

PUBLIC CO MANAGEMENT CORP  
Form 10QSB/A  
May 05, 2008

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

**FORM 10-QSB/A  
(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended December 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-50098

**PUBLIC COMPANY MANAGEMENT CORPORATION**  
(Exact name of small business issuer as specified in its charter)

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

**88-0493734**  
(IRS Employer Identification No.)

**5770 El Camino Road, Las Vegas, NV 89118**  
(Address of principal executive offices)

**(702) 222-9076**  
(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

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

As of January 24, 2008, there were 28,251,816 outstanding shares of the registrant's common stock, \$.001 par value per share.

Transitional Small Business Disclosure Format (Check one): Yes  No

**EXPLANATORY NOTE**

Public Company Management Corporation ("PCMC") is amending its Quarterly Report on Form 10-QSB for the quarterly period ended December 31, 2007 (the "Quarterly Report") which was originally filed with the Securities and Exchange Commission on January 31, 2008, to correct certain period ended dates in PCMC's disclosures and to include an explanation for impairment of non-marketable securities. Changes have been made to "Item 2. Management Discussion and Analysis" under the headings "Results of Operations for the Three Months Ended December 31, 2007 Compared to the Three Months Ended December 31, 2006," "Liquidity and Capital Resources," and "Critical Accounting Policies. Valuation of non-marketable securities". Also, the signatures on the quarterly report and the certifications did not reflect the proper year in which the signatures were provided.

Although this Form 10-QSB/A contains all of the items required to be included in a Quarterly Report on Form 10-QSB, no other information in the original filing is amended hereby. The items have not been updated to reflect other events occurring after the original filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the original filing has been amended to contain currently dated certifications from PCMC's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Except for the foregoing amended information, this Form 10-QSB/A continues to speak as of the date of the original filing, and PCMC has not updated the disclosures contained herein to reflect events that occurred at a later date unless otherwise noted.

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.**

PUBLIC COMPANY MANAGEMENT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	December 31, 2007	September 30, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 15,701	\$ 18,166
Accounts receivable, net	32,717	16,887
Marketable securities	1,057,532	981,987
Total current assets	1,105,950	1,017,040
Receivables under contract, net	4,500	16,500
Non-marketable securities	673,878	1,032,628
Furniture and equipment, net	34,704	39,412
<b>TOTAL ASSETS</b>	<b>\$ 1,819,032</b>	<b>\$ 2,105,580</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 316,570	\$ 385,244
Accounts payable and accrued expenses to related parties	532,135	459,717
Current portion of installment notes payable	19,269	23,433
Bank line of credit	39,492	38,281
Advances from related party	54,384	-
Deferred revenues	674,967	1,099,967
Total current liabilities	1,636,817	2,006,642
<b>LONG TERM LIABILITIES</b>		
Long-term portions of installment note payable	6,290	9,367
<b>TOTAL LIABILITIES</b>	<b>1,643,107</b>	<b>2,016,009</b>
Commitments and Contingencies	-	-
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$.001 par value; 50,000,000 shares authorized, 28,149,316 and 28,099,316 shares issued and outstanding, respectively	28,149	28,099
Paid-in-capital	3,865,534	3,862,083
Accumulated deficit	(3,717,758)	(3,800,611)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>175,925</b>	<b>89,571</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,819,032</b>	<b>\$ 2,105,580</b>

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

PUBLIC COMPANY MANAGEMENT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For The Three Months Ended December 31, 2007 and 2006  
(Unaudited)

	2007	2006
Revenue	\$ 488,591	\$ 381,582
General and administrative	289,518	347,718
Bad debt expense	5,387	6,428
Depreciation and amortization	4,708	8,980
Total operating expenses	299,613	363,126
Net income from operations	188,978	18,456
Other income (expense)		
Interest expense	(3,213)	(12,544)
Interest income	1,687	645
Realized loss on sale of securities	(17,076)	(1,589)
Impairment of non-marketable securities	(296,042)	-
Unrealized gain (loss) on marketable securities	208,520	61,871
Total other expense	(106,124)	48,383
NET INCOME	\$ 82,854	\$ 66,839
Basic and diluted weighted average shares outstanding	28,140,077	23,780,324
Basic and diluted net income per share	\$ 0.00	\$ 0.00

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

PUBLIC COMPANY MANAGEMENT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Three Months Ended December 31, 2007 and 2006  
(Unaudited)

