

Edgar Filing: LIFEN INC - Form 10QSB

LIFEN INC
Form 10QSB
May 05, 2003

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 quarterly period ended March 31, 2003.

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 0-31152

LIFEN, INC.

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

Delaware

76-0585701

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

455 Market Street, Suite 1220, San Francisco, CA 94105

(Address of principal executive offices)

(415) 543-1535

(Issuer's telephone number)

Check whether the issuer (1) 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 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

10,998,166 shares of Common Stock, \$.0001 par value, outstanding on April 30, 2003.

Edgar Filing: LIFEN INC - Form 10QSB

LIFEN, INC.

Form 10-QSB Quarterly Report
For Quarterly Period Ended March 31, 2003

Table of Contents

	Page
PART I -- FINANCIAL INFORMATION	1
Item 1. Financial Statements	1
Unaudited Balance Sheet at March 31, 2003 and Audited Balance Sheet at December 31, 2002	1
Unaudited Statements of Operations For Three Months Ended March 31, 2003 and March 31, 2002	2
Unaudited Statements of Cash Flows For Three Months Ended March 31, 2003 and March 31, 2002	3
Notes to Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Controls and Procedures	15
PART II -- OTHER INFORMATION	16
SIGNATURE	17
CERTIFICATIONS	18

i

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

ASSETS	March 31, 2003 (Unaudited)	December 31, 2002 (Audited)
	-----	-----
Current Assets:		
Cash	\$ 45,120	\$ 125,463
Prepaid Expenses	44,627	33,126

Edgar Filing: LIFEN INC - Form 10QSB

Total Current Assets:	89,747	158,589
Long Term Assets:		
Fixed assets, net of accumulated depreciation of \$944 and \$377	5,851	6,418
Prepaid rent	22,798	36,476
Website development, net of amortization of \$729 and 292	2,771	3,208
Security deposit	9,119	9,119
Total Long Term Assets:	40,538	55,221
TOTAL ASSETS	\$ 130,285	\$ 213,810
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts Payable	\$ 25,348	\$ 49,569
Accrued Liabilities	21,000	4,144
Note Payable	100,000	-
Total Liabilities:	146,348	53,713
Stockholders' (Deficit)/Equity:		
Preferred Stock, par value \$.0001 Authorized 10,000,000 shares, No shares issued and outstanding	-	-
Common Stock, par value \$.0001 Authorized 50,000,000 shares Issued and outstanding 10,998,166 shares	1,100	1,100
Additional paid in capital, net of costs incurred in obtaining financing	821,344	821,344
Accumulated deficit during development stage	(838,506)	(662,347)
Total Stockholders' (Deficit)/Equity:	(16,062)	160,097
TOTAL LIABILITIES & STOCKHOLDERS' (DEFICIT)/EQUITY	\$ 130,285	\$ 213,810

The accompanying Notes are an integral part of these Financial Statements.

Edgar Filing: LIFEN INC - Form 10QSB

	2003	2002	From Inception Nov. 10, 1997 to Mar. 31, 2003
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:	\$ -	\$ -	\$ -
Expenses:			
Market Research	19,100	-	61,952
Consulting	96,519	7,500	379,642
Write Off of Offering Costs	-	-	15,546
Professional Fees	29,286	-	107,056
Rent and Occupancy	14,064	3,000	55,300
Administrative	13,036	6,171	100,739
Cancellation of Management Service Agreement	-	-	94,165
Other Operating Expenses	3,174	122	23,126
Total Expenses	175,179	16,793	837,526
Net Operating Loss	(175,179)	(16,793)	(837,526)
Interest Income	22	-	22
Interest Expense	(1,000)	-	(1,000)
Net Loss before Provision for Income Taxes	(176,157)	(16,793)	(838,504)
Provision for Income Taxes	-	-	-
Net Loss	\$ (176,157)	\$ (16,793)	\$ (838,504)
Basic Loss per Share	\$ (0.02)	\$ (0.00)	
Weighted Average Number Shares Outstanding	10,998,166	7,424,000	

The accompanying Notes are an integral part of these Financial Statements.

