

Edgar Filing: CERISTAR INC - Form 10QSB/A

CERISTAR INC
Form 10QSB/A
June 20, 2003

SECURITIES EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

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 001-16381

CERISTAR, INC.

(Exact name of the registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

87-0642448
(IRS employer identification number)

50 WEST BROADWAY, SUITE 1100
SALT LAKE CITY, UTAH 84119
(Address of principal executive officers)

801-297-8500

(Registrant's telephone number, including area code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 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 X No__

State the number of shares outstanding of each of the issuer's classes of common equity as of March 31, 2003.

Common Stock, \$.001 par value

(Title of each class)

5,906,140

(Number of shares)

Edgar Filing: CERISTAR INC - Form 10QSB/A

CERISTAR, INC.

TABLE OF CONTENTS

Special Note Regarding Forward Looking Statements

PART I - FINANCIAL STATEMENT

Item 1. Financial Statements

Condensed Consolidated Unaudited Balance Sheets at March 31, 2003

Condensed Consolidated Unaudited Statements of Operations for the three months ended March 31, 2003 and 2002

Condensed Consolidated Unaudited Statements of Cash Flows for the three months ended March 31, 2003 and 2002

Notes to Condensed Consolidated Unaudited Financial Statements

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

Item 3. Controls and Procedures

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities

Item 3. Defaults Upon Senior Securities

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

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signatures

Exhibit. Other Information - Certificates - Certification Pursuant to 18 U.S.C. Section 1350

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements in the Form 10-QSB are forward looking statements that involve risks and uncertainties. Words, such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and "views" are intended to identify forward-looking statements. Such statements are based on current expectations and projections about our business and assumptions made by the management and are no guarantee of future performance. Therefore, actual events and results may differ materially from those expressed or forecasted in the forward looking statements due to risk factors identified in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Edgar Filing: CERISTAR INC - Form 10QSB/A

CERISTAR, INC. CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEET March 31, 2003

Assets		

Current assets:		
Accounts receivable, net of allowance for		
doubtful accounts of \$16,117	\$	77,035
Prepaid expenses		3,954
Deposits		8,338

Total current assets		89,327
Property and equipment, net		327,816

	\$	417,143

Liabilities and Stockholders' Deficit		

Current liabilities:		
Cash over-draft	\$	2,668
Accounts payable		407,921
Accrued payroll liabilities		154,591
Unearned revenue		106,800
Deferred purchase obligation		77,996
Related party note payable		8,000

Total current liabilities		757,976
Commitments		-
Stockholders' deficit:		
Preferred stock, \$.001 par value; 1,000,000 shares		
authorized, no shares issued and outstanding		-
Common stock, \$.001 par value, voting, 25,000,000		
shares authorized, 5,906,140 issued and outstanding		5,906
Additional paid-in capital		8,662,545
Deferred compensation		(389,011)
Subscriptions receivable		(316,814)
Accumulated deficit		(8,303,459)

Total stockholders' deficit:		(340,833)

	\$	417,143

See accompanying notes to financial statements

Edgar Filing: CERISTAR INC - Form 10QSB/A

3

CERISTAR, INC.
CONDENSED CONSOLIDATED UNAUDITED STATEMENT OF OPERATIONS
For The Periods Ended March 31,

	2003	2002
	-----	-----
Sales	\$ 106,222	\$ 157,863
Cost of sales	(124,168)	(83,190)
Selling, general, and administrative expense	(1,103,693)	(323,109)
	-----	-----
Loss from operations	(1,121,639)	(248,436)
Other income	358	97
Interest expense	(2,574)	(1,963)
	-----	-----
Loss before benefit for income taxes	(1,123,855)	(250,302)
Benefit for income taxes	-	-
	-----	-----
Net loss	\$ (1,123,855)	\$ (250,302)
	-----	-----
Loss per common share basic and diluted	\$ (0.19)	\$ (0.06)
	-----	-----
Weighted average shares - basic and diluted	5,861,000	4,180,000
	-----	-----

