

Chay Enterprises, Inc.  
Form 10-Q  
November 16, 2009

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2009**.

or

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

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

Commission File Number: **333-146542**

**CHAY ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

**Colorado**

(State or other jurisdiction of incorporation or organization)

**26-0179592**

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

**5459 S. Iris St., Littleton, CO**

(Address of principal executive offices)

**80123**

(Zip Code)

**303-932-9998**

(Registrant's telephone number, including area code)

---

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

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. S Yes £ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

£ Yes S No

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

Large accelerated filer £

Accelerated filer £

Non-accelerated filer £ (Do not check if a smaller reporting company)

Smaller reporting company S

Edgar Filing: Chay Enterprises, Inc. - Form 10-Q

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12,  
13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed  
by a court.  Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of **September 30, 2009**:  
**929,718**

---

**PART I - FINANCIAL INFORMATION**

**ITEM 1. 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 position, results of operations and cash flows at September 30, 2009 and 2008 and for the periods then ended 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, 2008 audited financial statements. The results of operations for the periods ended September 30, 2009 and 2008 are not necessarily indicative of the operating results for the full year.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Company)**  
**BALANCE SHEETS**

| <u>ASSETS</u>  | September<br>30,<br>2009<br>(Unaudited) | December<br>31,<br>2008 |
|--|---|-------------------------|
| <b>CURRENT ASSETS:</b>   |   |                         |
| Cash   | \$ 132                                  | \$ 2,782                |
| <i>Total current assets</i>  | 132                                     | 2,782                   |
| <b>INVESTMENTS IN REAL ESTATE</b>  |   |                         |
| Fall River County  | 30,154                                  | 30,154                  |
| <i>Total assets</i>  | \$ 30,286                               | \$ 32,936               |
| <b><u>LIABILITIES AND SHAREHOLDERS' (DEFICIT)</u></b>  |   |                         |
| <b>CURRENT LIABILITIES:</b>  |   |                         |
| Note payable, related party  | \$ 73,212                               | \$ 58,962               |
| Advances payable, related party  | 9,078                                   | 9,078                   |
| Accounts payable   | 4,290                                   | 4,220                   |
| Accrued real estate taxes  | 1,446                                   | 1,091                   |
| Accrued interest payable, related party  | 6,464                                   | 3,449                   |
| <i>Total current liabilities</i>   | 94,490                                  | 76,800                  |
| Commitments and contingencies (Notes 1, 3 and 4)   |   |                         |
| <b>SHAREHOLDERS' (DEFICIT)</b>   |   |                         |
| Preferred stock, no par value,<br>10,000,000 shares authorized, None<br>issued and outstanding                     | -                                       | -                       |
| Common stock, no par value, 100,000,000 shares<br>authorized, 929,718<br>shares issued and outstanding (Note<br>1) | 30,418                                  | 30,418                  |

Edgar Filing: Chay Enterprises, Inc. - Form 10-Q

|   |                  |                  |
|---|------------------|------------------|
| Accumulated deficit to July 31, 2001                        | (1,790)          | (1,790)          |
| Deficit accumulated during the development stage            | (92,832)         | (72,492)         |
| <b><i>Total shareholders' (deficit)</i></b>                 | <b>(64,204)</b>  | <b>(43,864)</b>  |
| <b><i>Total liabilities and shareholders' (deficit)</i></b> | <b>\$ 30,286</b> | <b>\$ 32,936</b> |

The accompanying notes are an integral part of these statements.

CHAY ENTERPRISES, INC.  
(A Development Stage Enterprise)  
STATEMENTS OF OPERATIONS  
(Unaudited)