2

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
AND FROM INCEPTION NOVEMBER 10, 1997 TO MARCH 31, 2003

	2003	2002	From Inception Nov. 10, 1997 to Mar. 31, 2003
	(Unaudited)	(Unaudited)	(Unaudited)
Operating Activities:			

Edgar Filing: LIFEN INC - Form 10QSB

Net Loss	\$ (176,157)	\$ (16,793)	\$ (838,504)

Adjustments to reconcile net (loss) to net cash used in operating activities:			
Market Research	-	-	25,000
Consulting	-	-	12,449
Depreciation and amortization	1,003	60	2,084
Changes in operating assets & liabilities:			
Accounts payable & accrued expenses	(7,366)	171	46,347
Prepaid expenses & other current assets	(11,501)	(16,500)	(44,627)

Net Cash Flows from Operating Activities:	(194,021)	(62)	(797,251)

Investing Activities:			
Purchase of fixed assets	-	-	(7,975)
Long term prepaid expenses	13,679	-	(31,916)
Acquisition of intangible assets	-	-	(3,500)
Disposal of Equipment	-	-	767

Net Cash Flows from Investing Activities:	13,679	-	(42,624)

Financing Activities:			
Common Stock Issued	-	-	841,150
Acquisition of short term debt	100,000	-	100,000
Offering Expenses	-	-	(56,155)

Net Cash Flow from Financing Activities:	100,000	-	884,995

Net cash (decrease)/increase for period	(80,342)	(62)	45,120
Cash at beginning of period	125,462	206	-

Cash at end of period	\$ 45,120	\$ 144	\$ 45,120

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

Edgar Filing: LIFEN INC - Form 10QSB

The accompanying financial statements of Lifen, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. In the opinion of management, the financial statements reflect all adjustments considered necessary for a fair presentation. For further information, refer to the financial statements and footnotes thereto included in our transitional report on Form 10-KSB for the four months ended December 31, 2002 as filed with the Securities and Exchange Commission on March 11, 2003 and annual report for the former fiscal year ended August 31, 2002 as filed with the Securities and Exchange Commission on November 27, 2002.

Note 1. Organization

Lifen, Inc. (the "Company") was incorporated under the laws of the State of Delaware on November 10, 1997 under the name Digivision International, Ltd. The Company's name was changed to Lifen, Inc. on June 22, 2000. To date, the Company has had no commercial operations and has been engaged in the development of its business plan, market research, initial website development, and seeking initial financing in order to commence commercial operations.

On February 21, 2003, the Company received approval from the National Association of Securities Dealers ("NASD") to permit shares of its common stock to be traded on the Over The Counter Bulletin Board ("OTCBB"). The first trade occurred on February 24, 2003.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimate relates to the valuation allowance in connection with deferred tax assets. Actual results could differ from those estimates.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided for utilizing the straight-line method over the estimated useful life of the asset. The cost of maintenance and repairs is charged to operations as incurred.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

Accounting for Impairment of Long-Lived Assets

Edgar Filing: LIFEN INC - Form 10QSB

In accordance with SFAS 121, the Company has adopted a policy of recording an impairment loss on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Adoption of this statement will not have an impact on these financial statements.

Organization Costs

The Company has adopted SOP 98-5, "Reporting on the Costs of Start-up Activities", which requires that all costs of start-up activities and organization costs be expensed as incurred. The Company expects that the adoption of SOP 98-5, which is effective for fiscal years beginning after December 15, 1998, will not have a material effect on its financial statements.

Website Development

In March 2000, the Emerging Issues Task Force issued No. 00-02 ("EITF 00-02"), "Accounting for Website Development Costs." EITF 00-02 states that all costs relating to software used to operate a website and relating to development of initial graphics and web page design should be accounted for using Statement of Position ("SOP") 98-1. Under this SOP, costs incurred in the preliminary project stage should be expensed as incurred, as should most training and data conversion costs. External direct costs of materials and services and internal direct payroll-related costs should be capitalized once certain criteria are met. EITF 00-02 is effective for all fiscal quarters beginning after June 30, 2000. The Company's accounting policy for internal-use software, as required by SOP 98-1, incorporated the requirements of EITF 00-02. To date, no significant costs have been incurred.

