMATION

MEMS USA, INC.
(A Development Stage Company)

BALANCE SHEET
June 30, 2004

(Unaudited)
June 30
2004

ASSETS

Current Assets:		
Cash and cash equivalents	\$	58,272
Joint venture investment		350

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Contracts in progress, net of reserves	257

Total current assets	58,879

Property and equipment, net	228,423
Deposits	343,880

Total assets	\$ 631,182
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 151,152
Liability to be satisfied through the issuance of shares	1,874,080

Total current liabilities	2,025,232

Stockholders' Deficit:	
Convertible preferred stock, Series A, \$.001 par value, 1,200,000 authorized, none issued and outstanding	
Common stock, par value \$.001 per share, 100,000,000 authorized, 13,385,779 shares issued and outstanding	13,386
Stock subscriptions receivable	(2,249)
Additional paid in capital	1,419,424
Accumulated deficit during development stage	(2,824,611)

Total stockholders' deficit	(1,394,050)

	\$ 631,182
	=====

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MEMS USA, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (ACCUMULATED DEFICIT)
(Unaudited)

Nine-Months Ended	Nine-Months Ended	Three-
June 30	June 30	J
2004	2003	

CONTINUING OPERATIONS:

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Revenues:		
Contract revenue	95,350	
Costs:		
Contract costs	\$ 495,931	
General and administrative expenses	1,174,712	126,401
Expenses related to merger	350,360	

Net income (loss)		
from continuing operations	(1,926,003)	(126,401)

Retained earnings (accumulated deficit), beginning of period	(898,958)	(201,677)

Retained earnings (accumulated deficit), end of period	\$ (2,824,611)	(328,078)
	=====	
Net income (loss) per share:		
Net Income (loss) per share, basic and diluted	\$ (0.16)	(0.02)
	=====	
Weighted average number of common shares outstanding, basic:	11,913,477	8,118,778
	=====	

From November 17,
2000 (inception) to
June 30, 2004

CONTINUING OPERATIONS:

Revenues:		
Contract Income	95,350	
Costs:		
Contract costs	\$ 514,338	
General and administrative expenses	2,055,263	
Expenses related to merger	350,360	

Net income (loss)		
from continuing operations	(2,824,611)	

Retained earnings (accumulated deficit), beginning of period		0

Retained earnings (accumulated deficit), end of period	\$ (2,824,611)	
	=====	

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MEMS USA, INC.
(A Development Stage Company)

STATEMENT OF CASH FLOWS
(Unaudited)

	Nine-Months Ended June 30 2004	Nine-Mont June 200

Cash flows provided by (used for) operating activities:		
Net Loss	\$ (1,926,003)	(126

Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation	30,268	
Common stock issued for services	350,360	
(Increase) decrease in assets:		
Contracts in progress	156,493	
Joint Venture investment	(350)	
Deposits	(294,740)	(49
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(59,444)	
Accrued salaries	(161,695)	
Payroll taxes payable	52,220	
Liability for stock subscribed	1,874,080	
Accrued interest payable		77
Dividends payable		28
Increase in loan payable		(69
Deferred revenue	(28,333)	28

Total adjustments	1,918,859	56
Net cash provided by (used for) operating activities	(7,144)	(69
Cash flows from investing activities:		
Purchase of fixed assets	(97,297)	(53
Loss on discontinued operations		

Net cash provided by (used for) investing activities:	(97,297)	(53
Cash flows from financing activities:		
Increase in subscriptions receivable	(151)	3
Dividends		
Issuance of preferred and common stock	139,251	145

Net cash flows provided by (used for) financing activities:	139,100	149
Net Increase (decrease) in cash and cash		

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equivalents during the period	34,659	26
Cash and cash equivalents, beginning of period	23,613	2

Cash and cash equivalents, end of period	58,272	28
	=====	
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ --	
	=====	
Interest paid	\$ --	
	=====	
Supplemental disclosure of non-cash financing activities:		
Common stock issued for services	\$ 350,360	
	=====	
Dividends accrued	\$ --	
	=====	
Stock issued in exchange for subscriptions receivable	\$ --	
	=====	
Issuance of Series A preferred stock in satisfaction	\$ 228,250	
	=====	

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MEMS USA, INC.
AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED)

(1) Nature of Business:

MEMS USA, Inc. (the "Company") is currently a development stage company under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7 "Accounting and Reporting by Development Stage Enterprises" and was incorporated under the laws of the State of California on November 17, 2000. The Company is in the business of providing Micro Electrical Mechanical Solutions for major scientific and engineering companies, using existing technology and patent rights furnished by the customers. The Company designs and engineers prototypes and manufactures products and systems for distribution by the customer.

