

SIGNALIFE, INC.
Form 10QSB
May 15, 2007

United States

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 March 31, 2007**
- Transition Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For The Transition Period From _____ To _____
Commission File No. _____**

SIGNALIFE, INC.

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

Delaware

87-0441351

**(State or other jurisdiction of
incorporation or organization)**

**(I.R.S. Employer
Identification No.)**

**531 South Main Street, Suite 301
Greenville, South Carolina 29601
(864) 233-2300**

**(Address Of Principal Executive Offices)
(Issuer s Telephone Number)**

Check whether the issuer (1) 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 by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Securities Exchange Act of 1934): Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 5, 2007, there were issued and outstanding or accrued for issuance a total of 45,714,742 shares of common stock, par value \$0.001 per share and 14,574 shares of series A preferred stock, par value \$0.001 per share (plus an additional 38,619 unissued series A preferred shares accrued as dividends for issuance).

Table Of Contents

ADVISEMENTS

ii

INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIODS ENDED MARCH 31, 2007 AND 2006

1

Balance Sheet

F-1

Statements Of Operations

F-2

Statement Of Stockholders' Equity

F-3

Statements Of Cash Flows

F-4

Notes To Interim Financial Statements

F-6

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2

General

2

Overview

2

Results of Operations

3

Plan Of Operation

4

Capital Resources

4

Critical Accounting Policies

6

Recent Accounting Pronouncements

7

UNCERTAINTIES AND OTHER RISK FACTORS THAT MAY AFFECT OUR FUTURE RESULTS AND FINANCIAL CONDITION

7

Risks Relating To An Investment In Our Securities

10

CONTROLS AND PROCEDURES

14

Evaluation Of Disclosure Controls And Procedures

14

Changes In Internal Control Over Financial Reporting

14

LEGAL PROCEEDINGS

14

CHANGES IN SECURITIES AND USE OF PROCEEDS

16

Recent Sales Of Unregistered Equity Securities

16

Use Of Proceeds Of Registered Offerings

16

Repurchases Of Equity Securities

16

DEFAULTS UPON SENIOR SECURITIES

16

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

16

OTHER INFORMATION

16

Matters Not Previously Reported On Form 8-K

16

Voluntary Reports

16

Material Changes To Director Nominee Procedures

17

EXHIBITS

17

SIGNATURES

17

ADVISEMENTS

Unless the context requires otherwise, *Signalife*, *the company*, *we*, *us*, *our* and similar terms refer to Signalife, Inc. formerly known as Recom Managed Systems, Inc. Our common stock, par value \$.001 per share, and our series A preferred stock, par value \$.001 per share, are commonly referred to in this quarterly report as our *common shares* and *series A preferred shares*, respectively. The information in this quarterly report is current as of the date of this quarterly report (March 31, 2007), unless another date is specified.

We prepare our interim financial statements in accordance with United States generally accepted accounting principles. Our financial condition and results of operations for the three-month interim period ended March 31, 2007 are not necessarily indicative of our prospective financial condition and results of operations for the pending full fiscal year ended December 31, 2007. The interim financial statements presented in this quarterly report as well as other information relating to our company contained in this quarterly report should be read in conjunction with the annual financial statements and more detailed background information relating to our company and our business contained in our annual report on form 10-KSB for our fiscal year ended December 31, 2006, as it may be amended, together with any reports, statements and information filed with the United States Securities and Exchange Commission (the *SEC*) relating to periods or events occurring after December 31, 2006.

In this quarterly report we make a number of statements, referred to as *forward-looking statements*, which are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. These forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to us and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe to be appropriate in the circumstances. You can generally identify forward-looking statements through words and phrases such as *seek*, *anticipate*, *believe*, *estimate*, *expect*, *intend*, *plan*, *budget*, *project*, *may be*, *may continue*, *may likely result*, and similar expressions. When reading any forward looking statement you should remain mindful that actual results or developments may vary substantially from those expected as expressed in or implied by that statement for a number of reasons or factors, such as those relating to: (1) whether or not a market for our various heart monitoring devices and services develops and physicians, patients, insurance companies and government and other third-party reimbursement agents accept those products and services and, if a market develops, the pace at which it develops; (2) our ability to successfully sell our various heart monitoring devices and services to the extent a market develops; (3) our ability to attract the qualified personnel to implement our growth strategies; (4) our ability to develop sales, marketing and distribution capabilities for our biomedical devices and services, either internally or through outside contractors or partners; (5) the success of our research and development activities in developing additional heart monitoring devices and other biomedical devices using our proprietary technologies, and our ability to obtain federal or state regulatory approvals governing those biomedical products and services; (6) the accuracy of our estimates and projections; (7) our ability to fund our short-term and long-term financing needs; (8) changes in our business plan and corporate strategies; and (9) other risks and uncertainties discussed in greater detail in the sections of this quarterly report, including those captioned *Management's Discussion And Analysis Of Financial Condition And Results Of Operations* and *Uncertainties And Risk Factors That May Affect Our Future Results And Financial Condition*.