|  | <b>Three months</b> |         | <b>Three months</b> |         | <b>Nine months</b> |          | <b>Nine months</b> |          | <b>Period From</b>   |          |
|--|---------------------|---------|---------------------|---------|--------------------|----------|--------------------|----------|----------------------|----------|
|  | <b>Ended</b>        |         | <b>Ended</b>        |         | <b>Ended</b>       |          | <b>Ended</b>       |          | <b>July 31, 2001</b> |          |
|  | <b>September</b>    |         | <b>September</b>    |         | <b>September</b>   |          | <b>September</b>   |          | <b>(Date of</b>      |          |
|  | <b>30,</b>          |         | <b>30,</b>          |         | <b>30,</b>         |          | <b>30,</b>         |          | <b>Development</b>   |          |
|  | <b>2009</b>         |         | <b>2008</b>         |         | <b>2009</b>        |          | <b>2008</b>        |          | <b>Stage)</b>        |          |
|  |                     |         |                     |         |                    |          |                    |          | <b>to September</b>  |          |
|  |                     |         |                     |         |                    |          |                    |          | <b>30,</b>           |          |
|  |                     |         |                     |         |                    |          |                    |          | <b>2009</b>          |          |
| <b>INCOME:</b>                                       |                     |         |                     |         |                    |          |                    |          |                      |          |
| Sales  | \$                  | -       | \$                  | -       | \$                 | -        | \$                 | -        | \$                   | -        |
| <b>EXPENSES:</b>                                     |                     |         |                     |         |                    |          |                    |          |                      |          |
| Accounting and audit                                 |                     | 2,450   |                     | 1,730   |                    | 12,160   |                    | 14,335   |                      | 46,440   |
| Legal fees   |                     | 390     |                     | 2,581   |                    | 2,500    |                    | 5,941    |                      | 21,272   |
| Property expenses                                    |                     | 800     |                     | 300     |                    | 1,400    |                    | 900      |                      | 9,784    |
| Miscellaneous  |                     | 310     |                     | 1,765   |                    | 1,265    |                    | 3,870    |                      | 8,872    |
| <i>Total operating expenses</i>                      |                     | 3,950   |                     | 6,376   |                    | 17,325   |                    | 25,046   |                      | 86,368   |
| <b>OTHER (EXPENSE):</b>                              |                     |         |                     |         |                    |          |                    |          |                      |          |
| Interest expense                                     |                     | (1,095) |                     | (756)   |                    | (3,015)  |                    | (1,787)  |                      | (6,464)  |
| <b>NET LOSS</b>                                      | \$                  | (5,045) | \$                  | (7,132) | \$                 | (20,340) | \$                 | (26,833) | \$                   | (92,832) |
| <b>LOSS PER SHARE</b>                                | \$                  | (0.01)  | \$                  | (0.01)  | \$                 | (0.02)   | \$                 | (0.03)   | \$                   | (0.10)   |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b> |                     |         |                     |         |                    |          |                    |          |                      |          |
|  |                     | 929,718 |                     | 929,718 |                    | 929,718  |                    | 929,718  |                      | 929,718  |

The accompanying notes are an integral part of these statements.



**CHAY ENTERPRISES, INC.**  
**(A Development Stage Company)**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|   | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2009</b> | <b>Nine<br/>Months<br/>Ended<br/>September<br/>30,<br/>2008</b> | <b>Period From<br/>July 31, 2001<br/><br/>(Date of<br/>Development<br/>Stage)<br/>to September<br/>30,<br/>2009</b> |
|---|---|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |   |   |   |
| Net loss  | \$ (20,340)   | \$ (26,833)   | \$ (92,832)   |
| Adjustments to reconcile net loss to net cash used by operating activities: |   |   |   |
| Change in accounts payable and accrued expenses                             | 3,440   | (3,969)   | 12,200  |
| Net cash used in operating activities                                       | (16,900)  | (30,802)  | (80,632)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |   |   |   |
| Increase in real estate development costs                                   | -   | -   | (2,338)   |
| Net cash used in investing activities                                       | -   | -   | (2,338)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |   |   |   |
| Proceeds from note payable, related party                                   | 14,250  | 29,962  | 73,212  |
| Increase (decrease) in advances payable, related party                      | -   | -   | 7,288   |
| Proceeds from sale of common stock  | -   | -   | 2,602   |
| Net cash provided by financing activities                                   | 14,250  | 29,962  | 83,102  |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                      | <b>(2,650)</b>  | <b>(840)</b>  | <b>132</b>  |
| <b>CASH, at beginning of period</b>   | <b>2,782</b>  | <b>1,594</b>  | <b>-</b>  |
| <b>CASH, at end of period</b>   | <b>\$ 132</b>   | <b>\$ 754</b>   | <b>\$ 132</b>   |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                    |   |   |   |
| Cash paid for interest  | \$ -  | \$ -  | \$ -  |
| Cash paid for income taxes  | \$ -  | \$ -  | \$ -  |

**SUPPLEMENTAL DISCLOSURE OF  
NON-CASH INVESTING AND FINANCING  
ACTIVITIES:**

|  |    |   |    |   |    |        |
|--|----|---|----|---|----|--------|
| Real estate acquired via issuance of<br>common stock | \$ | - | \$ | - | \$ | 27,816 |
|--|----|---|----|---|----|--------|

The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**(Unaudited)**

**NOTE 1 -**

**BASIS OF PRESENTATION**

**Interim Financial Information**

The unaudited financial statements of Chay Enterprises, Inc. ( Chay ) included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for quarterly reports on Form 10-Q. 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 as allowed by such rules and regulations. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature considered necessary for a fair presentation of the interim periods. The results for these interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2008.