The accompanying unaudited consolidated financial statements of MEMS USA, Inc., (MEMS USA, Inc. - a Nevada "public shell" company "MEMS NV" and its subsidiary MEMS USA, Inc. - a California non-public corporation "MEMS CA" together), "The Company" have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included.

(2) Exchange Transaction:

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On January 28, 2004 the Registrant entered into an Agreement and Plan of Reorganization to acquire all of the issued and outstanding common stock of MEMS USA, Inc. (a California Corporation and private company, "MEMS CA" in exchange for up to 10,000,000 shares (post split) of the registrant's common stock. Each of MEMS CA's outstanding common shares were converted into 1.7125634 shares of MEMS NV (formerly known as Lumalite Holdings, Inc a public company with 3,385,779 shares outstanding prior to the transaction), subject to adjustment for the elimination of fractional shares. No fractional shares were issued. Instead, cash equal to \$2.50 per share of eliminated fractional shares will be paid to the stockholders. At the closing, MEMS CA became a wholly-owned subsidiary and the MEMS CA stockholders were issued 10,000,000 shares, owning approximately 80% of the outstanding common stock. Since the former stockholders of MEMS CA became the controlling stockholders of the company after the transaction, it was accounted for as an acquisition of MEMS NV by MEMS CA, using reverse merger accounting.

(3) Stock Exchange:

In connection with the aforementioned exchange transaction, the Company effected a 1.7125634 to one stock split. The retroactive effect of the split has been made for all periods presented.

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MEMS USA, INC.
AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED)

(4) Interim Financial Statements:

The accompanying unaudited financial statements for the nine months ended June 30, 2004 and 2003 include all adjustments (consisting of only normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for a full year. These unaudited financial statements should be read in conjunction with the audited financial statements for the period from November 17, 2000 (inception) to September 30, 2003, to be included in an amendment to the company's Form 8-K.

(5) Going Concern Consideration:

As discussed above (Nature of Business), the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company's primary operations and sources of revenue are currently being developed. MEMS CA revenue streams have been established, yet as a development stage enterprise, these streams remain to be classified as consistently substantial on an ongoing basis. This characteristic raises doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

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The Company has undergone a merger and plan of reorganization, obtaining all outstanding shares of MEMS CA as of February 18, 2004. MEMS NV exchanged 10,000,000 shares of MEMS NV common stock for all of the outstanding common and preferred stock of MEMS CA. Management plans to issue remaining shares of MEMS NV through syndicators and investment bankers in order to provide financing for ongoing operations. During the nine months ended June 30, 2004, the Company generated common stock subscriptions totaling \$1,874,080. The funds for these shares have been collected and the shares will be issued upon the closing of the current offering.

(6) Private Placement of Securities:

In connection with a private placement of securities in the quarter ended June 30, 2004, the Company received \$1,874,080 for the sale of its shares in a private offering transaction. The transaction originally provided for the sale of up to \$1,500,000 (subsequently increased by consent of MEMS' board) in shares of the Company's unregistered common stock, \$.001 par value per share, in minimum investment amounts of \$10,000, sold to accredited investors within the meaning of Rule 501(a) of regulation D of the Securities Act of 1933. The shares will be priced at a 30% discount from the closing price posted on the OTCBB on the day that the investment amount is received by the Company.

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MEMS USA, INC.
AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED)

(6) Private Placement of Securities, Continued:

As the shares related to the \$1,874,080 receipts have not yet been issued the amounts are classified in the accompanying balance sheet as a liability to be satisfied through issuance of shares. On July 13, 2004, the unregistered shares of common stock were issued.

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Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following should be read in conjunction with the Company's financial statements and the notes thereto contained elsewhere in this filing.

Cautionary Statement Regarding Forward Looking Statements

With the exception of historical matters, the matters discussed herein are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements concerning anticipated trends in revenues and net income, projections concerning operations and available cash flow. The Company's actual results could differ materially from the results discussed in such forward-looking statements. The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's financial statements and the related

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notes thereto appearing elsewhere herein.