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this report as well as other public reports we file with the SEC, including our annual report on form 10-KSB for our fiscal year ended December 31, 2006, as it may be amended. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this

report to reflect new events or circumstances unless and to the extent required by applicable law.

SIGNALIFE, INC.

**INTERIM FINANCIAL STATEMENTS
FOR THE
THREE MONTH INTERIM PERIODS ENDED MARCH 31, 2007 AND 2006
(UNAUDITED)**

Contents

	Page
Interim Financial Statements (Unaudited)	
Balance Sheet as of March 31, 2007	
	F-1
Statements Of Operations For The Three Months Ended March 31, 2007 And 2006	
	F-2
Statement Of Stockholders' Equity For The Three Months Ended March 31, 2007	
	F-3
Statements Of Cash Flows For The Three Months Ended March 31, 2007 And 2006	
	F-4
Notes To Interim Financial Statements	
	F-6

SIGNALIFE, INC.

Balance Sheet

March 31, 2007

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents

\$ 1,151,480

Inventory

147,086

Prepaid sales commissions

1,698,951

Prepaid expenses and other current assets

90,386

Total current assets

3,087,903

Property and equipment, net of accumulated depreciation of \$289,691.

258,606

Intangible patents, including related party amounts, net of accumulated amortization of \$47,371

594,166

TOTAL ASSETS

\$ 3,940,675

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:

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Accounts payable and accrued expenses		
	\$	489,912
Line of credit		
		100,000
Total liabilities		
		589,912
Commitments and contingencies		
Stockholders' equity:		
Series A convertible preferred stock, \$.001 par value; 10,000,000 shares authorized; 14,574 shares issued and outstanding		14
Series A convertible preferred stock to be issued for accrued dividends, 38,619 shares		39
Common stock, \$.001 par value; 100,000,000 shares authorized; 44,866,515 shares issued and outstanding		44,867
Additional paid-in capital		43,167,843
Accumulated deficit		(39,862,000)
Total stockholders' equity		3,350,763
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	3,940,675

The accompanying notes are an integral part of these financial statements

SIGNALIFE, INC.

Statements Of Operations

For The Three Months Ended March 31, 2007 And 2006

(Unaudited)

	For the Three Months Ended March 31,	
	2007	2006
Product sales		
	\$	\$
Cost of products sold		
Gross profit		
Operating expenses:		
Research and development		
	285,271	169,263
General and administrative		
	5,325,725	2,320,296
Total operating expenses		
	5,610,996	2,489,559
Loss from operations		
	(5,610,996)	(2,489,559)
Other income:		
Exclusivity fee income		
	500,000	

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Interest income		
	47,652	42,179
Total other income		
	547,652	42,179
Loss before provision for income taxes		
	(5,063,344)	(2,447,380)
Provision for income taxes		
Net loss		
	(5,063,344)	(2,447,380)
Preferred dividend		
	8,024	11,169
Net loss attributable to common stockholders		
	\$ (5,071,368)	\$ (2,458,549)
Basic and diluted loss per share		
	\$ (0.12)	\$ (0.06)
Weighted average shares outstanding basic and diluted		
	43,416,803	38,655,399

The accompanying notes are an integral part of these financial statements

SIGNALIFE, INC.

Statement Of Stockholders Equity

For The Three Months Ended March 31, 2007

(Unaudited)

	Common Stock		Series A Convertible Preferred Stock		Series A Convertible Preferred Stock To Be Issued		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2006	42,413,248	\$ 42,413	97,909	\$ 98	35,944	\$ 36	\$ 37,700,728	\$ (34,798,656)	2,944,000
Change in value of common stock for services	2,369,932	2,370					4,444,224		4,446,594
Change in value of employee options							380,946		380,946
Options and warrants issued for services							641,948		641,948
Series A preferred stock accrued dividends							(8,024)		(8,024)
					3		8,021		8,021

res for series A
ferred dividends

2,675

version of
es A
ferred stock

83,335 84 (83,335) (84)

loss

(5,063,344) (5,063,3

ance
rch 31, 2007

		\$		\$		\$	\$	\$	
44,866,515	44,867	14,574	14	38,619	39	43,167,843	(39,862,000)	3,350,7	

