GEN RX INC
Form 10-Q
August 14, 2008
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended June 30, 2008

o	**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: 0-24496

GEN/RX, INC.

(Exact name of registrant as specified in its charter)

New York	**11-2728666**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

600 Woodmere Boulevard

Woodmere, New York 11598

(Address of principal executive offices, including zip code)

(516) 569-3800
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.004 par value per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes x No o

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 13, 2008**
Common Stock, $0.004 par value per share	20,878,711 shares (including 2,064,966 shares to be issued)

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PART I

ITEM 1. **Financial Statements**

GEN/RX, INC.

Condensed Consolidated Statement of Net Assets

(liquidation basis) (Note 2)
(in thousands, except shares and per share amounts)

	June 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Cash	$ 30	$ 30
LIABILITIES		
Obligations	30	30
Commitments and contingencies		
Net assets in liquidation	$ 0	$ 0
Net assets in liquidation per common share (based on 20,878,711 common shares outstanding (including 2,064,966 shares to be issued) in 2008 and 2007)	$ 0	$ 0

See Notes to Financial Statements

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GEN/RX, INC.

Condensed Consolidated Statement of Changes in Net Assets

(liquidation basis) (Note 2)
(in thousands)
(unaudited)

	April 1, 2008 through June 30, 2008	April 1, 2007 through June 30, 2007	January 1, 2008 through June 30, 2008	January 1, 2007 through June 30, 2007
Net assets, in liquidation beginning of period	$ 0	$ 0	$ 0	$ 0
Net assets, in liquidation end of period	$ 0	$ 0	$ 0	$ 0

See Notes to Financial Statements

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GEN/RX, INC.

Notes to Financial Statements (unaudited)

Note 1. Financial Statements

In the opinion of management, the accompanying unaudited, condensed, consolidated financial statements contain all adjustments necessary to present fairly the financial position of GEN/Rx, Inc. (the Company) and its results of operations and cash flows for the interim periods presented. Such financial statements have been condensed in accordance with the applicable regulations of the Securities and Exchange Commission (SEC) and, therefore, do not include all disclosures required by generally accepted accounting principles. These financial statements should be read in conjunction with the Company s audited financial statements for the year ended December 31, 2007 included in the Company s Annual Report on Form 10-K.

The results of operations for the six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the entire fiscal year.

Note 2. Basis of presentation

The Company presents its financial status and the changes in its financial status on the liquidation basis of accounting. Accordingly, the net assets of the Company are stated at liquidation value, whereby assets are stated at their estimated net realizable values and liabilities, which include estimated liquidation expenses to be incurred through the date of final dissolution of the Company, are stated at their anticipated settlement amounts. The Company has total obligations of approximately $4.4 million and net assets of $30,000. Accordingly, the liabilities reflected on the condensed consolidated statement of net assets represent solely the amounts for which the Company has available assets.

As of June 30, 2008, the Company remains indebted to Apotex in the amount of approximately $4.4 million. In addition, in each of the three months and six months ended June 30, 2008 and 2007, respectively, Apotex paid, on behalf of the Company, approximately $9,000 and $16,000, and $34,000 and $41,000, respectively, of expenses, representing primarily legal, accounting and administrative costs which are not reflected on the accompanying financial statements and from which Apotex has agreed not to charge the Company.

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ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

GEN/Rx, Inc. (GEN/Rx or the Company) effectively ceased operations on or about June 30, 1996.

The Company was originally incorporated as American Veterinary Products, Inc. under the laws of the State of Colorado in 1976. In January 1988, American Veterinary Products, Inc. was acquired by Transmed Express, Inc. (Transmed), a publicly held company incorporated under the laws of the State of New York, in a stock-for-stock transaction. In March 1993, American Veterinary Products, Inc. changed its name to GEN/Rx, Inc.

GEN/Rx was a holding company which, through its subsidiaries, was in the business of developing, manufacturing and distributing generic injectable drugs. GEN/Rx had three wholly-owned subsidiaries: AUSA, Inc. (AUSA), which was sold in June 1996 to the Company s principal stockholder and principal creditor, Apotex Corp. (formerly known as Apotex USA, Inc.; Apotex); American Veterinary Products, Inc. (AVP), which discontinued operations in December 1995; and Collins Laboratories, Inc. (Collins), which has been inactive since its inception.

With respect to the Company s financial information set forth in this Quarterly Report on Form 10-Q for the six months ended June 30, 2008, the financial statements are presented on a liquidation basis. The Company has not conducted any business operations since the sale of its wholly-owned subsidiary, AUSA, on June 30, 1996. All activities of the Company after such date related principally to the liquidation of the AVP assets by the receiver and the sale of AVP s Fort Collins manufacturing plant. All of the operations of AVP and AUSA are treated as discontinued operations. No comparison is made in this report for the three and six months ended June 30, 2008 and June 30, 2007 because there were no operations in 2008 and 2007.