**Organization and Description of Business**

The Company was incorporated on March 29, 1996 in the state of Colorado and is currently in the development stage. The Company is in the business of real estate investment and development.

**Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has recurring losses, has negative working capital, and no revenue generating business operations, all of which raise substantial doubt about its ability to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management has opted to commence filing with the Securities and Exchange Commission (SEC) and then to raise funds through a private placement. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates utilized in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates.

### **Impairment of Long Lived Assets**

The Company evaluates its real estate investment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360, Accounting for the Impairment or Disposal of Long-Lived Assets and ASC 970 Accounting for Costs and Initial Rental Operations of Real Estate Projects. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate or its net realizable value. If such review indicates that the asset is impaired, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**(Unaudited)**

**Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. At September 30, 2009, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

**Development Stage Company**

Based on the Company's business plan, it is a development stage company since planned principle operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to established operating enterprises. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began on July 31, 2001, when the Company acquired real estate.

**Per Share Information**

ASC 260, "Earnings Per Share," provides for the calculation of "Basic" and "Diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (or loss) by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, assuming the issuance of an equivalent number of common shares pursuant to options, warrants, or convertible debt arrangements. Diluted earnings per share is not shown for periods in which the Company incurs a loss because it would be anti-dilutive. Similarly, potential common stock equivalents are not included in the calculation if the effect would be anti-dilutive.

**Recently Adopted Accounting Standards**

The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ( FASB ), the SEC, and the Emerging Issues Task Force ( EITF ), to determine the impact of new pronouncements on US GAAP and the impact on the Company. The Company has adopted the following new accounting standards during 2009:

*Accounting Standards Codification* - In June, 2009, FASB established the FASB Accounting Standards Codification ( ASC ) as the single source of authoritative GAAP. The ASC is a new structure which took existing accounting pronouncements and organized them by accounting topic. Relevant authoritative literature issued by the Securities and Exchange Commission ( SEC ) and select SEC staff interpretations and administrative literature was also included in the ASC. All other accounting guidance not included in the ASC is non-authoritative. The ASC IS effective for interim and annual reporting periods ending after September 15, 2009. The adoption of the ASC did not have an impact on the Company s consolidated financial position, results of operations or cash flows.

*Subsequent Events* - In May, 2009, the ASC guidance for subsequent events was updated to establish accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The update sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. The new guidance requires the disclosure of the date through which subsequent events have been evaluated. The Company adopted the updated guidance for the interim period ended June 30, 2009. The adoption had no impact on the Company s consolidated financial position, results of operations or cash flows.

*Accounting for the Useful Life of Intangible Assets* - In April 2008, the ASC guidance for Goodwill and Other Intangibles was updated to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this update is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under guidance for business combinations. The updated guidance was effective for the Company s fiscal year beginning January 1, 2009 and will be applied prospectively to intangible assets acquired after the effective date. The adoption had no impact on the Company s consolidated financial position, results of operations or cash flows.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**(Unaudited)**

*Derivative Instruments* - In March 2008, the ASC guidance for derivatives and hedging was updated for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for, and how derivative instruments and the related hedged items affect an entity's financial position, financial performance and cash flows. The Company adopted the updated guidance on January 1, 2009. The adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

*Business Combinations* - In December 2007, the ASC guidance for business combinations was updated to provide new guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any non-controlling interest in the acquiree. The updated guidance also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company adopted the updated guidance on January 1, 2009 and it will be applied to any future acquisitions.