Income Taxes

The Company records deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax basis of the Company's assets and liabilities. An allowance is recorded, based on currently available information, when it is more likely than not that any or all of a deferred tax asset will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the net change during the period presented in deferred tax assets and liabilities recorded by the Company.

Per Share Data

The Company has adopted the standards set by the Financial Accounting Standards Board and computes earnings per share data in accordance with SFAS No. 128 "Earning per Share." The basis per share data has been computed on the loss for the period divided by the historic weighted average number of shares of common stock outstanding. There are no potentially dilutive securities which would be included in computation of fully diluted earnings per share.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

Edgar Filing: LIFEN INC - Form 10QSB

There is no provision for Federal or State Income Taxes for the four-month period ended December 31, 2002 and 2001, since the Company has incurred losses from inception. Additionally, the Company has reserved fully for any potential tax benefits resulting from its carryforward operating losses. Deferred tax assets at December 31, 2002 and 2001 consist of the following:

	2002	2001
	-----	-----
Net operating loss carryforward	\$ 249,700	\$ 111,000
Valuation allowance	(249,700)	(111,000)
	-----	-----
	-0-	-0-

As of March 31, 2003, the Company has net operating loss carryforward of approximately \$838,000 which expire in various years from 2012 through 2017.

Note 4. Common Stock

During January, 1998, the Company issued 2,250,000 shares of its common stock to two founders of the Company for services valued at \$225.

During October, 1998, the Company issued 2,750,000 shares of its common stock to four individuals for services to be performed. The agreement was canceled and the shares of common stock were returned and canceled.

During November, 1998, the Company completed a private placement offering of its common stock, Pursuant to Rule 504 under Regulation D, the Company issued 500,000 shares of its common stock in satisfaction of \$25,000 owed to four parties who had performed services on behalf of the Company.

During March, 1999, the Company issued 2,325,200 shares of its common stock to eight parties for services performed on behalf of the Company, valued at \$232.

During March, 2000, the Company issued 1,219,800 to ten parties for services performed on behalf of the Company, valued at \$122.

During April 2000, the Company sold 45,000 shares of its common stock at \$1.00 per share to three investors in a private placement, pursuant to Rule 504 under Regulation D, and received total proceeds of \$45,000.

6

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

During October, 2000, the Company issued 660,000 shares of its common stock to six individuals for consulting services performed, valued at \$.0001 per share, or \$66. Also during October, 2000, the Company sold 10,000 shares of its Company stock to one investor at \$1.00 per share. The Company received \$5,000 in cash and services totaling \$5,000.

In November 2000, the Company sold 30,000 shares of its common stock to two individual investors at a price of \$.50 per share and received total proceeds

Edgar Filing: LIFEN INC - Form 10QSB

of \$15,000.

In January 2001, the Company sold 48,000 shares of its common stock to five individual investors at a price of \$.50 per share and received total proceeds of \$24,000.

In May 2001, the Company sold 500,000 shares of its common stock to one individual investor at a price of \$.50 per share. The Company received proceeds in the amount of \$100,000 in May, 2001, \$50,000 in June, \$50,000 in July, and \$50,000 in August, 2001, for a total of \$250,000. These shares were sold in reliance on the exemption provided by Section 4(2) of the Act.

In July 2001, 530,000 shares of the Company's common stock were returned to the Company for no consideration and were cancelled.

In November, 2001, the Company issued 366,000 shares of its common stock to nine parties who had performed services on behalf of the Company. The shares were issued in consideration of debt owed by the Company, at the agreed upon rate of \$.0001 per share, and the shares were sold in reliance on the exemption provided by Section 4(2) of the Act.

In August, 2002, the Company sold 574,286 shares of its common stock to one foreign investor at a price of \$.70 per share and received total proceeds of \$402,000. The shares were sold pursuant to Regulation S promulgated under the Securities Act of 1933, as amended.

In August, 2002, the Company sold 2,000,000 shares of its common stock to two investors at a price of \$.05 per share and received total proceeds of \$100,000, pursuant to a Common Stock Purchase Agreement, executed effective May 15, 2002.