	2007	2006
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 82,854	\$ 66,839
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,708	8,980
Bad debt expense	5,387	6,428
Stock issued for services	3,500	22,850
Changes in assets and liabilities:		
Marketable and non-marketable securities	283,205	(332,588)
Accounts and stock receivable	(9,217)	(59,571)
Accounts payable and accrued expenses	(68,674)	40,468
Accounts payable and accrued expenses to related parties	72,418	88,734
Deferred revenue	(425,000)	(16,320)
Net Cash Used in Operating Activities	(50,819)	(174,180)
<b>Cash Flows From Financing Activities</b>		
Net change in bank line of credit	1,211	1,165
Payments on installment notes payable	(7,241)	(6,823)
Repayment of advances from related party	-	-
Advances from related party	58,134	349,699
Payments to related party	(3,750)	-
Net Cash Provided by Financing Activities	48,354	344,041
Net increase (decrease) in cash	(2,465)	169,861
Cash at beginning of period	18,166	11,043
Cash at end of period	\$ 15,701	\$ 180,904
<b>Cash paid during the period for:</b>		
Interest	\$ 3,212	\$ 12,544
Income taxes	-	-
<b>Supplemental non-cash disclosures:</b>		
Common stock issued for accrued share-based compensation	\$ -	\$ 19,575
Common stock issued for accrued share-based compensation	-	27,100

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

**PUBLIC COMPANY MANAGEMENT CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying unaudited interim financial statements of Public Company Management Corporation (“PCMC”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto filed with the SEC on Form 10-KSB filed with the SEC on December 28, 2007. In the opinion of management, all adjustments necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for fiscal year 2007 as reported in the Form 10-KSB have been omitted.

**NOTE 2 - COMMON STOCK**

During the three months ended December 31, 2007, PCMC issued 50,000 shares to a third party for services rendered. These shares were valued at their fair market value using quoted market prices on the date of grant of \$0.07 per share, resulting in total share-based compensation expense of \$3,500.

At December 31, 2007, PCMC had accrued a total of 626,276 shares valued at \$82,620 for services to be paid in stock in the future, of which 598,776 shares valued at \$80,440 were accrued to current and former executive officers of PCMC.

**NOTE 3 - RELATED PARTY**

During the three months ended December 31, 2007, the President and CEO made personal advances to PCMC of \$58,134 for funding of operating activities for which no current period re-payments have been made.

**NOTE 4 - SUBSEQUENT EVENTS**

Subsequent to December 31, 2007, PCMC issued 102,500 shares valued at \$6,380 for current period services.

## **Item 2. Management's Discussion and Analysis.**

The following discussion may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which can be identified by the use of forward-looking terminology such as, “may,” “believe,” “expect,” “intend,” “anticipate,” “estimate,” or “continue” or the negative thereof or other variations thereof or comparable terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Our operations involve a number of risks and uncertainties, including those described under the heading “Risk Factors” in our Annual Report on Form 10-KSB and other documents filed with the Securities and Exchange Commission. Therefore, these types of statements may prove to be incorrect.

### **Overview**

We are a management consulting firm that educates and assists small businesses to improve their management, corporate governance, regulatory compliance and other business processes, with a focus on capital market participation. We provide solutions to clients at various stages of the business lifecycle:

- Educational products to improve business processes or explore entering the capital markets;
- Startup consulting to early-stage companies planning for growth;
- Management consulting to companies seeking to enter the capital markets via self-underwriting or direct public offering or to move from one capital market to another; and
- Compliance services to fully reporting, publicly traded companies.

We help companies to understand and prepare to meet the obligations incumbent upon public reporting companies, to access the public capital markets primarily through the companies’ self underwriting or direct public offerings of their securities. We also guide and assist them in maintaining their periodic reporting compliance process. We offer our services under the trademarks Pubco WhitePapers™, GoPublicToday™ and Public Company Management Services™ (“PCMS”). We focus on the small business market which we believe is underserved by larger management consulting services firms. As a fully reporting, small business issuer with our common stock quoted and traded on the over-the-counter Bulletin Board (or OTCBB) under the symbol “PUBC”, we strive to lead by example.

Our clients consist primarily of growing small-to-middle market private companies that:

- Have a business plan showing a potential for profitable operation and above normal growth within three to five years;
- Operate in either established markets, high growth potential niche markets and/or market segments that are differentiated, driven by pricing power or mass scale standardized product/service delivery; and
- Have an experienced management team that owns a significant portion of their current equity.

During fiscal 2007, we began requiring potential clients to show that they have at least \$1 million in current annual revenue and high double digit sales growth before we will enter an engagement with them. Also, we encourage clients to change their state of incorporation to Nevada if they are organized in another state or a foreign country.

### **How We Generate Revenue**

We derive revenue from the following activities:

*Educational White Papers, Open Lines and Consultations.* We have a database of over 140 educational white papers that serve growth-stage business owners and financial executives. We sell these white papers at retail prices ranging from \$9.95 to \$194.95 per paper. We also conduct open lines communications and consultations with potential clients regarding their prospects of becoming public companies. We expect that a certain number of these sales, open lines and consultations will translate into clients seeking to become fully reporting, publicly traded companies, and that we can enter into contracts with them to provide our management consulting and regulatory compliance services.

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*Management Consulting Services.* We provide management consulting services to small businesses. We currently generate most of our revenue from management consulting services that we provide under the PCMC Roadmap to our clients seeking to become fully reporting, publicly traded companies. Rather than charging these clients cash at a fair market rate of \$425 per hour, we offer them contracts with a fee structure consisting of a mix of stock and cash. Under this structure, we currently receive 1.25 million shares of common stock of the client which are nonrefundable plus \$85,000 for management consulting services and, as discussed below, \$48,000 for compliance services.