*Non-controlling Interests* - In December 2007, the ASC guidance for Non-controlling Interests was updated to establish accounting and reporting standards pertaining to: (i) ownership interests in subsidiaries held by parties other than the parent ( non-controlling interest ), (ii) the amount of net income attributable to the parent and to the non-controlling interest, (iii) changes in a parent's ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated.. If a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary is measured at fair value and a gain or loss is recognized in net income based on such fair value. For presentation and disclosure purposes, the guidance requires non-controlling interests (formerly referred to as minority interest) to be classified as a separate component of equity. The Company adopted the updated guidance on January 1, 2009. The adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

**Recent Accounting Pronouncements**

There were various accounting standards and interpretations recently issued which have not yet been adopted, including:

*Fair Value Accounting* - In August 2009, the ASC guidance for fair value measurements and disclosure was updated to further define fair value of liabilities. This update provides clarification for circumstances in which: (i) a quoted price in an active market for the identical liability is not available, (ii) the liability has a restriction that prevents its transfer, and (iii) the identical liability is traded as an asset in an active market in which no adjustments to the quoted price of an asset are required. The updated guidance is effective for the Company's interim reporting period beginning October 1, 2009. The Company is evaluating the potential impact of adopting this guidance on the Company's consolidated financial position, results of operations and cash flows.

*Variable Interest Entities* - In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a variable interest entity ( VIE ). This analysis identifies a primary beneficiary of a VIE as the entity that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. The updated guidance is effective for the Company's fiscal year beginning January 1, 2010. The Company currently is evaluating the potential impact of adopting this guidance on the Company's consolidated financial position, results of operations and cash flows.

There were no other accounting standards and interpretations issued recently which are expected to have a material impact on the Company's financial position, operations or cash flows.

**NOTE 2-**

**INVESTMENT IN REAL ESTATE**

The real estate owned by the Company was acquired in July of 2001. This property consists of land in the state of South Dakota. The carrying value of real estate includes the initial acquisition costs of land and subsequent development costs. Development costs consist principally of preliminary engineering plans.



**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**(Unaudited)**

**NOTE 3-**

**RELATED PARTY TRANSACTIONS**

The Chief Executive Officer of the Company has advanced money to the Company for operating expenses. The aggregate amount owed by the Company as of September 30, 2009 was \$9,078. The advances are uncollateralized, non-interest bearing and are due on demand.

On April 23, 2007, the Company entered into a \$100,000 revolving convertible loan agreement with four of its shareholders. The loan is uncollateralized, bears interest at 6% per annum, is due on demand and is convertible into restricted common stock at \$0.10 per share. As of September 30, 2009, proceeds of \$73,212 had been received under the terms of this agreement.

The Company uses the offices of its Chief Executive Officer for its minimal office facility needs for no consideration. No provision for these costs has been provided since it has been determined that they are immaterial.

**NOTE 4-**

**INCOME TAXES**

Deferred income taxes arise from temporary timing differences in the recognition of income and expenses for financial reporting and tax purposes. The Company's deferred tax assets consist entirely of the benefit from net operating loss (NOL) carry forwards. The net operating loss carry forward, if not used, will expire in various years through 2029, and is subject to various restrictions pursuant to the Internal Revenue Code. The Company's deferred tax assets are offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry forwards.

Edgar Filing: Chay Enterprises, Inc. - Form 10-Q

The Company's deferred tax assets, valuation allowance, and change in valuation allowance are as follows:

|                      | Estimated      |                | Estimated Tax |                  | Change in        |              |
|----------------------|----------------|----------------|---------------|------------------|------------------|--------------|
|                      | NOL Carry-     | NOL            | Benefit from  | Valuation        | Valuation        | Net Tax      |
| <u>Period Ending</u> | <u>forward</u> | <u>Expires</u> | <u>NOL</u>    | <u>Allowance</u> | <u>Allowance</u> | <u>Asset</u> |
| December 31, 2008    | \$69,043       | Various        | \$12,773      | \$(12,773)       | \$(5,896)        | --           |
| September 30, 2009   | \$17,325       | 2029           | \$3,205       | \$(3,205)        | \$(3,205)        | --           |

Income taxes at the statutory rate are reconciled to the Company's reported tax expense (benefit) as follows:

|   |         |
|---|---------|
| Income tax (benefit) at statutory rate resulting from net operating loss carryforward | (15.0%) |
| State tax (benefit) net of federal benefit  | (3.5%)  |
| Deferred income tax valuation allowance   | 18.5%   |
| Reported tax rate   | 0%      |

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation Forward-Looking Statement Notice**

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate or continue or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries in which we may participate; competition within our chosen industry, including competition from much larger competitors; technological advances and failure to successfully develop business relationships.

