

NMXS COM INC
Form 10QSB
November 15, 2004

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

FORM 10-QSB

(Mark One)

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

For the quarter ended September 30, 2004

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

For the transition period from _____ to _____

COMMISSION FILE #333-30176

NMXS.COM, INC.

(Exact name of Registrant as specified in charter)

DELAWARE

(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

91-1287406

(IRS EMPLOYER IDENTIFICATION NUMBER)

5021 Indian School Road, Suite 100

Albuquerque, New Mexico 87110

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)(ZIP CODE)

(505) 255-1999

(REGISTRANT'S TELEPHONE NO., INCLUDING AREA CODE)

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT)

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

NUMBER OF SHARES OF THE REGISTRANT'S COMMON STOCK OUTSTANDING AS OF NOVEMBER 11, 2004 IS: 31,617,888.

TRANSFER AGENT AS OF November 11, 2004: Interwest Transfer Company, Inc., 1981 East Murray Holladay Road, Suite 100, Salt Lake City, Utah 84117.

PART I
FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

NMXS.com, Inc. and Subsidiaries
Consolidated Balance Sheet
(unaudited)

		September 30, 2004
Assets		
Current assets:		
Cash and equivalents	\$	89,000
Accounts receivable, net		507,000
Inventory		7,000
Prepaid expenses and other assets		34,000
Total current assets		637,000
Furniture, equipment and improvements, net		100,000
Security deposits		40,000
Goodwill, net		75,000
	\$	852,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$	67,000

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Accrued expenses	412,000
Deferred revenue	15,000
Notes payable	356,000
Total current liabilities	850,000

Stockholders' equity:

Preferred stock, \$0.001 par value, 500,000 shares authorized, 135 shares issued and outstanding	-
Common stock, \$0.001 par value, 50,000,000 shares authorized, 31,436,791 shares issued and outstanding	31,000
Additional paid-in capital	9,136,000
Stocks payable	78,000
Prepaid compensation	(159,000)
Accumulated (deficit)	(9,084,000)
	2,000
	\$ 852,000

NMXS.com, Inc. and Subsidiaries
Consolidated Statements of Operations
(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
Revenue				
Software sales and maintenance	\$ 142,000	\$ 158,000	\$ 632,000	\$ 648,000
Custom programming	5,000	151,000	43,000	200,000
License fees	15,000	15,000	125,000	30,000
Scanning services	42,000	50,000	130,000	121,000
Hardware sales	3,000	2,000	53,000	3,000
Other	1,000	1,000	2,000	2,000
	208,000	377,000	985,000	1,004,000
Operating costs and expenses:				
Cost of services	127,000	80,000	286,000	245,000
Cost of hardware	9,000	-	25,000	-
General and administrative	260,000	158,000	700,000	716,000
Research and development	32,000	28,000	91,000	90,000
Bad debt expense	-	-	-	501,000
Total operating costs and expenses	428,000	266,000	1,102,000	1,552,000
	(220,000)	111,000	(117,000)	(548,000)

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Net operating
profit (loss)

Other (expense):

Interest (expense)	(12,000)	(5,000)	(19,000)	(19,000)
Total other (expense)	(12,000)	(5,000)	(19,000)	(19,000)
Net income (loss)	\$ (232,000)	\$ 106,000	\$ (136,000)	\$ (567,000)

Weighted average
number of

common shares
outstanding -
basic and fully
diluted

30,233,770	27,625,235	30,324,023	26,202,932
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Net income (loss)
per share - basic
and fully diluted

\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.02)
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NMXS.com, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	For the nine months ended September 30,		
	2004		2003
Cash flows from operating activities			
Net (loss)	\$ (136,000)	\$	(567,000)
Adjustments to reconcile net (loss) to			
net cash (used) by operating activities:			
Prior period adjustment	-		(6,000)
Common stock issued for salaries	98,000		69,000
Common stock issued for services	48,000		107,000
Stock options issued for services	-		9,000
Bad debt expense	-		501,000
Depreciation and amortization	58,000		65,000
Changes in:			
Accounts receivable	(57,000)		(307,000)
Inventory	(4,000)		(10,000)
Prepaid expenses and other assets	(13,000)		(11,000)
Security deposits	(1,000)		-
Officer advances	-		1,000
Accounts payable	(55,000)		(132,000)
Accrued expenses	(53,000)		117,000
Deferred revenue	(55,000)		25,000
Net cash (used) by operating activities	(170,000)		(139,000)

Cash flows from investing activities

Acquisition of fixed assets	(17,000)	(6,000)
Net cash (used) by investing activities	(17,000)	(6,000)

