

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES INC
Form 10QSB
August 10, 2005

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 June 30, 2005

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

For the transition period from _____ to _____

Commission File Number: 0-26059

COMET TECHNOLOGIES, INC.

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

Nevada

87-0430322

(State of Incorporation)

(IRS Employer ID Number)

10 West 100 South, Suite 610, Salt Lake City, Utah 84101

(Address of principal executive offices)

(801) 532-7851

(Issuer's telephone number)

Not Applicable.

(Former name, address and fiscal year, if changed since last report)

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 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

APPLICABLE ONLY TO CORPORATE ISSUERS: State the number of shares outstanding of each of the issuer's classes of common equity: As of the date of this report, there were 3,598,000 shares of common stock outstanding.

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

Transitional Small Business Format: Yes [] No [X]

COMET TECHNOLOGIES, INC.

Form 10-QSB for the quarter ended June 30, 2005

Table of Contents

| Part I - Financial Information | Page |
|--|------|
| Item 1. Financial Statements | 3 |
| Item 2. Management's Discussion and Analysis or Plan of Operation | 11 |
| Item 3. Controls and Procedures | 12 |
| Part II - Other Information | |
| Item 1. Legal Proceedings | 12 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 12 |
| Item 3. Defaults Upon Senior Securities | 12 |
| Item 4. Submission of Matters to a Vote of Security Holders | 12 |
| Item 5. Other Information | 13 |
| Item 6. Exhibits and Reports on Form 8-K | 13 |
| Signatures | 13 |

2

PART I-FINANCIAL INFORMATION

Item 1-Financial Statements

COMET TECHNOLOGIES, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

June 30, 2005 and December 31, 2004

3

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Balance Sheets

| | ASSETS | |
|--|------------------|----------------------|
| | June 30, 2005 | December 31, 2004 |
| | (Unaudited) | |
| CURRENT ASSETS | | |
| Cash | \$ 76,480 | \$ 90,864 |
| Total Current Assets | 76,480 | 90,864 |
| TOTAL ASSETS | \$ 76,480 | \$ 90,864 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 63 | \$ 3,065 |
| Payable - related parties | 69,795 | 57,795 |
| Total Current Liabilities | 69,858 | 60,860 |
| TOTAL LIABILITIES | 69,858 | 60,860 |
| STOCKHOLDERS' EQUITY | | |
| Common stock: 20,000,000 shares authorized of \$0.001 par value, 3,598,000 shares issued and outstanding | 3,598 | 3,598 |
| Additional paid-in capital | 238,561 | 238,561 |
| Deficit accumulated during the development stage | (235,537) | (212,155) |
| Total Stockholders' Equity | 6,622 | 30,004 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 76,480 | \$ 90,864 |

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

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Operations
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | From Inception February 7, 1986 Throu June 30, 2005 |
|--|---|-------------|---|-------------|--|
| | 2005 | 2004 | 2005 | 2004 | |
| REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - |
| EXPENSES | | | | | |
| General and administrative | 11,754 | 33,742 | 23,462 | 66,911 | 384,000 |
| Total Expenses | 11,754 | 33,742 | 23,462 | 66,911 | 384,000 |
| LOSS FROM OPERATIONS | (11,754) | (33,742) | (23,462) | (66,911) | (384,000) |
| OTHER INCOME (LOSS) | | | | | |
| Dividend income | - | - | - | - | 5,000 |
| Interest income | 38 | 85 | 80 | 220 | 147,000 |
| Reimbursement for Fees | - | 1,820 | - | 1,820 | 2,000 |
| Unrealized loss from marketable securities | - | - | - | - | (6,000) |
| Total Other Income (Loss) | 38 | 1,905 | 23,382 | 2,040 | 148,000 |
| NET LOSS | \$ (11,716) | \$ (31,837) | \$ (23,382) | \$ (64,871) | \$ (235,000) |
| BASIC LOSS PER SHARE | \$ (0.00) | \$ (0.01) | \$ (0.01) | \$ (0.02) | |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 3,598,000 | 3,598,000 | 3,598,000 | 3,598,000 | |

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

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Stockholders' Equity (Deficit)
From Inception on February 7, 1986 through June 30, 2005