### **Description of Business**

We incorporated on March 29, 1996 in the state of Colorado and are currently considered a development stage company. We are in the business of land development, pursuant to which we purchase raw land for subsequent real estate development. In July 2001 we purchased 32 residential building lots located in the Cold Spring Addition to the city of Hot Springs, Fall River County in South Dakota. We intend to combine and develop the lots into approximately 12 single and multi-family residential building sites.

We operate in the real estate industry and we primarily acquire tracts of raw land and develop them into residential lots for sale to homebuilders or individuals.

Considerable up front costs in any real estate platting project must first be incurred and paid for, thus in the early stages of our real estate projects significant amounts of capital can be required until platting occurs, and lots are improved and sold. Predictably, greater revenues will be achieved as soon as a portion of the lots are improved and sold. When the lot development plan has been completed and accepted by Fall River County, South Dakota, and construction of the lots completed, the sale of these lots will be currently funded and closed.

We currently own 32 residential building lots in Fall River County, South Dakota. All of our lots are located within one and a half block area in the city limits of Hot Springs. We intend to combine and develop the lots into approximately 12 single and multi family residential building sites.

Nestled in the Southern Black Hills of South Dakota, Hot Springs is home to natural springs, pleasant year-round weather, many outdoor activities, scenic beauty, plentiful golfing, and unusual sandstone architecture.

We believe Hot Springs, South Dakota is attractive to potential real estate investors and purchasers because of the attractions, location and amenities discussed below.

Local attractions in Hot Springs include:

- .
- Evans Plunge and its naturally warm 87 degree spring water
- .
- The Mammoth Site which is America's greatest Ice Age treasure
- .
- The Wild Horse Sanctuary where American mustangs roam free
- .
- Close proximity, less than an hour, from Mt. Rushmore National Monument
- .
- Close proximity to the Wind Cave National Park and Custer State Park

Hot Springs is located at the southern edge of the Black Hills and offers:

- .
- Micro-climate with relatively mild winters
- .
- Summers include warm days and cool nights with low humidity
- .
- Red rock canyons and pine covered hills provide magnificent scenery

Hot Springs is a bustling community of 4,250 people that provides a small town atmosphere, including:

.

Good schools and churches

.

Low crime rate

.

An active and energetic business community

Hot Springs is the cultural capital of the Black Hills and offers:

.

Many fine galleries filled with original art

.

Annual arts festivals, songwriter s galleries and more

.

The Badger Clark Hometown Poetry and Music Gathering every fall

.

Locations for filming motion pictures such as Hidalgo which was filmed in the area

.

Local artists and musicians displaying their talents in local businesses at various times throughout the year

Outdoor recreational activities in and around Hot Spring include:

.

Golf at the well known Southern Hills Golf Course

.

Angostura Reservoir which offers top notch fishing and boating

.

Great hunting is available including wild turkeys, antelope, deer and elk

.

Winter sports activities are less than an hour away

## **Competition**

We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S.

### **Governmental Regulation**

Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

### **Employees**

We currently have only one employee, Philip J. Davis who is our sole officer and director. Mr. Davis will devote such time as needed to pursue the business operations of Chay Enterprises.

### **Description of Property**

We own 32 residential building lots in Fall River County, South Dakota. Specifically, we own Lots 7, 8, 9, 10, 11, 12, 13, 14, 16 and 16, Block 5; and Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, Block 6, all in Cold Spring Addition to the town, now city, of Hot Springs, Fall River County, South Dakota. The property is not encumbered.

We use office space provided by Philip J. Davis, our officer and director, at no charge for our business operations.

### **Plan of Operation**

## **ITEM 2. Management's Discussion and Analysis of Financial Condition or Plan of Operations**

### **Plan of Operation**

We intend to further develop our lots in Fall River County, South Dakota by combining and developing the lots into approximately 12 single and multi family residential building sites which we will then attempt to sell to individuals or other developers.

To date, we have performed preliminary engineering plans regarding basic utilities such as roads, water, sewer, and power. Our next steps will be to complete the full engineering plan and then obtain plat approval from the City of Hot Springs based on our full engineering plan showing how the property will be subdivided. We plan to obtain estimates for complete engineering of our property development. In response to the current downturn in the economy, and specifically with regard to uncertainty in the real estate industry, we decided to postpone our development plans for 2009. We have not established a new timetable for property development and our decision to proceed will be dependent upon, among other things, availability of financing and improved real estate industry fundamentals.