Cash flows from financing activities

Proceeds from notes payable	105,000	25,000
Repayment of note payable	(25,000)	(12,000)
Net proceeds from the issuance of common stock	185,000	28,000
Net proceeds from the issuance of preferred stock	-	135,000
Net cash provided by financing activities	265,000	176,000
Net increase in cash and equivalents	78,000	31,000
Cash and equivalents - beginning	11,000	39,000
Cash and equivalents - ending	\$ 89,000	\$ 70,000

Supplemental disclosures:

Interest paid	\$	-	\$	-
Income taxes paid	\$	-	\$	-

NMXS.com, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE A BASIS OF PRESENTATION

The interim consolidated financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim consolidated financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2003 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

NOTE B - FURNITURE, EQUIPMENT, AND IMPROVEMENTS

Furniture, equipment, and improvements as of September 30, 2004 consisted of the following:

Computers	\$ 275,000
Furniture, fixtures and equipment	105,000
Leasehold improvements	<u>10,000</u>
	390,000
Accumulated depreciation	<u>(290,000)</u>

\$ 100,000

NOTE C - NOTE PAYABLE

During January 2001, the Company borrowed \$300,000. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by an officer of the Company. Additional collateral was provided by a letter of credit issued by a then unrelated third party. The letter of credit expired on January 19, 2002. The note was renewed with a due date of July 24, 2002 at a current interest rate of 7%. On July 24, 2002, the Company paid \$50,000 of principal and \$10,525 of interest. The remaining \$250,000 of principal was extended to October 24, 2002 at a current interest rate of 7%. On October 24, 2002 the Company paid \$25,000 of principal and \$4,555 of interest. The remaining \$225,000 of principal was extended until April 24, 2003 at a current interest rate of 7%. On April 24, 2003, the Company paid \$12,224 of principal and \$12,768 of interest. The remaining \$212,776 of principal was extended until October 15, 2003 at a current interest rate of 7%. On October 20, 2003, the Company has negotiated a payment of \$25,000 in principal and \$7,500 in interest and extended the note to April 23, 2004. On April 5, 2004, the Company paid \$25,000 of principal and \$6,000 in interest. The remaining \$163,240 was extended to October 15, 2004. On October 8, 2004, the Company paid \$25,000 of principal and \$6,000 of interest. The remaining \$138,168 was extended until April 15, 2005. As of September 30, 2004, the Company had a balance due of \$163,000 plus accrued interest of \$5,000.

On April 22, 2002, the Company borrowed \$50,000. The loan was due on April 23, 2003 at a current interest rate of 10% per annum. This note is secured by 500,000 shares of the Company's \$0.001 par value common stock. As of September 30, 2004, the Company is in default and is negotiating with the note holder. As of September 30, 2004, the total amount owed was \$62,000 of which \$50,000 is principal and \$12,000 is interest.

In April 2002, the Company borrowed \$12,500. The loan is due on demand and bears no interest. As of September 30, 2004, the Company had a balance due of \$12,500.

NMXS.com, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

On March 1, 2003, the Company borrowed \$25,000. The loan was due on September 30, 2003 at a current interest rate of 7% per annum. On August 29, 2003, the note was extended to December 31, 2003. On December 31, 2003, the note was extended to April 15, 2004. As of September 30, 2004, the Company had a balance due of \$27,000. On April 15, 2004, the note was extended to September 30, 2004. On May 21, 2004, the borrowed an additional \$50,000. The loan was due on demand at a current interest rate of 8% per annum. As of September 30, 2004, the total amount owed was \$79,000 of which \$75,000 is principal and \$4,000 is interest.

On September 2, 2004, the Company borrowed \$25,000. The loan is due on demand and bears no interest. As of September 30, 2004, the Company had a balance due of \$25,000.

On September 3, 2004, the Company borrowed \$30,000 from a director of the Company. The loan is due on demand and bears no interest. As of September 30, 2004, the Company had a balance due of \$30,000.

NOTE D - CAPITAL TRANSACTIONS

Common stock:

During the nine month period ended September 30, 2004, the Company effected the following stock transactions:

On January 7, 2004, the Company issued a total of 250,000 shares of its \$0.001 par value common stock to a shareholder of the Company as part of a five year consulting agreement in the amount of \$15,000. The entire amount is considered prepaid compensation.

On February 9, 2004, the Company issued a total of 75,000 shares of its \$0.001 par value common stock to a shareholder of the Company as part of a five year consulting agreement in the amount of \$4,500. The entire amount is considered prepaid compensation.

On March 7, 2004, the Company issued a total of 275,000 shares of its \$0.001 par value common stock to a shareholder of the Company as part of a five year consulting agreement in the amount of \$16,500. The entire amount is considered prepaid compensation.

On March 8, 2004, the Company issued a total of 127,723 shares of the Company's \$0.001 par value common stock to an employee in lieu of salary which was valued at \$16,000.

