

Rim Semiconductor CO
Form 10QSB
June 14, 2006

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

FORM 10-QSB

**x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2006**

**“ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____**

COMMISSION FILE NUMBER 0-21785

RIM SEMICONDUCTOR COMPANY

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

UTAH

(State or other jurisdiction of
incorporation or organization)

95-4545704

(I.R.S. Employer
identification no.)

305 NE 102ND AVENUE, SUITE 105
PORTLAND, OREGON 97220

(Address of principal executive offices)

(503) 257-6700

(Issuer's telephone number,
including area code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such 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 x No “

The number of shares of the issuer's Common Stock, par value \$.001 per share, outstanding as of June 12, 2006, was 323,042,763.

Transitional Small Business Disclosure Format (Check one) Yes “ No x

FORM 10-QSB

RIM SEMICONDUCTOR COMPANY

APRIL 30, 2006

TABLE OF CONTENTS

	PAGE
<u>PART I - FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	
<u>CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)</u> <u>At April 30, 2006</u>	2
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u> <u>(Unaudited)</u> <u>For the Six and Three Months Ended April 30, 2006 and 2005</u>	3
<u>CONDENSED CONSOLIDATED STATEMENT OF</u> <u>STOCKHOLDERS' EQUITY (Unaudited)</u> <u>For the Six Months Ended April 30, 2006</u>	5
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u> <u>(Unaudited)</u> <u>For the Six Months Ended April 30, 2006 and 2005</u>	6
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL</u> <u>STATEMENTS</u>	8
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION</u>	28
<u>ITEM 3. CONTROLS AND PROCEDURES</u>	36
<u>PART II - OTHER INFORMATION</u>	
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	38
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	39
<u>ITEM 6. EXHIBITS</u>	39
<u>SIGNATURES</u>	41

PART I - FINANCIAL INFORMATION**ITEM I. FINANCIAL STATEMENTS****RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET**

(Unaudited)

ASSETS

	April 30, 2006
Current Assets:	
Cash	\$ 4,007,470
Other current assets	43,872
TOTAL CURRENT ASSETS	4,051,342
Property and equipment (net of accumulated depreciation of \$2,477)	13,182
Technology license and capitalized software development fee (net of accumulated amortization of \$315,232)	5,735,768
Deferred financing costs (net of accumulated amortization of \$1,249,428)	2,292,390
Other assets	9,854
TOTAL ASSETS	\$ 12,102,536

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Convertible notes payable	\$ 525,000
Convertible debentures (net of debt discount of \$24,136)	100,864
Conversion option liability	2,588,813
Account payable and accrued expenses	785,473
TOTAL CURRENT LIABILITIES	4,000,150
Long-term portion of convertible debentures (net of debt discount of \$4,732,137)	1,308,427
TOTAL LIABILITIES	5,308,577
Commitments, Contingencies and Other Matters	
Stockholders' Equity:	
Preferred stock - \$0.01 par value; 15,000,000 shares authorized; -0- shares issued and outstanding	—
Common stock - \$0.001 par value; 900,000,000 shares authorized; 323,542,617 shares issued and 323,042,763 shares outstanding	323,543
Treasury stock - 499,854 shares at cost	(7,498)
Additional paid-in capital	75,096,501
Unearned compensation	(1,687,796)

Accumulated deficit	(66,930,791)
TOTAL STOCKHOLDERS' EQUITY	6,793,959
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,102,536

See notes to condensed consolidated financial statements.

2

RIM SEMICONDUCTOR COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Six Months Ended April 30,	
	2006	2005
REVENUES	\$ 58,874	\$ 16,198
OPERATING EXPENSES:		
Cost of sales	—	11,945
Amortization of technology license and capitalized software development fee	315,232	—
Research and development expenses (including stock based compensation of \$26,860 and \$0, respectively)	137,600	7,053
Selling, general and administrative expenses (including stock based compensation of \$983,710 and \$888,930, respectively)	2,356,072	1,571,334
TOTAL OPERATING EXPENSES	2,808,904	1,590,332
OPERATING LOSS	(2,750,030)	(1,574,134)
OTHER (INCOME) EXPENSES:		
Interest expense	2,223,816	639,646
Amortization of deferred financing costs	568,819	53,109
Gain on forgiveness of principal and interest on Zaiq Note	(1,169,820)	—
Gain on sale of property and equipment	—	(20,000)
Gain on exchange of Redeemable Series B Preferred Stock into common stock	—	(55,814)
Loss on exchange of notes payable into common stock	446,386	—
Other	(3,000)	(28,506)
TOTAL OTHER (INCOME) EXPENSES	2,066,201	588,435
NET LOSS	\$ (4,816,231)	\$ (2,162,569)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.02)