In October, 2002, the Company authorized issuance of 300,000 restricted shares of the Company's common stock, 100,000 shares to each of three directors in exchange for providing services to the Company as a member of the Board of Directors, which were valued at \$700 (\$.007 per share) for each of the three directors.

In November, 2002, the Company authorized issuance of 399,931 restricted shares of the Company's common stock to the Company's President and 299,949 restricted shares of the Company's common stock to the Company's Chief Financial Officer and Secretary. These shares have been issued in exchange for providing services as officers of the Company, which were valued at \$2,667 and 2,000, respectively.

7

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

Note 5. Related Party Transactions

The Company's Chief Executive Officer and Chief Financial Officer also hold similar positions with First Medical Resources Corporation ("FMRC"). When the Company was relocated to its new office in October, 2002, certain moving and equipment installation costs were incurred. These costs were advanced by the Company for the benefit of itself and FMRC. That portion advanced for the benefit of FMRC was repaid in full to the Company in December 2002. FMRC is

Edgar Filing: LIFEN INC - Form 10QSB

not engaged in any business activity, nor does it anticipate doing so in the foreseeable future. A former director of FMRC is attempting to secure a purchaser for it, at which time the CEO and CFO will have no further involvement with this entity.

Ameristar Group Incorporated ("Ameristar") is a corporation that is an affiliate of two corporate shareholders of the Company and is considered to be a related party. During the quarter ended March 31, 2003, the Company paid Ameristar consulting fees totaling \$10,000, with an additional \$5,000 accrued but unpaid at quarter end.

During the first quarter of fiscal 2002, the Company reached agreement with Ameristar to provide the Company with management services needed for its continuing development. Accordingly, on November 1, 2001, a Management Services Agreement was executed with Ameristar to provide consulting services, office space, and administrative services for a two-year period. The monthly cost of these services was \$5,500, consisting of \$2,500 for consulting services, \$1,000 for rent, and \$2,000 for administrative services. The consulting services included such activities as business plans; introductions to financial community; strategic planning; evaluation of potential business relationships, such as joint ventures, mergers and acquisitions; business projections; review of marketing plans; and general advisory and management services as required.

Effective August 15, 2002, the Management Services Agreement with Ameristar was terminated in accordance with a Termination Agreement executed between the Company and Ameristar on that date. As part of the Termination Agreement, the debt owed to the Company by Ameristar in the amount of \$94,165 was cancelled in full payment of compensation owed to Ameristar for additional services provided to the Company.

On January 2, 2003, the Company entered into an Agreement with a consulting firm to identify and evaluate potential acquisition candidates. Should such a transaction occur, the fee will be paid with the Company's stock based upon the average closing price of the stock over the previous 20 days. This Agreement was terminated on April 29, 2003 with neither party incurring any liability to the other. The Chief Executive Officer of the consulting firm is also a Director of the Company and a member of its audit committee.

8

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

On March 5, 2003 the Company executed a Promissory Note in favor of one of its Shareholders in the principal amount of \$100,000 in exchange for cash in the same amount. This Promissory Note accrues interest at 12% per annum and matures on June 13, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default. The Company paid a different Shareholder \$5,000 as a transaction fee for securing this loan, which has been capitalized and will be recognized as an expense over its three month life.

On May 1, 2003, the Company executed a Promissory Note in favor of one of its Shareholders in the principal amount of \$25,000 in exchange for cash in the same amount. This Promissory Note accrues interest at 12% per annum and matures on July 31, 2003 at which time the principal plus accrued interest are payable in

Edgar Filing: LIFEN INC - Form 10QSB

full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default.

Note 6. Commitments and Contingencies

On August 14, 2002, the Company entered into an Employment Agreement for period of two years with its Chairman and CEO, which provides for a base salary of \$200,000 per year. From this date until such date as additional funding may be obtained, the Chairman/CEO will be compensated as an independent consultant at a rate of \$8,333.33, payable semi-monthly.

On September 26, 2002, the Company entered into a sublease as successor in interest to premises at 455 Market Street, San Francisco, California. The premise includes 2,487 square feet of office space and furniture. The term of the lease is through July 31, 2004 with a monthly rental through the term of the lease of \$4,559.50. The first, second, and thirteenth through twentieth months of the lease were prepaid as an inducement to the lessee to enter into this sublease.

