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RHOMBIC CORP
Form 10QSB
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2001

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 0-29049

RHOMBIC CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

86-0824125
(I.R.S. Employer
Identification No.)

11811 N. Tatum Blvd. #3031, Phoenix, Arizona 85028
(Address of principal executive offices (zip code))

(602) 953-7702
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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 equity, as of the latest practicable date.

Class	Outstanding at June 30, 2001
-----	-----
Common Stock, par value \$0.001	28,392,242

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENT

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RHOMBIC CORPORATION
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET
September 30, 2001
(Unaudited)

ASSETS	
CURRENT ASSETS:	
Cash	\$ 1,593
Prepaid Expenses	600

Total Current Assets	2,193

OTHER ASSETS:	
Investments	41,995
Licensing Agreements and Technologies	581,257
Patents	102,095

Total Assets	\$ 727,540
	=====
LIABILITIES	
CURRENT	
Accounts Payable	\$ 52,646

	52,646
STOCKHOLDERS' EQUITY	
Preferred Stock, \$.001 Par Value, 1,000,000 Shares Authorized, None Issued	
Common Stock, \$.001 Par Value, 70,000,000 Shares Authorized, 28,392,242 Issued and Outstanding	28,392
Additional Paid-in Capital	8,402,969
(Deficit) Accumulated During the Development Stage	(7,756,467)

Total Stockholders' Equity	674,894

Total Liabilities and Stockholders' Equity	\$ 727,540
	=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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RHOMBIC CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the 9 Months Ended		For the 3 Months	
	Sept 30, 2001	Sept 30, 2000	Sept 30, 2001	Se
	-----	-----	-----	-----
ROYalty Income	\$ --	\$ --	\$ --	\$

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Interest Income	80	4,832	--
	-----	-----	-----
	80	4,832	--
EXPENSES			
Research and Development Expense	12,246	388,854	6,465
Write Down of Intellectual Property	--	--	--
Legal & Accounting	116,521	234,319	46,093
Transfer Agent Expenses	948	4,460	519
Consulting, Related Party	--	60,000	--
Consulting	37,375	328,453	36,500
Interest Expense	2,917	--	--
Other General & Administrative	257,170	874,627	72,561
	-----	-----	-----
Total Expenses	427,177	1,890,713	162,138
	-----	-----	-----
Loss before other expenses	427,097	1,885,881	162,138
OTHER EXPENSES			
Loss on Sale of Marketable Securities	92,616	--	92,616
	-----	-----	-----
NET (LOSS)	\$ (519,713)	\$ (1,885,881)	\$ (254,754)
	=====	=====	=====
NET LOSS PER SHARE:			
Basic	\$ (0.02)	\$ (0.06)	\$ (0.00)
	=====	=====	=====
Diluted	\$ (0.02)	\$ (0.06)	\$ (0.00)
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	26,772,481	34,484,813	26,772,481
	=====	=====	=====
Diluted	26,772,481	34,384,813	26,772,481
	=====	=====	=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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RHOMBIC CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in Capital
	Shares	Amount	
	-----	-----	-----
Balance at December 31, 1999	24,741,100	\$ 24,741	\$ 4,589,750
Acquisition of Intellectual Property	100,000	100	281,150
Shares Issued to Acquire Emerald Investments	200,000	200	(200)
Shares Issued for Services	75,000	75	214,350
Exercise of Stock Options	170,000	170	107,080
Net Loss for the Quarter Ended March 31, 2000	-----	-----	-----