See accompanying notes to financial statements

4

CERISTAR, INC.
CONDENSED CONSOLIDATED UNAUDITED STATEMENT OF CASHFLOWS
For The Three Months Ended March 31,

	2003	2002
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (1,123,855)	\$ (250,302)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,304	1,509
Stock issued for services	34,988	-
Amortization of deferred compensation	76,667	84,975
Stock subscription satisfied with services	670,158	-
Amortization of discount on long-term debt	220	-
Decrease (increase) in:		
Accounts receivable	(24,090)	(20,963)

Edgar Filing: CERISTAR INC - Form 10QSB/A

Increase (decrease) in:		
Accounts payable	22,306	118,171
Accrued liabilities	65,243	54,279
Deferred revenue	3,500	13,372

Net cash (used in) provided by operating activities	(270,559)	1,041

Cash flows used in investing activities-- purchase of property and equipment	(5,265)	(1,011)

Cash flows from financing activities:		
Cash over-draft	2,668	-
Proceeds from issuance of common stock	239,874	-
Proceeds from related party note	8,000	-
Payments on convertible long-term debt	(2,928)	-

Net cash provided by financing activities	247,614	-

Net (decrease) increase in cash and cash equivalents	(28,210)	30
Cash and cash equivalents at beginning of period	28,210	2,518

Cash and cash equivalents at end of period	\$ -	\$ 2,548

See accompanying notes to financial statements

5

CERISTAR, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2003

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--The accompanying condensed financial statements are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Ceristar, Inc. (the "Company") believes that the following disclosures are adequate to make the information presented not misleading.

These condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the financial position and results of operations for the periods presented. These financial statements should be read in conjunction with

Edgar Filing: CERISTAR INC - Form 10QSB/A

the CeriStar's financial statements and notes thereto for the year ended December 31, 2002.

Operating results for the three months ended March 31, 2003, are not necessarily indicative of the operating results to be expected for the year ending December 31, 2003.

Net Loss Per Common Share--Basic and diluted net loss per common share are calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. At March 31, 2003, there were outstanding warrants to purchase 382,667 shares of common stock that were not included in the computation of diluted net loss per common share as their effect would have been anti-dilutive, thereby decreasing the net loss per common share.

Revenue Recognition--Revenue is recognized when a valid contract or purchase order has been executed or received, services have been performed or product has been delivered, the selling price is fixed or determinable, and collectibility is reasonably assured. Sales of equipment related to long-term service contracts, which do not meet this criteria, are deferred over the period of the contract and are recorded as unearned revenue.

NOTE 2--GOING CONCERN

The Company has a working capital deficit, a stockholders' deficit, and recurring net losses. These factors create substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company generating cash from the sale of its common stock or obtaining debt financing and attaining future profitable operations. Management's plans include selling its equity securities and obtaining debt financing to fund its capital requirements and ongoing operations, however, there can be no assurance the Company will be successful in these efforts.

NOTE 3-- COMMON STOCK TRANSACTIONS

The Company sold 116,442 common shares for cash of \$239,874 and paid \$34,464, or 16,730 common shares for services.

6

NOTE 4-- CASH FLOW INFORMATION

Actual amounts paid for interest for the three months ended March 31, 2003 and 2002, were \$2,574 and \$1,963, respectively. No income taxes were paid for the respective periods.

During the three months ended March 31, 2003, the Company received a commission, which reduced its deferred purchase obligation and was recorded as an increase of \$9,000 to deferred revenue.

During the three months ended March 31, 2003, the Company reacquired 96,600 shares of its common stock for a reduction in deferred compensation of \$149,333

Edgar Filing: CERISTAR INC - Form 10QSB/A

and subscriptions receivable of \$9,317.

During the three months ended March 31, 2003, the Company disposed of equipment in exchange for accrued an liability of \$12,540.

During the three months ended March 31, 2002, the Company acquired \$103,196 of equipment in exchange for a deferred purchase obligation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results for Operations

CeriStar is in the telecommunications industry, providing a new generation of services using fiber optic cable. Its principal product is the delivery of voice, video and data services over a fiber network. These services include local and long distance telephone, video conferencing, cable television with video on demand, computer email and host of other related services.