Effective with the second quarter ended March 31, 2005, we adopted a revenue recognition policy in which we recognize a portion of the revenue related to our consulting contracts at the completion of each of the following four milestones:

- (i) initial analysis of client's business and operations and private round(s) of initial financing from up to thirteen investors (20%);
- (ii) clients' preparation of a second round of financing in the form of a private placement memorandum or registration statement for filing with the SEC (20%);
- (iii) effectiveness of clients' registration statement (25%); and
- (iv) clients' qualification for quotation on the OTCBB or listing on a securities market or exchange (35%).

During fiscal 2007, some of our clients expressed a need for immediate, seed-type capital from one to three potential investors prior to conducting the private offering of initial financing from up to ten accredited or sophisticated investors for which we normally recognize 20%. We believe that the client's ability to conduct this type of offering is a measurable milestone related to the management consulting services that we provide under our contracts. We estimated that the value of the services we provide for this purpose is approximately 10% of the total contract. Accordingly, effective October 1, 2007, we revised our revenue recognition policy to bifurcate the first milestone in the event we provide management consulting services to a client to raise seed-type capital, otherwise we continue to recognize 20% for services we provide for the first milestone.

We also derive revenue from a broad range of value-added management consulting services that we provide on an hourly basis. Our current rate for these services is \$425 per hour. These services are designed to improve corporate structures, business practices and procedures, record keeping, accounting and corporate governance in order for small private companies to advance and sustain themselves in the capital markets. We receive payment for these services in the form of cash; however, for those clients receiving services under our PCMC Roadmap, discussed above, we may receive payment in the form of cash or additional client stock for time delays caused by the client or additional management consulting services outside of the scope of the contract that the client may ask us to perform.

*Compliance Services.* We offer regulatory compliance services to public companies. These services also include corporate governance matters under the Sarbanes-Oxley Act of 2002. Our rate for these services is \$425 per hour; however as part of our management consulting services contracts with clients seeking to become a fully reporting, publicly traded company, we provide these services for \$48,000 for the first twelve months after a client becomes a public company.

## **Known Trends, Events and Uncertainties**

### Valuation of Non-marketable Securities

Having clients that have made it through the process of becoming publicly traded companies and developed markets for their common stock underlies our ability to sell the shares we hold for cash. Our clients have experienced delays becoming publicly traded companies (see the discussion below under the heading "Revenue Recognition") and developing markets for their common stock. In addition, our clients have had a limited number of shares sold for cash to unrelated third parties relative to the number of shares we receive for services.

Historically, we have valued our shares at the price per share of contemporaneous sales of common stock by our clients to unrelated third parties which occurred at our first revenue recognition milestone, classified the shares as non-marketable securities, credited deferred revenue in an equal amount and recognized revenue related to the shares under our revenue recognition policy, discussed above under the heading "How We Generate Revenue", "*Management Consulting Services*". We received 500,000 shares of our client's issued and outstanding common stock as part of our compensation for management consulting services prior to the first milestone, but we have since increased our stock compensation to 1,250,000 shares. Also, the third-party sales prices and the length of time for a client to complete the process to become a public company and develop a market for its securities generally have increased in the last two years.

During the audit of fiscal 2007 we considered whether, in light of the changes in our business (discussed in the paragraph above), the clients' sales of shares at the first milestone was high enough in quantity compared to the number of shares we own at that time for us to use the third-party sales price to value our shares. When the clients' third party stock sales at the first milestone are not representative of the fair value of our shares, we will either obtain a third-party valuation of the stock or record the expected net realizable value of shares based on our historical business activity. When neither of these are available, the stock is recorded at \$-0-. We determined that the fair value of an aggregate of 5,500,000 shares of non-marketable securities of various clients were not supportable based on the third-party sales price because the number of shares we owned was significantly greater than the number of shares sold at that time. Accordingly, we recorded impairment of \$2,723,480 related to these securities. These clients are still actively engaged in the process of becoming public companies and have sold shares to unrelated third parties at prices ranging from \$0.50 per share to \$4.00 per share in relatively small offerings; therefore, the shares are recorded at \$-0- on our balance sheet. We will not assign any value to the shares until such time as a client has sold a sufficient number of shares to unrelated third parties in a reasonable period of time relative to the number of shares we receive for services or such time as we have a sufficient history of selling shares for cash in the market to use as a basis for valuing new client common stock. Until such time as a client's stock sales are high enough, or we obtain third-party valuations or develop a method of valuing new client shares based on our selling history, we initially will record only the cash portion of our client engagements, which will have a material adverse effect on our financial condition and result of operations until such time as we can sell the stock portion and record gains on the sale.

### Marketing and Nevada Economic Development

Historically, we directed our marketing efforts to potential clients throughout the U.S. and in Canada. While we will continue to accept clients on a national and international basis, we believe that there are significant advantages to concentrating our marketing efforts in the State of Nevada. Further, we believe that supporting Nevada economic development based on the state's unique capital markets and business regulatory climate will drive business directly to us as well as have long term benefits for the state.