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

| | Common Stock | | Capital in | Deficit |
|--|--------------|----------|------------|-------------|
| | Shares | Amount | Excess of | Accumulated |
| | | | Par Value | During |
| | | | | Development |
| | | | | Stage |
| Balance at Inception on February 7, 1986 | - | \$ - | \$ - | \$ - |
| Issuance of 1,098,000 shares of common stock to officers, directors and other individuals for \$0.023 per share on February 7, 1986 | 1,098,000 | 1,098 | 23,902 | - |
| Public offering of the Company's common stock | 2,500,000 | 2,500 | 247,500 | - |
| Deferred offering costs offset against capital in excess of par value | - | - | (32,841) | - |
| Net loss from inception on February 7, 1986 through December 31, 1997 | - | - | - | (41,568) |
| Balance, December 31, 1997 | 3,598,000 | 3,598 | 238,561 | (41,568) |
| Net loss for the year ended December 31, 1998 | - | - | - | (1,761) |
| Balance, December 31, 1998 | 3,598,000 | 3,598 | 238,561 | (43,329) |
| Net income for the year ended December 31, 1999 | - | - | - | 145 |
| Balance, December 31, 1999 | 3,598,000 | 3,598 | 238,561 | (43,184) |
| Net loss for the year ended December 31, 2000 | - | - | - | (1,803) |
| Balance, December 31, 2000 | 3,598,000 | 3,598 | 238,561 | (44,987) |
| Net loss for the year ended December 31, 2001 | - | - | - | (7,412) |
| Balance, December 31, 2001 | 3,598,000 | \$ 3,598 | \$ 238,561 | \$ (52,399) |

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

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES, INC.
 (A Development Stage Company)
 Statements of Stockholders' Equity (Deficit) (Continued)
 From Inception on February 7, 1986 through June 30, 2005

| | Common Stock | | Capital in | Deficit |
|---|--------------|----------|------------|--------------|
| | Shares | Amount | Excess of | Accumulated |
| | | | Par Value | During |
| | | | | Development |
| | | | | Stage |
| Balance, December 31, 2001 | 3,598,000 | \$ 3,598 | \$ 238,561 | \$ (52,399) |
| Net loss for the year ended December 31, 2002 | - | - | - | (28,074) |
| Balance, December 31, 2002 | 3,598,000 | \$ 3,598 | 238,561 | (80,473) |
| Net loss for the year ended December 31, 2003 | - | - | - | (40,089) |
| Balance, December 31, 2003 | 3,598,000 | 3,598 | 238,561 | (120,562) |
| Net loss for the year ended December 31, 2004 | - | - | - | (91,593) |
| Balance, December 31, 2004 | 3,598,000 | 3,598 | 238,561 | (212,155) |
| Net loss for the six months ended June 30, 2005 (unaudited) | - | - | - | (23,382) |
| Balance, June 30, 2005 (unaudited) | 3,598,000 | \$ 3,598 | \$ 238,561 | \$ (235,537) |

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

7

COMET TECHNOLOGIES, INC.
 (A Development Stage Company)
 Statements of Cash Flows
 (Unaudited)

From
 Inception on
 February 7,
 For the Six Months Ended 1986 through

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

| | June 30, 2005 | June 30, 2004 | June 30, 2005 |
|--|------------------|------------------|------------------|
| | ----- | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss from operations | \$ (23,382) | \$ (64,871) | \$ (235,537) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Amortization | - | - | 301 |
| Change in operating assets and liabilities: | | | |
| Increase in taxes payable | - | - | 300 |
| Increase (decrease) in accounts payable and accounts payable - related parties | 8,998 | 18,939 | 69,557 |
| | ----- | ----- | ----- |
| Net Cash used by Operating Activities | (14,384) | (45,932) | (165,379) |
| | ----- | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| | - | - | - |
| | ----- | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Organizational costs | - | - | (300) |
| Net stock offering proceeds | - | - | 242,159 |
| | ----- | ----- | ----- |
| Net Cash Provided by Financing Activities | - | - | 241,859 |
| | ----- | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH | (14,384) | (45,932) | 76,480 |
| CASH AT BEGINNING OF PERIOD | 90,864 | 151,597 | - |
| | ----- | ----- | ----- |
| CASH AT END OF PERIOD | \$ 76,480 | \$ 105,665 | \$ 76,480 |
| | ===== | ===== | ===== |
| CASH PAID FOR: | | | |
| Taxes | \$ - | \$ - | \$ - |
| Interest | \$ - | \$ - | \$ - |

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

8

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Financial Statements
June 30, 2005 and December 31, 2004

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

position, results of operations and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2004 audited financial statements. The results of operations for the period ended June 30, 2005, are not necessarily indicative of the operating results for the full year.

NOTE 2 - RELATED PARTY TRANSACTION

As of June 30, 2005, the Company owed \$69,795 to related parties for unpaid services rendered to the Company.

NOTE 3 - STOCK OPTIONS AND WARRANTS

On March 11, 1999, the Company granted to each of its three (3) directors, options to purchase 200,000 shares of common stock at an exercise price of \$0.1875, which was the average of the bid and asked prices for the common stock on that date. The options are vested and expire in March 2009. The options were issued to compensate these persons for their services to the Company over the past 13 years, for which they had received no other compensation. The options of one of the directors, now deceased, have passed on to his estate. There is an outstanding warrant to purchase 50,000 shares of the Company's common stock held by an unrelated third party at an exercise price of \$0.1875, which expires in March 2009.