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Balance At March 31, 2000	25,286,100	25,286	5,192,130	(
Acquisition of Intellectual Property	100,000	100	194,150	
Shares Issued for Services	350,000	300	661,066	
Net Loss for the Quarter Ended June 30, 2000	-----	-----	-----	---
Balance At June 30, 2000	25,736,100	25,736	6,047,346	(
Adjustment for Shares Issued for Services			(40,188)	
Shares Issued for Services	350,000	350	272,650	
Exercise of Stock Options	200,000	200	199,800	
Net Loss for the Quarter Ended September 30, 2000	-----	-----	-----	---
Balance At September 30, 2000	26,286,100	\$ 26,286	\$ 6,479,608	\$(
	=====	=====	=====	==
Balance at December 31, 2000	26,286,100	\$ 26,286	\$ 8,043,540	\$(
Shares issued for services	290,000	290	59,710	
Net loss for the quarter ended March 31, 2001	-----	-----	-----	---
Balance at March 31, 2001	26,576,100	26,576	8,103,250	(
Shares issued for services	400,000	400	91,600	
Shares issued for debenture conversion	1,166,142	1,166	198,834	
Costs of offering			(20,831)	
Net loss for the quarter ended June 30, 2001	-----	-----	-----	---
Balance at June 30, 2001	28,142,242	28,142	8,372,853	(
Shares issued for services	250,000	250	31,250	
Costs of offering			(1,134)	
Net loss for the quarter Sept. 30, 2001	-----	-----	-----	---
Balance at September 30, 2001	28,392,242	\$ 28,392	\$ 8,402,969	\$(
	=====	=====	=====	==

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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RHOMBIC CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	For the Nine Months Ended Sept 30,		For the T Ended
	2001	2000	2001
	----	----	----
OPERATING ACTIVITIES			
Net (Loss) Income for the Period	\$ (519,713)	\$ (1,885,781)	\$ (254,754)
Adjustments to Reconcile Net Cash Used by Operations:			
Write Down of Intellectual Property	--	--	--
Marketable Securities Exchanged for Services	35,820	--	35,820
Marketable Securities Exchanged for Payables	27,818	--	27,818

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Loss On Sale of Marketable Securities	92,617	--	92,617
Common Stock Issued for Services	183,500	1,108,653	31,500
Fair Value of Options Granted	--	--	--
(Increase) Decrease in Accounts Receivable	--	15,103	291
(Increase) Decrease in Prepaid Expenses	1,900	116,855	400
Increase (Decrease) in Accounts Payable	(63,909)	72,826	17,915
Increase (Decrease) in Due to Related Parties	--	3,793	--
	-----	-----	-----
Net Cash (Used) by Operating Activities	(241,967)	(568,551)	(48,393)
	-----	-----	-----
FINANCING ACTIVITIES			
Proceeds From Private Placements	--	--	--
Proceeds From Convertible Debenture	200,000	--	--
Offering Costs	(21,965)	--	(1,134)
Proceeds From Exercise of Stock Options	--	307,250	--
Proceeds From Sale of Marketable Securities	19,506	--	19,506
	-----	-----	-----
Cash Provided From Financing Activities	197,541	307,250	18,372
	-----	-----	-----
INVESTING ACTIVITIES			
Cost of Patents	(47,365)	(52,257)	--
Investment in Marketable Securities	--	--	--
	-----	-----	-----
Cash Used in Investment Activities	(47,365)	(52,257)	--
	-----	-----	-----
Increase in Cash	(91,791)	(313,558)	(30,021)
Cash at Beginning of Period	93,384	557,553	31,614
	-----	-----	-----
Cash at End of Period	\$ 1,593	\$ 243,995	\$ 1,593
	=====	=====	=====
Interest Expense	\$ 2,917	\$ --	\$ --
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Issuance of Common Stock for Licensing Agreements and Technologies	\$ --	\$ 475,500	\$ --

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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RHOMBIC CORPORATION
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the Quarters Ended June 30, 2001 and 2000

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles. These financial statements reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. Such financial statements generally conform to the presentation reflected in the Company's Forms 10-KSB and 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2000. The current interim period reported herein should be read in conjunction with the Company's Form 10-KSB subject to independent audit at the end of the year.

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The results of operations for the three months ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

CONVERTIBLE DEBENTURE

On March 8, 2001, Rhombic signed a convertible debenture for \$2.5 million. The Holder funded \$200,000 on the debenture and converted the advances into 1,166,142 shares of the Company under the terms of the debenture. On July 20, 2001, the Company withdrew its registration statement for the shares issued and to be issued under the debenture because it was no longer applicable to the Company. A new registration statement was filed on October 2, 2001 which will register all shares that were sold under the debenture.