According to the Nevada Secretary of State, there are approximately 310,000 corporations domiciled in Nevada. During 2006, 41,083 corporations were formed in Nevada and 39,052 and 35,186 corporations were formed in Nevada during 2005 and 2004, respectively. We perceive Nevada as offering the following benefits:



- Favorable securities, corporate and tax laws and regulations for small businesses; and
- Large number of small businesses that could benefit from raising capital, expanding their business and growing nationally and internationally by successful entry and sustained participation in the public capital markets.

We created the Nevada Economic Development Advisory Board (NEDAB), a council of prominent businesspeople and legislators who share a vision of diversified economic growth through capital marketing participation and are working with other businesses and the government to make that vision a reality. NEDAB believes that:

- Nevada has the potential to become the premier destination in the U.S. for small business issuers looking to enter the capital markets;
- Nevada corporations across a variety of industries can benefit from participating in the capital markets as a way to build long term shareholder value, provide access to capital, increase visibility and improve business practices to meet the standards of being a public company; and
- An increased number of Nevada corporations successfully entering and sustaining participation in the capital markets will create diversified economic growth, increase the number of companies that physically relocate to Nevada, create new jobs and increase revenue for the state.

Activities of NEDAB include:

- Outreach to other economic development groups, legislators, regulators, business owners, and business and industry leaders;
- Educational Programs for companies seeking to learn about capital markets and the advantages of domiciling in Nevada as a private or public company;
- Policy Research and Recommendations to make Nevada even more attractive as a home for companies wanting to participate in capital markets; and
- Locally-based Industry Screening Committees to help identify and screen companies that are good candidates for participation in the public markets.

We have significantly increased our public awareness in the State of Nevada. For example, in November 2007, we held our first Capital Markets Seminar. We are planning to hold our second Capital markets Seminar in February 2008 and every other month thereafter. We believe that increased public awareness of our educational materials, services and Nevada roots could bring new resources and create jobs in Nevada as well as assist in turning Nevada into a platform to develop capital markets for small business issuers.

Our President, CEO and majority shareholder is a Nevada resident. He has a network of business contacts who can assist us in creating our public awareness in Nevada and assist us in the development of Nevada companies.

### Third-Party Financing

Although we offer a contract that allows a substantial portion of our fees to be paid in client stock, some growth stage companies that are ready and qualified to enter the capital markets are still reluctant to utilize cash in the process that could be used to fund their marketing or expansion of their operations. We believe that if our clients can obtain third-party project financing, it would increase our ability to sign new clients and shorten the amount of time it takes for us to sign a potential client after we first meet them.

We have established relationships with state and federal banks for them to offer our qualified clients loans up to \$250,000. The funds would be used to pay our management consulting and compliance services fees and other expenses related to the client becoming a fully reporting, publicly traded company and entering the capital markets. We are also in talks with a national bank to expand the project financing to include 48-hour approval on loans up to \$100,000 and to provide loans up to \$2 million for equipment, acquisitions, commercial real estate and other capital expenditures.

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While this type of financing traditionally has been applied to property purchases, such as vehicles, equipment and real estate, it may work when applied creatively to the services industry.

#### Client Progress Reports or Requests for Payment

We have been exploring ways to convey to each of our preexisting and new clients the value of the management consulting services that we provide to them in terms of estimated hours at our hourly rates throughout the entire process for them to become fully reporting, publicly traded companies. We have developed a list of tasks that reflect the activities that we typically perform during an engagement for each milestone on which we generate revenue from management consulting services. As discussed in more detail below, we are in the process of reviewing each client engagement to date to determine what we would have charged (in the case of performing clients) or what we may seek to recover (for slow performing or inactive clients) for our services on an hourly basis. We have decided to present this information in the form of a progress report for a performing client and a request for payment for a slow-performing or inactive client.

We began a project of reviewing our client contracts (some of which we had entered into as far back as 2004) to assess the value of management consulting services that we have provided on each engagement in terms of estimated hours at our hourly rates. The review consists of identifying the last milestone reached by each client, reviewing our files for each client, and reviewing each client's intranet and email communications between us and the client as well as various consultants that provided services to the client. During the review, we document the work, both within and outside of the scope of each engagement, in terms of estimated hours that we performed for the client. We initially based our estimates on a study that we conducted several years ago to assess the number of hours that it took to complete each milestone; however, in most cases, we determined that it was necessary to adjust that estimate upwards due to specifically identified delays related to a particular engagement and general changes in the statutory, regulatory and accounting environment that have occurred since the date of our study. As a result, we have determined that it takes approximately 1,600 hours, rather than 1,100 hours to complete a management consulting services engagement.