On October 30, 2002 the Company entered into an agreement with a consulting firm to generate a list of businesses that met the Company's acquisition criteria. The Company agreed to pay the consulting firm \$14,250 for these services plus an additional \$42,750 for each business identified by the consulting firm that was acquired by the Company. To date, no businesses identified by the consulting firm have resulted in a consummated acquisition. The Company paid the remaining balance of \$9,250 to the consulting firm during the current reporting period.

On November 15, 2002, the Company entered into an agreement with a consultant to identify businesses that met the Company's acquisition criteria. The Company agreed to pay the consultant five per cent of the first \$1,000,000 in the aggregate purchase price paid by the Company to the seller. This percentage declines by one per cent for each additional \$1,000,000 in aggregate purchase price paid by the Company to the seller at which time the consultant is paid one per cent of the excess of \$5,000,000 in aggregate purchase price. To date, no businesses identified by the consultant has resulted in a consummated acquisition, and this agreement was terminated effective February 25, 2003.

9

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

Should such a transaction occur with a company identified by the consultant during the period of time that this agreement was in effect, the consultant's fee will be paid 75% in cash less the \$14,250 paid to the consulting firm previously referenced and 25% in the Company's common stock based upon the average closing price of the stock over the previous 20 days prior to the date of consummation.

On January 2, 2003, the Company entered into an Agreement with a consulting firm to identify and evaluate potential acquisition candidates. Should such a transaction occur, the fee will be paid with the Company's stock based upon the average closing price of the stock over the previous 20 days. This Agreement was terminated on April 29, 2003 With neither party incurring any liability to the other. The Chief Executive Officer of the consulting firm is also a

Edgar Filing: LIFEN INC - Form 10QSB

Director of the Company and a member of its audit committee.

On January 22, 2003 the Company entered into an Agreement with a consulting firm to generate a list of businesses headquartered in Florida that met the Company's acquisition criteria. The Company agreed to pay the consulting firm a fee of \$7,500 plus out-of-pocket expenses for these services plus an additional \$22,500 for each business identified by the consulting firm that was acquired by the Company. To date, no businesses identified by the consulting firm have resulted in a consummated acquisition, and the fee has been paid in full.

Note 7. Concentration of Credit Risk

None

Note 8. Going Concern

Lifen, Inc. is considered to be a development stage company. Since inception, the Company has been engaged in the development of its business plan, market research, initial website development and seeking financing in order to commence commercial operations. At March 31, 2003, the Company had incurred losses during the development stage of \$838,504. \$37,449 of the cumulative losses have been in the form of non-cash services in exchange for common stock in the Company. The balance of the losses, \$801,055, was funded by the private placements of common stock, which totaled \$784,995, net of placement costs, as of March 31, 2003, and a short term shareholder loan of \$95,000, net of transaction fees.

10

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

The audit report accompanying the Company's financial statements for the four month period ended December 31, 2002 and 2001 contains a going concern qualification because the Company is in the development stage and needs additional capital to begin commercial operations. Refer to "RISK FACTORS" and the audit report contained in "PART F/S" of Form 10-KSB for the four month period ended December 31, 2002 and Form 10-KSB for former fiscal year ended August 31, 2002.

Management recognizes the need to raise additional funds to continue its planned operations. Primary to the Company's solvency in the coming year is the sale of additional equity in the Company, continuing the Company's strategy of funding development through additional equity financing. These funds will be used to manage working capital requirements and to fund ongoing development costs.

If additional capital is not readily available, the Company will be forced to scale back its development activities such that its income, if any, will exceed its expenses. Although this will greatly slow the Company's development, it will allow for the Company's survival. Notwithstanding the foregoing, there is substantial doubt regarding the Company's ability to continue as a going concern, and as such, the Company is substantially

Edgar Filing: LIFEN INC - Form 10QSB

dependent upon its ability to raise sufficient capital to cover its development costs.