## **Capital Resources and Liquidity**

As of September 30, 2009, we had a working capital deficit of \$94,358 comprised of current assets of \$132 and current liabilities of \$94,490. This represents an increased deficit of \$20,340 from the working capital deficit of \$74,018 reported at December 31, 2008. During the nine months ended September 30, 2009, our working capital deficit continued to increase as we continued our efforts to implement our plan of operation.

To fund our operations, we entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At September 30, 2009, we had borrowed \$73,212 on the revolving loan, including \$14,250 borrowed during the nine months ended September 30, 2009. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. Through September 30, 2009, we have accrued interest on this loan of \$6,464.

In addition, our Chief Executive Officer has periodically advanced funds to us to meet our working capital needs. As of September 30, 2009, we owe our Chief Executive Officer \$9,078 for advances which are non-interest bearing and due on demand. During the nine months ended September 30, 2009, we incurred other obligations and liabilities which are reflected in the accompanying balance sheet as accounts payable and accrued expenses.

We will need additional funding to achieve our real estate development goals. In the past we have relied on loans and advances from shareholders to fund our operations, however we have no written or firm agreement regarding financing.

Net cash used in operating activities was \$16,900 during the first nine months of 2009, compared to \$30,802 during the first nine months of 2008. During 2009, we were able to reduce our cash usage by reducing our operating expenses and by changing the timing of certain payments.

## **Results of Operations Three Months Ended September 30, 2009 Compared to the Three Months Ended September 30, 2008**

We are considered a development stage company for accounting purposes, since we have not generated any revenues from operations. We are unable to predict with any degree of accuracy when this classification will change. We expect to incur losses until such time, if ever, as we begin generating revenue from operations.

For the three months ended September 30, 2009, we recorded a net loss of \$5,045, or \$(0.01) per share, compared to a net loss for the corresponding period of 2008 of \$7,132 or \$(0.01) per share. In neither period did we report any

revenue.

Operating expenses decreased to \$3,950 for the three months ended September 30, 2009 compared to \$6,376 during the same period of 2008. The decrease of \$2,426 primarily reflects the reduced cost of professional fees associated with our status as a public company, including the costs of preparing reports that we are required to file with the Securities and Exchange Commission. .

Interest expense increased to \$1,095 in 2009 compared to \$756 in 2008, reflecting interest accrued on an increased balance in our revolving convertible loan agreement.

### **Results of Operations    Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008**

For the nine months ended September 30, 2009, we recorded a net loss of \$20,340, or \$(0.02) per share, compared to a net loss for the corresponding period of 2008 of \$26,833 or \$(0.03) per share. In neither period did we report any revenue.

Operating expenses decreased to \$17,325 for the nine months ended September 30, 2009 compared to \$25,046 during the same period of 2008. The decrease of \$7,721 primarily reflects the reduced cost of professional fees associated with our status as a public company, including the costs of preparing reports we are required to file with the Securities and Exchange Commission.

Interest expense increased to \$3,015 in 2009 compared to \$1,787 in 2008, reflecting interest accrued on an increased balance in our revolving convertible loan agreement.

### **Item 3.**

#### **Quantitative and Qualitative Disclosures About Market Risk.**

Not required by smaller reporting companies.



**Item 4T.**

**Controls and Procedures.**

(a)

*Evaluation of Disclosure Controls and Procedures.* The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2009.

(b)

*Changes in Internal Control over Financial Reporting.* There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer, that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matters were submitted during the period covered by this report to a vote of security holders. However, subsequent to the date of this report, on October 9, 2009, the Company held a Special Meeting of Shareholders to vote on the proposed sale of the Company's 32 residential real estate lots in Fall River County, South Dakota. Out of a total 929,718 shares issued and outstanding, 730,324 voted to approve the proposed sale with -0- shares against and -0- shares abstaining. The Company has not yet disposed of the property.

**Item 6. Exhibits**

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

| <b>SEC Ref.<br/>No.</b> | <b>Title of Document</b>  | <b>Location</b> |
|-------------------------|---|-----------------|
| Exhibit 31              | Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  | Attached        |
| Exhibit 32              | Certification of the Principal Executive Officer and Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002<br>** | Attached        |

\*\* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this 10-Q report to be signed on its behalf by the undersigned thereunto duly authorized.

**CHAY ENTERPRISES, INC.**

(Registrant)

Date: November 13, 2009

*/s/ Philip J. Davis*

Philip J. Davis

Chief Executive Officer and

Chief Financial Officer