We use the documentation to provide our performing clients with a progress report showing their current status in the process of becoming a fully reporting, publicly traded company and the value of our services as of the date of the report. In performing our reviews, we discovered that we had provided management consulting services with an estimated value of several hundreds of thousands of dollars on certain client engagements which we consider as slow performing or inactive. We have received a limited amount of cash from these engagements and hold (or are owed) shares of their common stock. These shares have become (or would be) worthless to us since our business model is driven by clients that have made it through the process of becoming fully reporting, publicly traded companies. We are using the documentation to provide our slow-performing and inactive clients with a request for payment for the value of our services and/or accelerate their active engagement in completing the milestones.

Providing progress reports and requests for payment is an ongoing process. We hope that the progress reports will keep our performing clients focused on their efforts to become fully reporting, publicly traded companies and that the requests for payment will reengage our slow-performing and inactive clients or serve as a basis for us to collect from or negotiate a settlement with them. However, there can be no assurance that we will achieve any of these results. As of the filing of this report, one of our clients refocused on the process of becoming publicly traded and renegotiated with us for six months of regulatory compliance services. In addition, we and one of our inactive clients have agreed to terms in principal regarding a settlement and mutual release where the client would pay us cash for services that they received from us.

### Revenue Recognition

We have experienced delays in recognizing revenue from our contracts for management consulting services. Whether or not we meet the milestones for recognizing such revenue is dependent on the time it takes for our clients to make it through the process of becoming fully reporting, publicly traded companies. Our clients face obstacles in undertaking this process. The primary obstacles which they face relate to their ability to provide suitable non-financial statement information and financial statement information. In addition, some of our clients have experienced delays in reorganizing or restructuring their organizations to suit that of a public company and others have run out of financial resources due to unexpected events including the delays themselves.

Oftentimes the small, privately held companies that we service do not have personnel with the skills necessary to prepare audited financial statements suitable for filing with the SEC. Even when these companies have audited financial statements, generally, the financial statements do not comply with SEC regulations and/or the audit was not performed by an accounting firm that is registered with the PCAOB. The SEC has specific regulations that govern the form and content of and requirements for financial statements required to be filed with the SEC. The Sarbanes-Oxley Act of 2002 prohibits accounting firms that are not registered with the PCAOB from preparing or issuing audit reports on U.S. public companies and from participating in such audits. It is imperative that our clients' financial statements comply with SEC regulations and that they be audited by an accounting firm registered with PCAOB. In addition to audited financial statements, in certain circumstances, SEC regulations also require our clients to file unaudited interim financial statements that have been reviewed by the clients' PCAOB registered independent auditor. As discussed above, our clients have faced obstacles in preparing their financial statements.

We continue to use audit coordinators in our business model to assist our clients in preparing their financial statements in compliance with SEC regulations. In many cases, we mandate that our clients engage an audit coordinator as a condition to contracting with us. Initially, an audit coordinator will interview a client's personnel, accounting systems and methodology, and financial records to determine their proficiency and level of adherence to accounting standards. If a client does not have suitable personnel, the audit coordinator will recommend early in the process that the client hire someone internally who can fulfill the client's accounting function. Audit coordinators also serve as a liaison between the client and their independent auditor during the audit or financial statement review process. Audit coordinators teach our clients how to accumulate and communicate financial information within their organizations' and record, process, summarize and report their financial information within the time periods specified by the SEC.

### Technology

We are leading by example and pioneering the use of technology to manage our decentralized, virtual operational infrastructure under a program that we call Always-On Management™. The program addresses the challenges of using technology to manage a geographically disbursed team. While many of these technologies have been available for several years, the management practices around their use are typically not mature in small businesses like us outside of the technology industry. We believe that our use of these technologies allows us to better serve our clients and improve operational efficiency and profitability. We hope that our efforts will create publicity for us and provide additional management consulting services opportunities for us.

We aim to implement a web-based system for project planning and time tracking. As discussed above under the heading "Client Progress Reports or Requests for Payment", we are placing more importance on keeping track of time allocation on client engagements in order to fully realize revenue for additional services provided to clients beyond the scope of our basic engagement. We expect that a web-based system will support our ongoing process of improving operational efficiency and profitability. The web-based interface will allow us and the professional service providers who serve our clients to track our time on client engagements. We also aim to integrate the system with our accounting system which we expect will accelerate our accounts receivable process for additional services which we can bill by the hour.



**Results of Operations for the Three Months Ended December 31, 2007 Compared to the Three Months Ended December 31, 2006.**

Our revenue was \$488,591 for the three months ended December 31, 2007, as compared to \$381,582 for the three months ended December 31, 2006. During the three months ended December 31, 2007 and 2006, we generated most of our revenue from management consulting services. We accept restricted shares of common stock of our clients as the predominate portion of our fee for services. Historically, we have valued the shares at the price per share of contemporaneous sales of common stock by our clients to unrelated third parties, classified the shares as non-marketable securities, credited deferred revenue in an equal amount and recognized revenue related to the shares under our revenue recognition policy, discussed above under the heading "How We Generate Revenue", "*Management Consulting Services*". During the audit of fiscal 2007, we considered whether, in light of the changes in our business (discussed above under the heading "Known Trends, Events and Uncertainties", "Valuation of Non-marketable Securities"), the clients' sales of shares at the first revenue recognition milestone was high enough in quantity compared to the number of shares we own at that time for us to use the third-party sales price to value our shares. When the clients' third party stock sales at the first milestone are not representative of the fair value of these shares, we will either obtain a third-party valuation of the stock or record the expected net realizable value of shares based on our historical business activity. When neither of these are available, the stock is recorded at \$-0-. We determined that the fair values of an aggregate of 5,500,000 shares of non-marketable securities of various clients were not supportable based on the third-party sales price because the number of shares we owned was significantly greater than the number of shares sold at that time. As a result, we are not recognizing revenue during the three months ended December 31, 2007 related to the shares of certain clients' common stock which is the primary reason for our decrease in revenue.

