

STORAGE COMPUTER CORP
Form 10-Q
May 15, 2003
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

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 1-13616

STORAGE COMPUTER CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

02-0450593
(I.R.S. EMPLOYER IDENTIFICATION NO.)

11 RIVERSIDE DRIVE, NASHUA, NH 03062

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(603) 880-3005

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:

Indicate by check mark whether the registrant (1) has 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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the registrant's class of common stock, as of the latest practicable date.

<u>CLASS</u>	<u>OUTSTANDING AT APRIL 28, 2003</u>
Common Stock	36,113,096

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	March 31 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,527,229	\$ 2,680,599
Accounts receivable, net	115,687	192,882
Inventories	1,994,770	2,031,679
Due from officers and directors	134,828	133,247
Other current assets	124,861	80,484
	<u>3,897,375</u>	<u>5,118,891</u>
Total current assets		
Property and equipment, net	476,894	537,313
Goodwill, net	2,692,611	2,692,611
Other intangibles, net of accumulated amortization of \$1,498,943 and \$1,195,951 in 2003 and 2002, respectively	1,381,057	1,525,057
	<u>8,447,937</u>	<u>9,873,872</u>
Total assets		
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 302,279	\$ 472,667
Accrued expenses	2,128,702	2,169,952
Deferred revenue	141,248	202,366
Current maturities of long-term debt	665,000	665,000
	<u>3,237,229</u>	<u>3,509,985</u>
Total current liabilities		
Commitments and contingencies		
Redeemable convertible preferred stock		1,212,618
		<u>1,212,618</u>
Stockholders' equity:		
Preferred stock		
Common stock	36,094	25,752
Additional paid-in capital	84,858,179	83,589,403
Accumulated deficit	(79,683,565)	(78,463,886)
	<u>5,210,708</u>	<u>5,151,269</u>
Total stockholders' equity		

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Total liabilities and stockholders' equity	<u>\$ 8,447,937</u>	<u>\$ 9,873,872</u>
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See Notes to Consolidated Financial Statements.

Table of Contents**Storage Computer Corporation****Statements of Consolidated Operations (Unaudited)**

	Three Months Ended	
	March 31, 2003	March 31, 2002
Revenues:		
Products and services	\$ 277,984	\$ 766,003
License fees		
Total Revenues	277,984	766,003
Costs and expenses:		
Cost of products and services	247,061	721,700
Cost of license fees, primarily legal fees	259,715	679,114
Research and development	285,909	1,019,669
Sales and marketing	162,191	1,016,726
General and administrative	377,137	801,529
Amortization of intangibles	144,000	240,072
Total costs and expenses	1,476,013	4,478,810
Operating loss	(1,198,029)	(3,712,807)
Other income (expense):		
Interest expense, net	(4,480)	(3,257)
Other income	425	50,859
Total other income (expense), net	(4,055)	47,602
Loss before income taxes	(1,202,084)	(3,665,205)
Provision (credit) for income taxes		
Net loss	(1,202,084)	(3,665,205)
Dividends on preferred stock including amortization of the beneficial conversion features	(17,595)	(257,044)
Net loss applicable to common stockholders	\$ (1,219,679)	\$ (3,922,249)
Loss applicable to common stockholders per basic and dilutive share	\$ (0.04)	\$ (0.20)
Basic and dilutive shares	34,421,825	19,176,260

See Notes to Consolidated Financial Statements.

Table of Contents**Storage Computer Corporation****Consolidated Statements of Cash Flows (Unaudited)**

	Three Months Ended	
	March 31, 2003	March 31, 2002
Cash flows from operating activities:		
Net loss	\$ (1,202,084)	\$ (3,665,205)
Reconciliation to operating cash flows:		
Depreciation and amortization of property and equipment	60,419	124,980
Amortization of other intangibles	144,000	240,072
Stock issued to 401(k) plan	4,244	18,786
Changes in operating assets and liabilities:		
Accounts receivable	77,195	286,764
Inventories	36,909	(276,315)
Due from officers and directors	(1,581)	1,000,000
Other current assets	(44,377)	106,816
Accounts payable and accrued expenses	(233,052)	49,355
Net cash used in operations	(1,158,327)	(2,114,747)
Cash flows from investing activities:		
Capital expenditures		(15,442)
Other assets		6,073
Net cash used in investing activities		(9,369)
Cash flows from financing activities:		
Reduction of long-term debt		(72,857)
Net proceeds from issuance of common stock for stock options	4,957	79,078
Net cash provided by financing activities	4,957	6,221