Note 9. Supplemental Disclosure to Cash Flow Statement

	For Three Months Ended Mar. 31, 2003	For Three Months Ended Mar. 31, 2003	From Inception Nov. 10, 1997 to Mar. 31, 2003
	-----	-----	-----
Cash paid during the period for:			
Interest	-	-	-
Income Taxes	-	-	-
Non Cash Transactions:			
Common stock issued for consulting services and market research	\$ -	\$ -	\$ 37,449

11

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto included in Part I - Item 1 of this report, and Management's Discussion and Analysis of Financial Conditions and Results of Operations and Risk Factors contained in the Company's transitional report on Form 10-KSB for the four months ended December 31, 2002 as filed with the Securities and Exchange Commission on March 11, 2003 and annual report for the former fiscal year ended August 31, 2002 as filed with the Securities and Exchange Commission on November 27, 2002.

Forward-Looking Statements

Some of the information contained in this report may constitute forward-looking statements or statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements are based on current expectations and projections about future events. The words estimate, plan, intend, expect, anticipate and similar expressions are intended to identify forward-looking statements which involve, and are subject to, known and unknown risks, uncertainties and other factors which could cause the Company's actual results, financial or operating performance, or achievements to differ materially from future results, financial or operating performance, or achievements expressed or implied by such forward-looking statements. Projections and assumptions contained and expressed herein were reasonably based on information available to the Company at the time so furnished and as of the date of this filing. All such projections and assumptions are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and no assurance can be given that the projections will be realized. Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date hereof. Careful consideration should be given to the Risk Factors contained in the Company's Form 10-KSB for the fiscal year ended August 31, 2002 and transitional report on Form 10-KSB for the four months ended December 31, 2002. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to

Edgar Filing: LIFEN INC - Form 10QSB

reflect the occurrence of unanticipated events.

Overview of Crdentia's Business Strategy

The Company is operating its medical staffing acquisition business under the trade name "Crdentia".

Crdentia's objective is to capitalize on an opportunity that currently exists in the healthcare industry by targeting the critical nursing shortage issue. There are many small existing medical staffing agencies that are addressing the rapidly expanding needs resulting from the severe shortages of highly skilled, licensed healthcare staff. Due to their relatively small capitalization, they are unable to maximize their potential, obtain outside capital, or expand. By consolidating well-run small private companies into a large public entity, Crdentia intends to facilitate access to capital, the acquisition of technology, and expanded distribution that, in turn, drive internal growth. Crdentia has selected this focus for several reasons, including the significant industry and sector growth, the increased need for skilled healthcare workers, and the potential liquidity inherent in a public company.

12

Crdentia's web site is currently under development, but may be viewed at www.crdentia.com. The web site contains more information about Crdentia's consolidation strategy in the medical staffing arena and market segment, as well as profiles for Crdentia's management and Board of Directors.

Results of Operations

The Company did not have any revenue during the three month period ended March 31, 2003, or during the comparable period for the prior year, and has not had any revenue since its inception in November 1997. The Company has been engaged in the development of its business plan, initial market research activities, discussions with acquisition candidates, initial web site development, and seeking initial funding in order to commence commercial operations.

The audit report accompanying the Company's financial statements for the four month period ended December 31, 2002 and 2001 contains a going concern qualification because the Company is in the development stage and needs additional capital to begin commercial operations. Refer to "RISK FACTORS" and the audit report contained in "PART F/S" of Form 10-KSB for the four month period ended December 31, 2002 and Form 10-KSB for former fiscal year ended August 31, 2002.

The net loss for the three month period ended March 31, 2003 was \$176,157 compared to a net loss of \$16,793 for the comparable period in the prior year, an increased loss of \$159,364 resulting primarily from the payment of consulting fees to the Company's executives and administrative personnel as well as legal fees incurred for both general representation and assistance in various filings with the Securities and Exchange Commission.

The total cash and cash equivalents at March 31, 2003 were \$45,103 compared to \$125,463 at December 31, 2002, a decrease of \$80,060, resulting primarily from the aforementioned payment of consulting and legal fees, business development, and office occupancy.

Edgar Filing: LIFEN INC - Form 10QSB

During this quarter, the Company continued the implementation of its new strategic direction by conducting initial discussions with several medical staffing companies that meet the Company's desired acquisition criteria. Although there can be no assurances that these discussions will result in the consummation of one or more acquisitions, the Company remains confident that the strategic direction chosen remains sound. Toward this end, during the current fiscal quarter, the Company entered into a binding Letter of Intent for an acquisition, as described below; and two additional consulting agreements regarding the identification of potential acquisitions. Refer to Financial Statements, Note 6, "Commitments and Contingencies."