STOCKHOLDERS' EQUITY

During the third quarter of 2001, the Company issued 250,000 restricted common shares as payment in full for consulting services regarding financing for the company. The transaction had a deemed value of \$ 31,500.

The deemed value of the all shares issued was determined based upon the trading value of the Company's common stock at the time of the issuance of the stock.

SUBSEQUENT EVENTS

On November 5, 2001, the Company entered into a non-binding letter of intent with Famco Holding Company, LLC to reach a definitive agreement wherein Rhombic would acquire all the outstanding shares of six corporations for approximately 630,000,000 common shares of Rhombic, restricted pursuant to Rule 144, and resulting in a change of control. It is anticipated that the operating corporations will be acquired individually over a four to six month period after due diligence and audited financial statements are completed. The unaudited revenues from two of the operating companies last year approximated \$12 million with income before taxes of \$4.4 million. Other companies are in a research and development phase and will be sold to Rhombic upon completion of the development phase and a readiness to commence sales. Upon the satisfactory completion of due diligence, the directors of Rhombic will recommend the acquisitions to the shareholders with the specific terms.

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

PLAN OF OPERATION

The following discussion is intended to provide an analysis of the Company's financial condition and Plan of Operation and should be read in conjunction with the Company's financial statements and the notes thereto. The matters discussed in this section that are not historical or current facts, deal with potential future circumstances and developments. Such forward-looking statements include, but are not limited to, the development plans for the technologies of the Company, trends in the results of the Company's development, anticipated development plans, operating expenses and the Company's anticipated capital requirements and capital resources. The Company's actual results could differ materially from the results discussed in the forward-looking statements.

The Company has not generated revenue from operations during the first nine months of 2001 or since its inception. During the third quarter of 2001, the Company began the quarter with \$31,614 in cash. At November 1, 2001, the Company had a working capital deficit. The Company had approximately \$29,000 in cash and trade payables of approximately \$42,500 at that date.

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During the third quarter of this year, the company sold 600,000 shares of its holdings in Rockford Technology Corporation for \$19,506 in cash and exchanged 900,000 shares of Rockford for services and the payment of existing payables. The Company disbursed approximately \$10,000 in cash for auditor reviews and legal fees regarding the registration statement, quarterly filing and business consulting, \$5,000 to a scientific consultant for an opinion on current patents and patents pending as well as \$ 35,000 for salaries, travel and overhead expenses.

Subsequent to September 30, 2001, the Company received approximately \$36,700 in cash from the sale of most of its marketable securities from which it dispersed \$ 20,646 for payables existing at September 30, 2001. The Company also satisfied payables at September 30, 2001 of \$ 22,000 by issuing common shares to the previous President.

In early July 2001, the Company terminated its investor relation representative and hired a scientific consultant to evaluate all of the patents and patent applications of the Company for relevance to potential commercial applications. The consultant first stated that all patents and provisional patents involving Field Enhanced Diffusion by Optical Activation (FEDOA) which covered diamond based fuel cells, diamond doping and the removal of impurities, listed inventors that are or were faculty members of the University of Missouri at Columbia. The University Administration asserts that all inventions created at the University by its faculty members are its intellectual property and not Rhombic's. The following opinions on Rhombic's provisional patents invented by faculty members at the University of Missouri are summarized as follows:

1. Provisional patents for the System and Method for Diamond Based Fuel Cells give substantial evidence that the described process using FEDOA is too slow to be economically feasible.
2. Provisional patent applications covering the doping of natural and chemically vacuum deposited (CVD) diamond using FEDOA is too slow of a process to be economically feasible. Additional research into electrical applications of these provisional patents could be used with other doping processes to explore potential commercial applications.
3. Provisional patent applications for a System and Method for Removal of Impurities from materials such as semiconductors using FEDOA would require significantly more research to determine commercial value. Although the process appears to offer an increase yield of chips obtainable from wafers, the commercial viability is questionable because the FEDOA is very slow for commercial applications.

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4. Provisional patent applications for Carbon Crystal Growth Using Electric Emission Enhanced Showerhead Hot Filament Chemical Vapor Deposition offers an improved process for the CVD process, but the applications and inventors do not have enough data to determine commercial viability.