General and administrative expense decreased \$58,200, or 17%, to \$289,518 for the three months ended December 31, 2007, as compared to general and administrative expense of \$347,718 for the three months ended December 31, 2006. The decrease in general and administrative expense was primarily due to outside consulting fees.

Bad debt expense was \$5,387 for the three months ended December 31, 2007, as compared to bad debt expense of \$6,428 for the three months ended December 31, 2006.

Depreciation and amortization expense decreased \$4,272, or 48%, to \$4,708 for the three months ended December 31, 2007, as compared to depreciation and amortization expense of \$8,980 for the three months ended December 31, 2006. The decrease in depreciation and amortization was primarily a result of having certain capitalized website costs becoming fully depreciated.

Total operating expenses decreased \$63,513, or 17%, to \$299,613 for the three months ended December 31, 2007, as compared to total operating expenses of \$363,126 for the three months ended December 31, 2006. The decrease in total operating expenses was primarily due to the decrease in general and administrative expense discussed above.

Interest expense decreased \$9,331, or 43%, to \$3,213 for the three months ended December 31, 2007, as compared to interest expense of \$12,544 for the three months ended December 31, 2006. We had a larger amount of liabilities on which we incurred interest during the three months ended December 31, 2007, which caused the increase in interest expense.

Interest income was \$1,696 for the three months ended December 31, 2007, as compared to interest income of \$645 for the three months ended December 31, 2006. The increase in interest income was due to an increase in our cash balances.

We had realized loss on sale of securities of \$17,076 for the three months ended December 31, 2007, as compared to realized loss on sale of securities of \$1,589 for the three months ended December 31, 2006. The change from realized gain to realized loss on sale of securities was due to transactions at a lower market value than book value of securities

sold.

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We had impairment of non-marketable securities of \$296,042 for the three months ended December 31, 2007. We did not have impairment of non-marketable securities for the three months ended December 31, 2006. During the three months ended December 31, 2007, the common stock of one of our clients became publicly traded with low volume and, as of December 31, 2007, a market price per share that was lower than the price per share that we recorded for our shares in March 2005. In addition, there were no identifiable facts or circumstances to suggest that we would recognize more than the prevailing market price per share when we are able to sell our shares. As a result of these factors, we continue to classify the shares as non-marketable securities, and we impaired them.

Unrealized gain on marketable securities of \$208,520 for the three months ended December 31, 2007, as compared to unrealized gain on marketable securities of \$61,871 for three months ended December 31, 2006. The increase in unrealized gain on marketable securities was primarily due to changes in the values of marketable securities.

Net income increased \$16,015, or 24%, to \$82,854 (and net income per share of \$0.00) for the three months ended December 31, 2007, as compared to net income of \$66,839 (and net income per share of \$0.00) for the three months ended December 31, 2006. The increase in net income was primarily attributable to the decrease in general and administrative expense discussed above.

We had an accumulated deficit of \$3,717,758 as of December 31, 2007.

### **Liquidity and Capital Resources**

We had total current assets of \$1,105,950 as of December 31, 2007, which consisted of cash of \$15,701, net accounts receivable of \$32,717 and marketable securities of \$1,057,532.

We had total current liabilities of \$1,636,817 as of December 31, 2007, which consisted of deferred revenues of \$674,967, advances from related party of \$54,384 that we received from Stephen Brock, our President and CEO, accounts payable and accrued expenses to related parties of \$532,135, accounts payable and accrued expenses of \$316,570, bank line of credit of \$39,492 and current portion of installment notes payable of \$19,269. Accounts payable and accrued expenses to related parties includes accrued cash compensation of \$405,000 to Mr. Brock and cash and stock compensation of \$46,695 and \$80,440 to other executive officers.

We had negative working capital of \$530,867 as of December 31, 2007. The ratio of current assets to current liabilities was 68% as of December 31, 2007.

The underlying driver which impacts our working capital is having clients that have made it through the process of becoming fully reporting, publicly traded companies and developed markets for their securities. Rather than charging clients cash payments at \$425 per hour, we offer them contracts with a fee structure consisting primarily of the client's stock and 19% to 22% cash. We are currently using cash collected from clients, sales of our client securities and net cash payments from Stephen Brock, our President, CEO, majority shareholder and a director, to cover our overhead.