The Company experienced significant operating losses since its inception resulting in a deficit equity position. While the Company was engaged in operations, it was dependent on Apotex for financing. At September 30, 1996, after the sale of AUSA to Apotex, the Company was indebted to Apotex in the amount of approximately $4.4 million. Since 1996, the Company has not made any payments to Apotex on this debt. Apotex has not charged interest on the indebtedness and has not instituted any legal proceedings for collection. It is not expected that Apotex will advance any additional funding to the Company and the Company presently has no available financing alternatives. The Company has not engaged in substantive business activity for more than ten years and we have no plans to engage in any substantive business activity in the foreseeable future. The Company has been considering various business alternatives relating to the Company including, without limitation, commencing new business operations, seeking a purchaser or business combination for the Company and dissolution of the Company. The commencement of any business endeavor will be preceded by the consideration and adoption of a business plan by our Board of Directors. Due to the limited current and proposed business activities of the Company described herein, it is classified as a blank check company. The Securities and Exchange Commission and many states have enacted statutes, rules and regulations limiting the sale of securities of blank check companies. Management does not intend to undertake any efforts to cause a market to develop in the Company s securities until such time as the Company has successfully developed and implemented a business plan. We are unable to predict at this time when and if it may actually participate in any specific business endeavor.

The Company has adopted the liquidation basis of accounting and, accordingly, the net assets of the Company are stated at their estimated net realizable values and liabilities which include estimated liquidation expenses to be incurred through the date of final dissolution of the Company reflected at their anticipated settlement amounts.

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Liquidity and Capital Resources

At June 30, 2008 and at present, the Company has cash of $30,000 and liabilities in the nature of long-term debt to Apotex of approximately $4.4 million and lacks the liquidity to carry on any business activities. The Company has virtually no assets and no capital resources. Effective June 30, 2996, the Company ceased all business operations upon the sale of AUSA to Apotex.

Off-Balance Sheet Arrangements

As of June 30, 2008, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated under the Securities Act of 1934, as amended.

Contractual Obligations and Commitments

As of June 30, 2008, we did not have any contractual obligations or commitments other than our outstanding debt described under Overview above.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices and other market-driven rates or prices. We are not presently engaged in any substantive commercial business. Accordingly, we are not and, until such time as we consummate a business combination, we will not be, exposed to risks associated with foreign exchange rates, commodity prices, equity prices or other market-driven rates or prices.

ITEM 4T. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company s sole officer acting as principal executive officer and principal financial officer and director has evaluated the effectiveness of the disclosure controls and procedures of the Company. Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company s reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to management including the principal executive and principal financial officer as appropriate to allow timely decisions regarding required disclosure.

The Company s management does not expect that the Company s disclosure controls and procedures would prevent all errors and all frauds. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objective of the control system are met. Further the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all issues and instances of error and fraud, if any within a company have been identified.

Due to the Company s present circumstances the Company has only one officer who is its acting principal executive officer, principal financial officer and the Company s sole director. As such, the Company has no segregation of functions and, accordingly, there is a material weakness in our internal controls over financial reporting. This determination is based on the fact that our sole officer serves in both acting principal executive officer and acting principal financial officer positions and we do not have an audit committee and, therefore, lack the necessary corporate accounting resources for effective internal controls.

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At the current time, the Company s acting principal executive officer, who is also the acting principal financial officer, has responsibility for the limited activities of maintaining the Company s bank account, preparing the financial statements and preparing public filings. Given that the Company has not had operations for over ten years and only has assets in the amount of approximately $30,000, the hiring of additional personnel to conduct these limited activities would cause undue financial hardship. However, reliance on these limited resources impairs our ability to provide for proper segregation of duties and to ensure consistently complete and accurate financial reporting.

At evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures was carried out within 90 days prior to the filing date of this report. This evaluation was carried out under the supervision and with the participation of our Acting President and Chief Executive Officer and Chief Financial Officer (the Certifying Officer). Based upon that evaluation and notwithstanding the material weakness in internal controls, the Certifying Officer concluded that the Company s disclosure controls and procedures are adequate. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation. If and when the Company re-commences business operations, it may seek to develop new disclosure controls and procedures.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is not currently a party to any legal proceedings. However, the Company is indebted to Apotex in the amount of approximately $4.4 million and has previously had a receiver appointed for its subsidiary, AVP. See Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations of Part I above and Item 3. Defaults Upon Senior Securities below.

ITEM 3. Defaults Upon Senior Securities

The Company has been in default on its indebtedness in favor of Apotex since 1996. The entire amount of indebtedness is due and payable. At June 30, 2008, the Company was indebted to Apotex in the amount of approximately $4.4 million.

ITEM 6. Exhibits

Exhibits

31 Rule 13a-14(a)/15d-14(a) Certification

32 Section 1350 Certification

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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.

		GEN/Rx, Inc.
Date: August 14, 2008	By:	/s/ Jack Margareten Jack Margareten Acting President and Chief Executive Officer, Chief Financial Officer and Sole Director

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EXHIBIT INDEX

31	Rule 13a-14(a)/15d-14(a) Certification
32	Section 1350 Certification