The Company wishes to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to, the Risk Factors listed below (many of which have been discussed in prior SEC filings by the Company). Though the Company has attempted to list comprehensively these important factors, the Company wishes to caution investors that other factors could in the future prove to be important in affecting the Company's results of operations. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are further cautioned not to place undue reliance on such forward-looking statements as they speak only of the Company's views as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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(a) Plan of Operation

(i) The Company can satisfy its cash requirements and will raise additional funds in the next twelve months through the issuance of common stock.

(ii) Please refer to form 8 - K filed with the Securities and Exchange Commission on February 18, 2004, which discusses product research and development and other relevant business plans for the term, as well as the overall nature of business for MEMS USA, INC.

(b)(1) Micro-Electro-Mechanical-Systems (MEMS) technology is a developing technology integrating electronics with miniature devices designed to assist companies seeking to monitor and improve various aspects within the production process. By improving, and in some cases developing, the monitoring processes of temperature, pressure, flow rate, particle count, conductivity, PH/acidity, lubricity, viscosity, and pressure differential, MEMS USA, INC. intends to transform the production processes for many companies by allowing them to more effectively monitor the development of critical business assets and to more efficiently implement the utilization of valuable production resources. Oil & gas companies (exploring and developing), Pharmaceutical companies, Food and Beverage concerns and even Car rental enterprises could potentially obtain significant and substantial savings by investing, today, in the production processes of tomorrow.

The Company's primary operations are carried out at the subsidiary level. The subsidiary, as a development stage company, is pursuing several activities to establish core revenue generating sources: selling products and systems developed by and manufactured for MEMS USA, obtaining revenue from products and systems on a contract basis, developing and out-licensing Intellectual Property internationally, increasing Principal Investigator Contracts that provide product development revenues from private and publicly funded projects, and developing the operations as a Center of Excellence in its areas of technological expertise. Success of the company will be determined by its ability to attract, develop and then maintain these significant core revenue streams.

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(b) Comparative Analysis

Revenues

We are a development stage company. There were job contracts generating revenues of \$95,000. Costs exceeded job-revenues, therefore, revenues are shown as contract revenues and the costs of the contracts are shown as contract in the statement of operations.

Contract Costs

The completion of two job contracts resulted in significantly higher contract costs than had been reported in previous periods.

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General and Administrative Expenses

General and administrative expenses increased in the current reporting periods due to additional staffing expansions, consulting required on various projects, and increased professional fees related to further stock offerings.

Expenses Related to Merger

Merger related expenses were incurred in the current reporting period as compensation to brokers and securities firms actively engaged in promoting corporate stock, resulting from a merger with a corporate entity (formerly Lumalite, Inc.).

Liquidity and Capital Resources

The company continues to seek and establish an ongoing source of substantial revenues. Currently, as a development stage enterprise, the operations of the company are being financed by the issuance of corporate stock. Recent developments in the company's support operations for the oil and gas industry plan to be indicative of primary revenue streams. Company stock prices remain steady and appear to sufficiently be able to support company operations until ongoing revenue streams can be further developed and maintained.

Item 3. - CONTROLS AND PROCEDURES

As of the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 12a-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to us and our consolidated subsidiaries is recorded, processed, summarized and reported in a timely manner. Management will continue to review this matter with particular emphasis on the documentation of the Company's disclosure controls and procedures. There has been no change in the Company's internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II - OTHER INFORMATION

Item 1.	LEGAL PROCEEDINGS	NONE
Item 2.	CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES	NONE
Item 3.	DEFAULTS UPON SENIOR SECURITIES	NONE
Item 4.	SUBMISSION OF MATTERS TO VOTE OF SECURITIES HOLDERS	NONE
Item 5.	OTHER INFORMATION	NONE
Item 6.	- EXHIBITS AND REPORTS ON FORM 8-K	

(1) Exhibits

Exhibit No. 1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

Exhibit No. 2 Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

Forms 8-K were filed during the current reporting quarter. The filings provided the company's likelihood of change of ownership and intent to acquire the outstanding shares of MEMS USA, INC (a California corporation), and the consummation of the reorganization and merger plan. Financial Statements for this quarter are submitted with this Form 10-QSB.

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SIGNATURES

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

Date: August 6, 2004

/s/ Lawrence Weisdorn

Lawrence Weisdorn
Chief Executive Officer
Chief Financial Officer

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