Having clients that have made it through the process of becoming publicly traded also drives our ability to generate cash flows from operations. Until a client becomes a publicly traded company, there is no market for the shares of our clients' common stock which we receive in lieu of cash payments for our services. There is no assurance that a market will develop for these securities and, even if markets do develop, those markets will most likely be illiquid and highly volatile.

The majority of our potential value is in the common stock we own of our clients. These shares are divided on our balance sheet into marketable securities (a current asset) and non-marketable securities. Until such time as our clients' common stock becomes publicly traded and there is evidence of a market in those securities to sustain sales of the shares that we hold, we classify non-marketable securities as a long-term asset; however, we classify deferred revenue

associated with our contracts as a current liability. As a result, the common stock of any particular client will have a negative effect on our working capital until such time as the client becomes a fully reporting, publicly traded company and there is evidence that we could sell our shares in the market. Classifying non marketable securities as a long-term asset and deferred revenue as a current liability creates less working capital and a lower ratio of current assets to current liabilities than what they otherwise would be if deferred revenue was classified as a long-term liability. As our current clients reach milestones, we would recognize revenue and offset deferred revenues, which balance was \$674,967 as of December 31, 2007. As our clients become fully reporting, publicly traded companies and there is a market in which we could sell our shares, non-marketable securities, which balance was \$1,057,532 as of December 31, 2007, would become marketable securities. Both of these results would have a significant positive impact on our working capital; however, new client contracts would create additional non-marketable securities and deferred revenues which would offset such positive effect.

During the three months ended December 31, 2007, we had a net decrease in cash of \$2,465; consisting of \$48,354 provided by financing activities which was offset by \$50,819 used in operating activities. We did not have any cash flows from investing activities during the three months ended December 31, 2007.

Net cash used in operating activities was \$50,819 for the three months ended December 31, 2007, consisting of net income of \$82,854 adjusted by non-cash expenses for depreciation and amortization of \$4,708, bad debt expense of \$5,387 and shares issued for services of \$3,500, an decrease in marketable and non marketable securities of \$283,205 and an increases in accounts payable and accrued expenses to related parties of \$72,418 offset by a decrease in deferred revenue of \$425,000, an increase in accounts and stock receivable of \$9,217 and a decrease in accounts payable and accrued expenses to outside parties of \$68,674.

Net cash provided by financing activities was \$48,354 for the three months ended December 31, 2007, consisting of proceeds from related party advances of \$58,134 by Stephen Brock, our President, CEO, majority shareholder and a director, a net change in our bank line of credit of \$1,211, payments to a related party of \$3,750 and payments on installment notes payable of \$7,241.

We believe that we can meet our cash requirements during the next twelve months from sales of marketable securities, new clients, client milestone cash payments and certain capital raising efforts being undertaken. Further, in the past, Stephen Brock has provided personal capital funding to us for operations. Mr. Brock has expressed his intent to continue to support our operations with additional funds in the event other outside funding sources or sales of marketable securities do not provide sufficient funds during the next twelve months; provided, however, that Mr. Brock is financially able to do so, of which there can be no assurance. In addition, we increased our efforts, which involved litigation in some instances, to collect cash payments owed to us from clients who breached our agreements. We plan to continue these efforts during the next twelve months. We do not have any firm commitments or other identified sources of additional capital from third parties or from our officers including Mr. Brock or from shareholders.

During the three months ended December 31, 2007, Stephen Brock provided us with \$58,134 of funding for our operations. Further, we may seek a greater line of credit or private equity capital to finance our operations until more clients' common stock becomes publicly traded and we are able to dispose of our shares of their common stock.

### **Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principals generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of any contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

*Revenue Recognition.* Revenue is recognized when the earning process is complete and the risks and rewards of ownership have transferred to the customer, which is generally considered to have occurred upon performance of the services provided. Providing management consulting services may take several months. Effective with the second quarter ended March 31, 2005, we adopted a revenue recognition policy for management consulting services that we provide under the PCMC Roadmap™ based on the value received by our clients at measurable milestones in the public reporting process. We concluded that the relative values of our consulting services for each of the milestones are as follows: (i) initial analysis of client's business and operations and private round of initial financing from up to ten investors (20%), (ii) client's preparation of a second round of financing in the form of a private placement memorandum or a registration statement for filing with the SEC (20%), (iii) effectiveness of client's registration statement (25%) and (iv) client's qualification for quotation on the OTCBB or listing on a securities market or exchange (35%). During fiscal 2007, some of our clients expressed a need for immediate, seed-type capital from one to three potential investors prior to conducting the private offering of initial financing from up to ten investors. We identified this as a measurable milestone the public reporting process. We estimated that the value of the services we provide for this purpose is approximately 10% of the total contract. Accordingly, effective October 1, 2007, we revised our revenue recognition policy to bifurcate the first milestone in the event we provide management consulting services to a client under the PCMC Roadmap™ to raise seed-type capital, otherwise we continue to recognize the full 20% for the first milestone after we perform services for the private round of initial financing from up to ten investors. Revenues are not recognized for the value of securities received as payment for services when there is no public trading market and there have been no recent private sales of the security.