Letter of Intent with New Age Staffing, Inc.

The Company entered into a binding Letter of Intent (the "Letter") on March 17, 2003 for the acquisition of 100% of the issued and outstanding capital stock of New Age Staffing, Inc. ("New Age"), a privately held medical staffing company headquartered in New Orleans, LA. The base purchase price will be an amount equal to 7.75 times New Age's earnings before taxes, depreciation and amortization ("EBITDA") for the fiscal year ended December 31, 2002, as reported

13

by a CPA firm acceptable to the Company in such audited financial statements. The payment terms in accordance with the Letter are to be 35% in cash in immediately available funds and 65% in the form of shares of Company's Common Stock ("Shares"), subject to two post-closing adjustments to account for any incremental cumulative increase in New Age's EBITDA for fiscal years 2003 and 2004. However, in no event shall the total purchase price, including post-closing adjustments, exceed \$15 Million in Shares and cash. A number of additional terms and conditions are contained in the Letter and are to be incorporated in the formal agreement currently in the process of being drafted. Among the conditions for the acquisition to proceed is the requirement that Registrant raise additional capital of \$2,000,000. To date, management has had discussions with several parties regarding such financing but has not yet secured a commitment therefore.

Plan of Operation

The Company's success in achieving profitability will depend upon its ability to consummate acquisitions of healthcare companies, and then to operate them efficiently after consummation. During the implementation of its business plan, the Company will be subject to all of the risks inherent in an emerging business, including the need to provide reliable and effective products and services, to develop marketing expertise, and to generate sales. In the event that the Company's projected market does not develop as anticipated, the Company's business, financial condition and results of operations could be materially adversely affected.

During the next twelve months, the Company intends to perform the activities required to establish its business operations. In executing its current plans, the Company's objectives will include the following:

- . Find healthcare companies to acquire and consummate acquisitions
- . Raise necessary funding for its business operations

Edgar Filing: LIFEN INC - Form 10QSB

- . Develop brand awareness
- . Build an operations structure to support the business
- . Develop management information systems and technology to support operations
- . Attract and retain qualified personnel

According to the Company's estimates, from \$1,000,000 to \$3,000,000 will be needed through the twelve months ending December 31, 2003 to establish these business operations, not including revenues from operations, which are not expected to materialize in significant amounts until the third calendar quarter of 2003 at the earliest. Primary to the Company's solvency in the coming year is raising additional equity.

The Company has received an audit opinion which includes a "going concern" risk. The Company is aware of this risk and is attempting to raise this necessary capital through the sale of additional equity. If additional capital is not readily available, the Company will be forced to scale back its development activities such that its income will exceed its expenses. Although this will

14

slow the Company's development, it will allow for the Company's survival. Notwithstanding the foregoing, there is substantial doubt regarding the Company's ability to continue as a going concern, and as such, the Company is substantially dependent upon its ability to raise sufficient capital to cover its development costs. The Company's planned business does not require the purchase of plants, factories, extensive capital equipment, or inventory.

The Company has no employees as of the date of this Report. The Company intends to hire employees during the next twelve months as its business plan is executed, which will be dependent on the Company's ability to raise the required funds. In the interim, the Company will rely on its management to perform the activities required for preliminary business development. The failure to attract and retain the required personnel would have a material adverse effect on the Company's business and results of operations.

Related Party Transactions

The Company's Chief Executive Officer and Chief Financial Officer also hold similar positions with First Medical Resources Corporation ("FMRC"). The Company advanced certain moving and equipment installation costs for the benefit of itself and FMRC. That portion advanced for the benefit of FMRC was repaid in full to the Company in December, 2002. (See Note 5 to Financial Statements, Related Party Transactions.) FMRC is not engaged in any business activity, nor does it anticipate doing so in the foreseeable future. A former director of FMRC is attempting to secure a purchaser for it, at which time the CEO and CFO will have no further involvement with this entity.

