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CORTEX SYSTEMS INC
Form 10QSB
May 06, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10QSB

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 333-72392
CORTEX SYSTEMS INC.
(Exact name of registrant as specified in its charter)

Nevada
(State of other jurisdiction of incorporation or organization)

98-0353403
(IRS Employer Identification Number)

777 Royal Oak Drive
Suite 310
Victoria, British Columbia
Canada V8X 5K2
(Address of principal executive offices)

(250) 744-4230
(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 the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practicable date.

Common stock, par value \$.0001; 34,573,800 shares outstanding
as of May 6, 2003.

-1-

CORTEX SYSTEMS INC.
(Development Stage Company)
BALANCE SHEETS
(Unaudited)
March 31, 2003, and June 30, 2002

	Mar 31, 2003	Jun 30, 2002
ASSETS		
CURRENT ASSETS		
Cash	\$510	73,772

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TOTAL ASSETS	\$510	73,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$2,000	34,474
related party-see Note 4		
Total Current Liabilities	\$2,000	34,474
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock		
100,000,000 shares authorized, at \$0.0001		
par value; 34,573,800 shares issued and outstanding	3457	3457
Capital in excess of par value	73,363	73,363
Accumulated deficit during development stage	(78,310)	(37,522)
Total Stockholders' Deficit	(1490)	39,298
Total Stockholders' Equity	\$ 510	\$73,772

The accompanying notes are an integral part of these financial statements.

-2-

CORTEX SYSTEMS INC.
(Development Stage Company)
STATEMENT OF OPERATIONS
(Unaudited)

For the Nine Months Ended March 31, 2003, and 2002,
and the Period July 6, 2001 (Date of Inception) to March 31, 2003

	Nine Months		July 6, 2001
	Mar 31, 2003	Mar 31, 2002	to Mar 31, 2003
REVENUES	295	-	409
EXPENSES	41,083	23,954	78,719
NET LOSS	(40,788)	(23,954)	(78,310)
NET LOSS PER COMMON SHARE			
Basic	\$ -	\$ -	
AVERAGE NUMBER OF COMMON STOCK OUTSTANDING SHARES	34,573,800	30,000,000	

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The accompanying notes are an integral part of these financial statements.

-3-

CORTEX SYSTEMS INC.
(Development Stage Company)
STATEMENT OF CASH FLOWS
(Unaudited)

For the Nine Months Ended March 31, 2003, and 2002,
and the Period July 6, 2001 (Date of Inception) to March 31, 2003

	Nine Months Ended		July 6, 2001 to
	Mar 31	Mar 31	Mar 31, 2003
	2003	2002	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	(40,788)	(23,954)	(78,310)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Changes in accounts payable	(32,474)	20,665	2,000
Issuance of capital stock for expenses	-	90	90
Net Cash Flow Used in Operations	(73,262)	(3,199)	(76,220)
CASH FLOWS FROM INVESTING ACTIVITIES			
	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable	-	14,500	-
Proceeds from issuance of common stock	-	500	76,730
Net Change in Cash	(77,262)	11,801	510
Cash at Beginning of Period	73,772	-	-
Cash at End of Period	510	11,801	510
NON CASH FLOWS FROM OPERATING ACTIVITIES			
Issuance of common shares for web sites	-	90	90

The accompanying notes are an integral part of these financial statements.

-4-

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CORTEX SYSTEMS INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS, MARCH 31, 2003
(Unaudited)

1. ORGANIZATION

The Company was incorporated under the laws of the State of Nevada on July 6, 2001, with authorized common capital stock of 100,000,000 shares with a par value of \$0.0001. The Company was organized for the purpose of establishing memory assessment clinics and acquiring and marketing websites that will function to provide services and information via the Internet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

Dividend Policy

The Company has not yet adopted a policy regarding payment of dividends.

Income Taxes

On March 31, 2003, the Company had a net operating loss available for carry forward of \$78,310. The tax benefit of approximately \$23,493 from the carryforward has been fully offset by a valuation reserve because the use of the future tax benefit is doubtful since the Company has no operations. The net operating loss will expire starting in 2023.

Basic Income (Loss) Per Share

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding.

Financial Instruments

The carrying amounts of financial instruments, including cash and accounts payable, are considered by management to be their estimated fair values.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

-5-

Amortization of Web Site

Costs of preliminary development and post-implementation of the websites are expensed as incurred and costs of application and development are capitalized and amortized over the useful life of the

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web site or expensed if there is an impairment in value.

Other Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent accounting pronouncements will have a material impact on its financial statements.

3. ACQUISITION OF WEB SITES

During July, 2001, the Company acquired two web sites and domain names, "thememorycentre.com", and "cortex-systems.com" from a related party, by the issuance of common shares of the Company which were recorded at the cost to the predecessor. The web sites have not been fully developed and remain in the preliminary development stage; therefore the costs have been expensed. Costs of application and development will be capitalized and amortized over their useful lives or expensed if there is an impairment in value.

4. RELATED PARTY TRANSACTIONS

Officer-director's have acquired 86.8% of the common stock issued. A related party has made a demand non-interest bearing loan to the Company of \$2,000.