On September 10, 2002, CeriStar merged with a wholly owned subsidiary of Planet Resources Inc., a non-operating company, together referred to as Planet, in which all the issued and outstanding stock of CeriStar, including shares of Common Stock, shares of Series A Convertible Preferred Stock and shares Series B Convertible Preferred Stock were exchanged for shares of Planet Common Stock. The shares of Series A and B Convertible Preferred Stock of CeriStar were each exchanged for .757 shares of Planet Common Stock and the Common Stock of CeriStar were each canceled and converted into .332 shares of Common Stock of Planet. Prior to the merger Planet authorized a 1 for 5.23 reverse stock split. The merger was accounted for as a reverse merger with CeriStar being the accounting acquirer. On October 15, 2002, Planet Resources Inc. was renamed CeriStar, Inc.

Results of Operations

Three Months Ended March 31, 2003, Compared to Three Months Ended March 31, 2002.

CeriStar had a net loss for the first three months of 2003 of \$1,124,000 compared to a loss of 250,000 for the first three months of 2002. The first quarter revenues of 2003 were \$106,000 as compared \$158,000 in the first quarter of 2002. For the three months ended March 31, 2002, CeriStar realized \$116,000 more revenue in initial equipment installation sales, which accompanied short-term service contracts. During the three months ended March 31, 2003, CeriStar increased its ongoing service revenue by \$47,000 over the prior year period due to an increase in its customer base. Labor revenues, including revenues related to engineering and design for a specific IP application, increased by \$18,000 in the first quarter of 2003.

Gross margins decreased from 47% for the three months ended March 31, 2002 to a negative 17% for the comparable period of 2003. Because CeriStar is developing its customer base, first quarter 2002 margins reflected mark-ups on initial equipment sales on short-term contracts. The first quarter of 2003 reflected margins from service revenues in which the cost exceeds revenues because of the purchase of excess bandwidth for the support of the growing customer base. New connections are expected to increase revenues without a substantial increase in bandwidth costs.

Selling and administrative expenses increased by \$781,000 from \$323,000 in the first quarter of 2002 to \$1,104,000 in the first quarter of 2003. The most

Edgar Filing: CERISTAR INC - Form 10QSB/A

significant part of this increase was \$705,000 in stock payments expensed to consultants assisting CeriStar in product positioning, customer identification and strategic development as CeriStar converts to an operating company, marketing our IP (Internet Protocol) application products and services. Other expenses included \$45,000 increase in payroll to \$273,000 as additional employees were hired to service the Company's growing customer base, a \$12,000 increase in related travel expenses to \$17,000 and a \$14,000 increase in promotion and advertising expenses to attract additional customers.

7

Liquidity and Capital Resources

CeriStar's revenues are not capable of supporting its current operations. Thus, in the near term CeriStar will be dependent on the capital markets for funding. This is best reflected in the working capital deficit as current liabilities exceed current assets by \$669,000. To meet these continuing funding needs CeriStar is actively seeking the acquisition of new debt and equity capital.

CeriStar has proven its technology and can now efficiently deliver a technically advanced product to a wide range of residential, commercial, educational and governmental customers. In the past CeriStar has been focused on development and testing of its technology, now the focus is on marketing this technology. Expansion in CeriStar's current geographical area can be done fairly inexpensively, as prior capital expenditures can service a significantly larger customer base. Expansion into new market areas will be limited by the amount of investment capital and equipment financing that can be acquired. CeriStar's current plans will require additional equity and debt capital to fund operations. A majority of this funding will be raised in the equity markets.. It is anticipated that debt financing of equipment will become increasingly available as the Company's products gain acceptance and our markets expand thus leveraging its investment capital. In the short term, CeriStar will remain dependent on new equity capital. No assurance can be made that the Company will be successful in raising sufficient capital.

Item 3. Controls and Procedures

The Company's President and Chief Executive Officer and its Vice President of Engineering and Finance, and Financial Officer (the "Certifying Officers"), are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officers have concluded (based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report) that the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14c under the Securities Exchange Act of 1934) are effective. No significant changes were made in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

8

Edgar Filing: CERISTAR INC - Form 10QSB/A

Item 1. Legal Proceedings.