During the quarter ended March 31, 2003, the Company paid consulting fees totaling \$10,000 to Ameristar Group Incorporated ("Ameristar"), with an additional \$5,000 accrued but unpaid at quarter end. Ameristar is an affiliate of Remsen Group, Ltd. and Wilmont Holding Corp., two corporate shareholders of the Company. (See Note 5 to Financial Statements, Related Party Transactions.)

Subsequent to the period covered by this Report, on April 29, 2003, the Company

Edgar Filing: LIFEN INC - Form 10QSB

and Health Care Investment Visions, LLC ("HCIV") executed an Amendment to Agreement, which terminated the Agreement entered into on January 2, 2003 by the Company and HCIV. Both parties acknowledged that no consideration is or has been due to one another, and that there is no further obligation on the part of HCIV to render services to Lifen, Inc. (Refer to Exhibit 10.12.)

Liquidity and Capital Resources

On March 5, 2003 the Company executed a Promissory Note in favor of one of its shareholders, Gable International Holdings, Ltd., in the principal amount of \$100,000 in exchange for cash in the same amount. This Promissory Note accrues interest at 12% per annum, and matures on June 13, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default. The Company paid another shareholder, Atlantic International Capital Holdings, \$5,000 as a transaction fee for securing this loan.

15

On May 1, 2003 the Company executed a Promissory Note in favor of one of its shareholders, Gable International Holdings, Ltd., in the principal amount of \$25,000 in exchange for cash in the same amount. This Promissory Note accrues interest at 12% per annum, and matures on July 31, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default.

At March 31, 2003, the Company had cash totaling \$45,103. There is no assurance that the Company will be able to raise the amount of capital required to meet its working capital needs.

Item 3. Controls and Procedures

Based on their evaluation, as of a date within 90 days of the filing of this Form 10-QSB, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective.

There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

16

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There is no material litigation currently pending against us.

Item 2. Change in Securities

Edgar Filing: LIFEN INC - Form 10QSB

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

There have been no matters submitted to a vote of security holders during the period from January 1, 2003 to March 31, 2003 through the solicitation of proxies or otherwise.

Item 5. Other Information

None.

Item 6. Exhibits and Reports of Form 8-K

(a) Exhibits

Exhibit No.	Description
10.12	Amendment to Agreement with Health Care Investment Visions, LLC dated April 29, 2003, terminating the original Agreement dated January 2, 2003.
99.1	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer
99.2	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer

(b) Reports on Form 8-K

Form 8-K was filed on March 19, 2003 to report that the Registrant has entered into a binding Letter of Intent with New Age Staffing, Inc. for the acquisition of 100% of the issued and outstanding capital stock of New Age Staffing, Inc.

17

SIGNATURES

In accordance with the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned, thereunto duly authorized.

Date: May 5, 2003

By: /s/ James D. Durham

James D. Durham
Chief Executive Officer

Date: May 5, 2003

By: /s/ Lawrence M. Davis

Lawrence M. Davis
Chief Financial Officer

18

Edgar Filing: LIFEN INC - Form 10QSB

CERTIFICATION PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, James D. Durham, Chief Executive Officer and Chairman of Board of the Registrant, Lifen, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Lifen, Inc.;
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 Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, 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 Registrant's disclosure controls and procedures as of a date within 90 days of 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 of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant'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 Registrant's internal controls; and
6. The Registrant's other certifying officer and 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 5, 2003

By: /s/ James D. Durham

James D. Durham

Edgar Filing: LIFEN INC - Form 10QSB

Chief Executive Officer
and Chairman of the Board

19

CERTIFICATION PURSUANT TO RULE 13a-14 AND 15d-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Lawrence M. Davis, Chief Financial Officer and Secretary of the Registrant, Lifen, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Lifen, Inc.;
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 Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, 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 Registrant's disclosure controls and procedures as of a date within 90 days of 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 of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant'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 Registrant's internal controls; and
6. The Registrant's other certifying officer and 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

Edgar Filing: LIFEN INC - Form 10QSB

subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 5, 2003

By: /s/ Lawrence M. Davis

Lawrence M. Davis
Chief Financial Officer
and Secretary

20