NOTE 4 - MATERIAL EVENTS

On January 19, 2004 the Company entered into a Stock Exchange Agreement with Town House Land Limited (Town House), an entity organized in China. If consummated, the Company would authorize a 1 for 3 reverse split of its outstanding stock and then issue 18,390,000 post-split shares to acquire Town House. Also, a majority of the current officers and directors of the Company were to resign and be replaced by officers and directors of Town House.

9

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Financial Statements
June 30, 2005 and December 31, 2004

NOTE 4 - MATERIAL EVENTS (CONTINUED)

On or about February 9, 2005, the Company sent notification to Town House of its decision to terminate the Agreement between the Company, Town House and the shareholders of Town House. As a result of this decision, the reverse acquisition contemplated by the Agreement will not occur. Management will now begin efforts to locate a suitable acquisition or merger candidate for the Company.

The decision to terminate the Agreement, and the reverse acquisition and related transactions contemplated by the Agreement, was a result of the determination by the board of directors that Town House had recently

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

undertaken actions and business efforts which were a material deviation from the business of Town House as described in the Company's preliminary information statement under Schedule 14C filed with the U.S. Securities and Exchange Commission. The board of directors concluded that this change would require an amendment to the Company's 14C Information Statement and would cause substantial additional delays and costs to the Company. Moreover, the board of directors concluded that the change in the business of Town House was contrary to the best interests of the Company and its shareholders.

10

Item 2 - Management's Discussion and Analysis or Plan of Operation

(1) Caution Regarding Forward-Looking Information

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27a of the Securities Act of 1933 and Section 21e of the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors.

(2) Plan of Operation

Six Month Periods Ended June 30, 2005 and 2004

The officers have continued to evaluate potential mergers in an ongoing effort to increase the value of the shareholders' investment in the Company. During this period, however, the Company has not been engaged in business operations, and has had no revenue from continuing operations for the six-month periods ended June 30, 2005 and 2004.

General and administrative expenses for the six-month periods ended June 30, 2005 and 2004, consisted of general corporate administration, officer compensation, legal and professional expenses, and accounting and auditing costs. These expenses were \$23,462 and \$66,911 for the six-month periods ended June 30, 2005 and 2004, respectively.

Interest income in the six-month periods ended June 30, 2005 and 2004, was \$80 and \$220, respectively. As a result of the foregoing factors, the Company realized a net loss of \$23,382 for the six months ended June 30, 2005, as compared to a net loss of \$64,871 for the same period in 2004.

Liquidity and Capital Resources

At June 30, 2005, the Company had working capital of approximately \$6,622, as compared to \$30,004 at December 31, 2004. Working capital as of both dates consisted of cash and cash equivalents less current liabilities.

Management believes that the Company has sufficient cash to meet the anticipated needs of the Company's operations through at least the next 12 months. However, there can be no assurances to that effect, as the Company has no significant revenues and the Company's need for capital may change

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

dramatically if it acquires an interest in a business opportunity during that period. The Company is dependent upon management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase. It is the intent of management and significant shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity.

The Company's current operating plan is to (i) handle the administrative and reporting requirements of a public company, and (ii) search for potential businesses, products, technologies and companies for acquisition. At present, the Company has no understandings, commitments or agreements with respect to the acquisition of any business venture, and there can be no assurance that the Company will identify a business venture suitable for acquisition

11

in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage any business venture it acquires.

Although the Company's assets consist of cash and cash equivalents, the Company has no intent to become, or hold itself out to be, engaged primarily in the business of investing, reinvesting, or trading in securities. Accordingly, the Company does not anticipate being required to register pursuant to the Investment Company Act of 1940, and expects to be limited in its ability to invest in securities, other than cash equivalents and government securities, in the aggregate amount of over 40% of its assets. There can be no assurance that any investment made by the Company will not result in losses.

Item 3 - Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective. 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.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 - Defaults on Senior Securities

None.

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

During the quarter ended June 30, 2005, the Company held no regularly scheduled, called or special meetings of shareholders during the reporting

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

period, nor were any matters submitted to a vote of this Company's security holders.

12

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits.

| Exhibit | Description |
|---------|---|
| 31.1 | Principal Executive Officer Certification* |
| 31.2 | Principal Financial Officer Certification* |
| 32.1 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002** |

* Included herein pursuant to Item 601(b) 31 of Regulation SB.

** Included herein pursuant to Item 601(b) 32 of Regulation SB.

(b) Reports on Form 8-K. None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMET TECHNOLOGIES, INC.

Date: August 9, 2005

By: /s/ Richard B. Stuart

Richard B. Stuart, President, CEO and
Principal Executive Officer

Date: August 9, 2005

By: /s/ Jack M. Gertino

Jack M. Gertino, Secretary/Treasurer,
CFO and Principal Financial Officer

13