The Company is not a party to any legal proceedings outside the ordinary course of its business or to any other legal proceedings, which, if adversely determined, would have a material adverse effect on the Company or its business.

Item 2. Changes in Securities

(a) Securities were materially modified as follows as a result of a forward triangular merger of CeriStar, Inc. and Planet Resources, Inc.

On September 10, 2002, CeriStar merged with a wholly owned subsidiary of Planet Resources Inc., a non-operating company, together referred to as Planet, in which all the issued and outstanding stock of CeriStar, including shares of Common Stock, shares of Series A Convertible Preferred Stock and shares Series B Convertible Preferred Stock were exchanged for shares of Planet Common Stock. The shares of Series A and B Convertible Preferred Stock of CeriStar were each exchanged for .757 shares of Planet Common Stock and the Common Stock of CeriStar were each canceled and converted into .332 shares of Common Stock of Planet. Prior to the merger Planet authorized a 1 for 5.23 reverse stock split. The merger was accounted for as a reverse merger with CeriStar being the accounting acquirer. On October 15, 2002, Planet Resources Inc. was renamed CeriStar, Inc.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(b) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-B or are incorporated herein by reference to previous filings.

No.	Document
3.1	Certificate of Incorporation (1)
3.2	Amended Certificate of Incorporation (1)
3.3	Bylaws (1)
4.1	Specimen Common Stock Certificate (1)
10.1	2002 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan (2)
99.1	Certification Pursuant to Section 906 of Sarbanes-Oxley Act 2002
99.2	Certification Pursuant to Section 906 of Sarbanes-Oxley Act 2002
(1) Incorporation by reference from Form 8-K, as filed on March 1, 2001 (2)	

Edgar Filing: CERISTAR INC - Form 10QSB/A

Incorporation by reference from Registration Statement on Form S-8, as filed on September 10, 2002.

- (3) Incorporation by reference from Form 8-K, as filed on September 17, 2002.

9

(b) Reports on Form 8-K

None

On November 25, the Company filed a Form 8-K/A regarding the merger

between CeriStar, Inc. and Planet Resources, Inc.

Signatures

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

Dated: May 20, 2003

/s/David L. Bailey

David L. Bailey
Chairman of the Board,
President and Chief
Executive Officer

Dated: May 20, 2003

/s/G. Earl Demorest

G. Earl Demorest
Vice President of Engineering
and Finance and Chief
Financial Officer

CERTIFICATIONS

I, David L. Bailey, certify that:

1. I have reviewed this quarterly Report on Form 10-QSB of CeriStar, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

Edgar Filing: CERISTAR INC - Form 10QSB/A

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

10

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

By /s/David L. Bailey

David L. Bailey
President and
Chief Executive Officer

CERTIFICATIONS

I, G. Earl Demorest, certify that:

1. I have reviewed this quarterly Report on Form 10-QSB CeriStar, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Edgar Filing: CERISTAR INC - Form 10QSB/A

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

11

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

By /s/G. Earl Demorest

G. Earl Demorest
Vice President of
Engineering and Finance
and Chief Financial
Officer

12

Edgar Filing: CERISTAR INC - Form 10QSB/A

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES - OXLEY ACT OF 2002

In connection with the quarterly report of Ceristar, (the "Company") on Form 10-Q for the quarter ended September 30, 2002, David L.Bailey, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that to the best of his knowledge:

1. The quarterly report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 20, 2003

(Date)

/s/David L. Bailey

David L. Bailey
President and Chief Executive
Officer

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES - OXLEY ACT OF 2002

In connection with the quarterly report of Ceristar, (the "Company") on Form 10-Q for the quarter ended September 30, 2002, G. Earl Demorest, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that to the best of his knowledge:

1. The quarterly report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 20, 2003

(Date)

/s/G. Earl Demorest

G. Earl Demorest
Vice President of Engineering
and Finance and Chief
Financial Officer