If we find that the relative amount of man hours and other expenditures required by us has materially changed for one or more of the milestones and that this change is of such a nature that it would likely also be incurred by our competitors in the marketplace or would change the relative value received by the clients for that milestone, it could warrant changing the percentages prospectively. As of the period covered by this report, we had deferred revenues of \$674,967, which were subject to changes in the percentage revenue earned for the remaining milestones.

*Valuation of marketable securities.* Marketable securities are classified as trading securities, which are carried at their fair value based upon quoted market prices of those securities at each period-end. Accordingly, net realized and unrealized gains and losses on trading securities are included in net income. The marketable securities that we hold are traded on the OTCBB. The market price for these securities is subject to wide fluctuations from period to period which may cause fluctuations in our net income.

*Valuation of non-marketable securities.* Non-marketable securities are not publicly traded and therefore do not have a readily determinable fair value. Non-marketable securities are reflected on our balance sheet at historical cost. As our clients become fully reporting, publicly traded companies and there is evidence of a market in those securities to sustain sales of the shares that we hold, non-marketable securities would become marketable securities which are carried at their fair value based upon quoted market prices of those securities at each period-end.

During the audit of fiscal 2007, we considered whether, in light of the changes in our business (discussed above under the heading "Known Trends, Events and Uncertainties", "Valuation of Non-marketable Securities"), the clients' sales of shares at the first revenue recognition milestone was high enough in quantity compared to the number of shares we own at that time for us to use the third-party sales price to value our shares. When the clients' third party stock sales at the first milestone are not representative of the fair value of these shares, we will either obtain a third-party valuation of the stock or record the expected net realizable value of shares based on our historical business activity. When neither of these are available, the stock is recorded at \$-0-. Due to the uncertainty inherent in valuing securities that are not publicly traded, our determinations of fair value of non-marketable securities may differ significantly from the values that would exist if a ready market for these securities existed; therefore, the value of securities we hold as

non-marketable securities could be significantly different than their value as marketable securities.

**Item 3. Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the “Evaluation Date”), have concluded that as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and (ii) is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. Our auditors identified material adjustments in the areas of valuation of marketable securities.

Changes in Internal Control over Financial Reporting

There were positive changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

At our most recent fiscal year end, we had material weaknesses in our internal control over financial reporting related to the valuation on non-marketable securities which no longer persist. During the period covered by this report we began to evaluate non-marketable security values at the inception of when we receive them based on factors such as the number and timing of shares a client has sold compared to the number of shares we own to determine if a third-party sales price is representative of the fair value of our shares. When the clients’ third party stock sales are not representative of the fair value of our shares, we will either obtain a third-party valuation of the stock or record the expected net realizable value of shares based on our historical business activity. When neither of these are available, the stock is recorded at \$-0-. We also re-evaluate non-marketable security values at each subsequent balance sheet date.

**PART II - OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities.**

The following table lists unregistered sales of our securities during the quarterly period ended December 31, 2007.

Name	Shares of Common Stock <sup>(1)</sup>	Consideration	Value	Date <sup>(2)</sup>
Robert Beers	7,500	NEDAB services rendered	\$ 597	(3)
Dan Burdish	7,500	NEDAB services rendered	\$ 597	(3)
Tim Carlson	5,000	NEDAB services rendered	\$ 387	(4)
Paul Henderson	7,500	NEDAB services rendered	\$ 597	(3)
John Vise	50,000	Consulting services rendered	\$ 3,500	10/18/07
Trae O'Neil High	25,000	CLO bonus for services rendered	\$ 1,250	12/06/07
Kipley J. Lytel	50,000	COO bonuses for services rendered	\$ 2,950	(5)

(1) As of December 31, 2007, an aggregate of 102,500 of the shares had not been issued and an aggregate expense of \$6,378 had been accrued.

(2) Represents the date used to value the common stock.

(3) On October 31, 2007, November 30, 2007 and December 31, 2007, 2,500 shares were earned and valued as of each of such dates.

(4) On October 31, 2007 and November 30, 2007, 2,500 shares were earned and valued as of each of such dates.

(5) On November 12, 2007 and December 06, 2007, 25,000 shares were earned and valued as of each of such dates.

We claim an exemption from registration afforded by Section 4(2) of the Securities Act since the foregoing issuances did not involve a public offering, the recipients took the securities for investment and not resale and we took appropriate measures to restrict transfer.

**Item 5. Other Information.****Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On January 6, 2008, Kipley J. Lytel tendered his resignation as a director and as our Secretary and Chief Operating Officer, which resignations were accepted by our remaining directors.

**Item 6. Exhibits.****Exhibit No. Description**

31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2\*

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1\* Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Filed herein.

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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PUBLIC COMPANY MANAGEMENT  
CORPORATION**

Date: May 5, 2008  
By: /s/ Stephen Brock  
Name: Stephen Brock  
Title: Chief Executive Officer

Date: May 5, 2008  
By: /s/ Trae O'Neil High  
Name: Trae O'Neil High  
Title: Chief Financial Officer

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