5. GOING CONCERN

The accompanying financial statements have been prepared with the presumption that the Company will continue as a going concern. However, the Company did not achieve its objective of raising the maximum amount of its public offering, does not currently have sufficient working capital to implement its business plan, its' cash reserves have been depleted, and operating expenses are currently funded from related party loans. Thus, continuation of the Company as a going concern will depend upon the Company securing additional working capital. To allow for the Company to continue operations, Company management is attempting to secure additional working capital through private placement equity funding which will enable the Company to continue as a going concern.

6. CAPITAL STOCK

Since its inception, the Company completed private placement offerings of 30,000,000 common shares, post-split, to its' officers and directors for \$590. On March 11, 2002, the Securities and Exchange Commission declared our Form SB-2 Registration Statement effective. The Company then proceeded to offer for sale a maximum of 12,000,000 common shares, post-split, at \$.10 per share. On May 17, 2002, the Company's offering was closed. 4,573,800 shares, post-split, had been sold for \$76,230. On November 5, 2002, (the "Record Date") the Company declared a six-for-one forward stock split. This report has been prepared showing post-split shares from inception.

-6-

BASIS OF PRESENTATION

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B as promulgated by the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for

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complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended June 30, 2002. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the nine month period ended March 31, 2003, are not necessarily indicative of the results that may be expected for the year ending June 30, 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary Statement Regarding Forward-Looking Statements

This Form 10-QSB contains certain forward-looking statements. For this purpose any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties. Actual results may differ materially depending on a variety of factors.

Financial Condition, Liquidity and Capital Resources

Since inception on July 6, 2001, the purpose of our Company has been to establish and operate memory assessment clinics in selected North American locations. Our Company's principal capital resources have been acquired through issuance of common stock and from shareholder loans.

-7-

On May 17, 2002, we completed our public offering by raising \$76,230. We sold 4,573,800 shares, post-split, of our common stock at an offering price of ten cents per share.

On November 5, 2002, we declared a stock dividend of five additional shares for each one share outstanding.

At March 31, 2003, we had negative working capital of \$(78,310) compared to negative working capital of \$(37,522) at June 30, 2002. This change is primarily the result of payment of expenses related to professional fees and corporate administration.

At March 31, 2003, our Company had total assets of \$510 consisting of cash, which compares with our Company's total assets at June 30, 2002, of \$73,772 consisting of cash. This change is primarily the result of expenses related to professional fees, corporate administration, and repayment of a related party loan.

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At March 31, 2003, our Company's total liabilities were \$2,000. This sum represents a related party loan. Our total liabilities at June 30, 2002, were \$34,474. This decrease reflects payments of accounts payable.

Our Company has not had revenues since inception. We do not have sufficient capital to implement our business plan nor to commence operations. We believe that our survival is dependent upon securing funding through private placement equity funding.

We have depleted our cash reserves. Currently, expenses are paid through shareholder loans to the Company. We anticipate that shareholder loans will pay for operating expenses through June, 2003. We cannot guarantee availability of shareholder loans in the future.

Our Company has no long-term debt and does not regard long-term borrowing as a good, prospective source of financing.

We will not be conducting any product research or development. We do not expect to purchase or sell any significant equipment nor do we expect any significant changes in the number of our employees.

-8-

Results of Operations

Our Company posted a loss of \$40,788 for the nine months ending March 31, 2003. The principal component of the loss was professional expenses. Operating expenses for the nine months ending March 31, 2003, were \$41,083 compared to operating expenses of \$23,954 in the comparable nine month period ending March 31, 2002; the increase in expenses being primarily the result of professional fees and corporate administration expense.

Item 3. Controls and Procedures

a. Evaluation of disclosure controls and procedures.

The Company's chief executive officer/chief financial officer has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934 (the "Exchange Act")), as of a date within ninety days before the filing of this quarterly report. Based on that evaluation, the chief executive officer/chief financial officer has concluded that the Company's current disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

b. Changes in internal controls.

There have not been any significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weakness in the internal controls, and therefore no corrective actions were taken.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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The following reports on Form 8-K were filed during the quarter for which this report is filed:

1. Form 8-K report filed January 21, 2003, advising that on January 15, 2003, the share purchase agreement executed between the Company's majority shareholders and a third party was terminated with consent of all parties thereto.
2. Exhibits: 99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

-9-

SIGNATURES

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

CORTEX SYSTEMS INC.
(Registrant)

May 6, 2003

BY:/s/ Kenneth H. Finkelstein

Kenneth H. Finkelstein,
President, Chief Financial
Officer, Principal Accounting
Officer, a member of the Board of Directors

-10-

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002,

I, Kenneth H. Finkelstein, certify that:

- (1) I have reviewed this quarterly report on Form 10-QSB of Cortex Systems, Inc., (the "Company");
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:
 - (a) designed such disclosure controls and procedures to ensure

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that material information relating to the Company is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons fulfilling the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

(6) I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 6, 2003

By: /S/ Kenneth H. Finkelstein
Kenneth H. Finkelstein
President, Chief Financial
Officer, Principal Accounting
Officer, a member of the Board of Directors