The conclusion of the consultant and the company was not to continue the patent process of the above listed provisional patent applications because of (1) the limited economic viability due primarily to the process speed of FEDOA; (2) the high costs of patent counsel and the direct costs to obtain domestic and foreign patents; and (3) the potential exposure to royalty payments to the University of Missouri with corresponding costs of defending ownership of the patents.

The consultant also evaluated Rhombic's intellectual property that was

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unaffected by potential claims from the University of Missouri. His opinions are as follows:

1. Provisional patent for the Method and System for Manufacturing Disperse Composite Materials is of great economic value if the process is fully developed for the numerous applications that are being proposed now by industry or that will emerge shortly.
2. Provisional patent for a Method of Contact Diffusion into Diamond and Other Crystalline Structures and Products using its thermal diffusion method is commercially viable.

The consultant recommended proceeding with a development plan for commercial applications involving the Manufacturing of Disperse Composite Materials. He also recommended to proceed with Contact Diffusion into Diamond if reasonable arrangements could be made to secure a license to receive the processed diamond material necessary to complete the process.

Upon the recommendations of the consultant, the company met with its patent attorneys and determined that the application deadlines to extend the patents pending on the Manufacturing of Disperse Composite Materials had expired. As a result, the President met with the inventors of the patents and determined a commitment of \$ 500,000 to \$1,000,000 in capital would be needed to begin a development program for any commercial applications that would provide specific patent coverage for any process developed. Due to existing financing problems that the Company was facing, Rhombic's President recommended a merger with a private research and development company that had capital and scientists. Unfortunately, Rhombic never received enough information from the company to evaluate a merger and Rhombic's President subsequently resigned.

The Company does not have any employees and uses consultants for matters pertaining to coordinating technology development and administration. The Company may hire employees during the next twelve months depending upon its success in developing prototype applications for sale and financing more development.

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Exchange Act of 1934. Although the Company believes that the expectations reflected in the forward-looking statements and the assumptions upon which the forward-looking statements are based are reasonable, it can give no assurance that such expectations and assumptions will prove to be correct.

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PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings against the Company and the Company is unaware of any proceedings contemplated against it.

ITEM 2. CHANGES IN SECURITIES

The following information is given with respect to all unregistered securities sold or issued by Rhombic in the period covered by this report:

(1) On August 9, 2001 25,000 restricted common shares were issued to a consultant regarding financing for the Company. The deemed value of the shares issued was \$4,500 which was determined based upon the trading value of the Company's common stock at the time of the issuance of the stock and the agreement. These shares were issued by the Company pursuant to the exemption

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found in Section 4(2) of the Securities Act of 1933.

(2) On September 13, 2001, the Company issued 175,000 restricted common shares of its common stock to two financial consultants regarding financing for the Company and 50,000 restricted common shares to a scientific consultant. The deemed value of the shares issued was \$27,000 which was determined based upon the trading value of the Company's common stock at the time of the issuance of the stock and the agreement. These shares were issued by the Company pursuant to the exemption found in Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

On November 5, 2001, the Company entered into a non-binding letter of intent with Famco Holding Company, LLC to reach a definitive agreement wherein Rhombic would acquire all the outstanding shares of six corporations for approximately 630,000,000 common shares of Rhombic, restricted pursuant to Rule 144, and resulting in a change of control. It is anticipated that the operating corporations will be acquired individually over a four to six month period after due diligence and audited financial statements are completed. The unaudited revenues from two of the operating companies last year approximated \$12 million with income before taxes of \$4.4 million. Other companies are in a research and development phase and will be sold to Rhombic upon completion of the development phase and a readiness to commence sales. Upon the satisfactory completion of due diligence, the directors of Rhombic will recommend the acquisitions to the shareholders with the specific terms.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

During the quarter ended September 30, 2001, the Company did not file a Form 8-K. Subsequent to the end of the quarter, the Company filed one Form 8-K report. The report was filed on October 12, 2001 and is incorporated herein by reference. The report disclosed the resignation of Roger Duffield as the President and a director of the Company.

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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.

RHOMBIC CORPORATION

By: /s/ Albert Golusin

Albert Golusin
Chief Financial Officer

Date: November 14, 2001