During the three months ended March 31, 2004, the Company received cash totaling \$116,000. The Company has an offering open and raised a total of \$56,000 related to the sale of 223,000 shares of the Company's \$0.001 par value common stock. The remaining amount of \$60,000 is due to the exercise of warrants from individuals to purchase a total of 285,000 shares of the Company's \$0.001 par value common stock. As of September 30, 2004, the Company has not issued any of the shares mentioned and the entire balance of \$116,000 is considered subscriptions payable and will be adjusted upon the issuance of the shares.

On March 31, 2004, the Company adjusted prepaid compensation in the amount of \$15,000.

On April 6, 2004, the Company cancelled 22,500 shares of its \$0.001 par value common stock that was erroneously issued to an employee as a bonus on December 10, 2003.

On June 7, 2004, the Company issued a total of 210,000 shares of the Company's \$0.001 par value common stock which was part of the equity offering and reduced the subscriptions payable balance by

NMXS.com, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

\$52,500. In addition, the Company issued a total of 185,000 shares of the Company's \$0.001 par value common stock which were related to the exercise of warrants and reduced the subscriptions payable balance by \$38,850.

On June 22, 2004, the Company issued a total of 275,000 shares of its \$0.001 par value common stock to a shareholder of the Company as part of a five year consulting agreement in the amount of \$16,500. The entire amount is considered prepaid compensation.

On June 29, 2004, the Company received cash totaling \$47,000. The Company sold 275,000 shares of its \$0.001 par value common stock to one of its directors. The entire balance of \$47,000 is considered subscriptions payable and will be adjusted upon the issuance of the shares.

On June 30, 2004, the Company received cash totaling \$6,600 for options from an individual to purchase a total of 60,000 shares of the Company's \$0.001 par value common stock.

On June 30, 2004, the Company adjusted prepaid compensation in the amount of \$15,000.

On August 1, 2004, the Company issued a total of 59,658 shares of the Company's \$0.001 par value common stock to employees in lieu of salary which was valued at \$20,277.

On August 16, 2004, the Company issued a total of 59,658 shares of the Company's \$0.001 par value common stock to employees in lieu of salary which was valued at \$20,277.

On August 31, 2004, the Company issued a total of 32,000 shares of the Company's \$0.001 par value common stock to various individuals in exchange for cash of \$5,000 and subscriptions receivable of \$3,250.

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On August 31, 2004, the Company authorized to issue 40,000 shares the Company s \$0.001 par value common stock to an individual in exchange for services rendered of \$10,000. The entire amount is considered subscriptions payable and will be adjusted upon the issuance of the shares.

On September 1, 2004, the Company issued a total of 59,658 shares of the Company s \$0.001 par value common stock to employees in lieu of salary which was valued at \$20,277.

On September 23, 2004, the Company issued a total of 275,000 shares of its \$0.001 par value common stock to a shareholder of the Company as part of a five year consulting agreement in the amount of \$16,500. The entire amount is considered prepaid compensation.

On September 29, 2004, the Company issued a total of 50,000 shares of its \$0.001 par value common stock to their attorneys in exchange for legal services totaling \$12,000.

On September 30, 2004, the Company issued a total of 99,338 shares of the Company s \$0.001 par value common stock to employees in lieu of salary which was valued at \$21,854.13.

On September 30, 2004, the Company adjusted prepaid compensation in the amount of \$15,000.

Warrants:

During the nine month period ended September 30, 2004 there were no warrants issued and 345,000 warrants exercised.

NMXS.com, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Stock options:

Disclosures required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), including pro forma operating results had the Company prepared its financial statements in accordance with the fair value based method of accounting for stock-based compensation prescribed therein are shown below. Exercise prices and weighted-average contractual lives of stock options outstanding as of September 30, 2004 are as follows:

Exercise Prices	Options Outstanding		Weighted Average Exercise Prices	Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life		Number Exercisable	Weighted Average Exercise Price
\$0.05-\$0.30	7,832,320	6.64	\$0.10	5,853,400	\$0.11
\$0.31-\$0.50	160,000	4.63	\$0.36	160,000	\$0.36
\$0.54-\$0.83	60,000	1.58	\$0.61	60,000	\$0.61

Summary of Options Granted and Outstanding:

	For the nine months ended September 30,			
	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options:				
Outstanding at beginning of year	6,042,824	\$0.12	2,526,000	\$0.63
Granted	-	\$ -	1,700,000	\$0.06
Cancelled	(337,049)	\$0.26	(6,000)	\$1.25

Outstanding at end of year	5,705,775	\$0.12	4,220,000	\$0.63
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The following table summarizes the pro forma operating results of the Company for September 30, 2004 had compensation costs for the stock options granted to employees been determined in accordance with the fair value based method of accounting for stock based compensation as prescribed by SFAS No. 123.

Proforma net income (loss) available to common stockholders	\$	0
Proforma basic and diluted loss per share	\$	0.00

NOTE E - RELATED PARTY TRANSACTIONS