The accompanying notes are an integral part of these financial statements

SIGNALIFE, INC.**Statements Of Cash Flows****For The Three Months Ended March 31, 2007 And 2006****(Unaudited)**

	For the Three Months Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,063,344)	\$ (2,447,380)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,493	27,999
Amortization of deferred compensation	--	207
Stock issued for services	4,446,594	385,989
Options and warrants issued for services	641,948	251,421
Fair value of stock options under SFAS 123R	380,946	559,603
Changes in assets and liabilities:		
Inventory	8,385	(100,264)
Prepays and other current assets	(1,687,006)	65,066

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Accounts payable and accrued expenses		
	(585,756)	34,818
Deferred revenue		
	(500,000)	2,000,000
Net cash provided by (used in) operating activities		
	(2,332,740)	777,459
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment		
	(1,782)	(14,703)
Capitalized patent cost		
	(650)	(23,389)
Net cash used in investing activities		
	(2,432)	(38,092)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit, net		
	100,000	--
Net cash provided by financing activities		
	100,000	--
Net Increase (decrease) in cash and cash equivalents		
	(2,235,172)	739,367
Cash and cash equivalents, beginning of period		
	3,386,652	4,776,277
Cash and cash equivalents, end of period		
	\$	\$
	1,151,480	5,515,644

(continued on next page)

The accompanying notes are an integral part of these financial statements

SIGNALIFE, INC.

Statements Of Cash Flows

For The Three Months Ended March 31, 2007 And 2006

(Unaudited)

(Continued)

Supplemental Cash Flow Information:

Signalife paid no interest for the three month periods ended March 31, 2007 or 2006. Signalife paid no income taxes for the three month interim periods ended March 31, 2007 or 2006.

Supplemental Investing and Financing Activities:

For the three month interim periods ended March 31, 2007 and 2006, the company has accrued \$8,024 and \$11,169, respectively, in dividends related to its series A preferred stock. Such dividends are a non-cash charge as they will be paid in-kind.

During the three month interim periods ended March 31, 2007 and 2006, 83,335 and 14,356 shares of common stock, respectively, were issued upon conversion of an equivalent number of shares of series A preferred stock.

The accompanying notes are an integral part of these financial statements

SIGNALIFE, INC.

Notes To Interim Financial Statements

For The Three Months Ended March 31, 2007 And 2006

(Unaudited)

1.

ORGANIZATIONAL MATTERS

Signalife, Inc. (*we* , *our company* or *Signalife*) is a medical device company focused on researching, developing and marketing medical devices which monitor and measure physiological signals in order to detect diseases that impact an individual s health. Signalife was originally incorporated in Delaware on January 19, 1987. On November 2, 2005, we changed our name to Signalife, Inc. from Recom Managed Systems, Inc.

From our inception we have been considered a development stage company in accordance with Statements of Financial Accounting Standards (*SFAS*) No. 7, *Accounting and Reporting by Development Stage Enterprises*. However, during the fourth quarter of 2006, we commenced our planned operations as we shifted our focus from product development to selling our products, and ceased being a development stage company.

On September 19, 2002, we issued 23,400,000 (7,800,000 pre-split) common shares in exchange for intangible technology (the *Signal Technologies*) to ARC Finance Group, LLC (*ARC Finance Group*). The issuance of this stock resulted in a change of control, with the new ownership group controlling approximately 85% of the company s outstanding stock. At March 31, 2007, ARC Finance Group s ownership percentage of the company s outstanding common shares and voting securities was approximately 49.5%.

We are authorized under our Certificate of Incorporation to issue (1) common shares, par value \$.001 per share, and (2) shares of preferred stock, par value \$.001 per share, of which one class, denominated as series A convertible preferred stock, has been designated to date. We sometime refer to these securities in these financial statements as *common shares* , *preferred shares* and *series A preferred shares* , respectively.

2.

BASIS OF PRESENTATION

The accompanying interim unaudited financial statements have been prepared by Signalife in accordance with

accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission, including Form 10-QSB and Regulation S-B. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and disclosures normally present in annual audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. The company believes that the disclosures provided are adequate to make the information presented not misleading. These accompanying interim unaudited financial statements and these explanatory notes should be read in conjunction with the audited annual financial statements and accompanying explanatory notes for the year ended December 31, 2006 as disclosed in the company's 10-KSB for that year as filed with the SEC, as such report may be amended.

The results of the three-month interim period ended March 31, 2007 are not necessarily indicative of the results to be expected for the pending twelve-month period ending December 31, 2007.

SIGNALIFE, INC.

Notes To Interim Financial Statements

For The Three Months Ended March 31, 2007 And 2006

(Unaudited)

(Continued)