

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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PETHEALTH SYSTEMS INC

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PETHEALTH SYSTEMS, INC.
Form 10-QSB Quarterly Report
For the Period Ended June 30, 1998
Table of Contents

	Page
PART I -- FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Unaudited Balance Sheets at June 30, 1998 and December 31, 1997	4
Unaudited Statements of Operations For Three and Six Months Ended June 30, 1998 and June 30, 1997 and From Inception (December 8, 1981) through June 30, 1998	5
Unaudited Statements of Cash Flows For Six Months Ended June 30, 1998 and 1997 and From Inception (December 8, 1981) to June 30, 1998	6
Statement of Stockholders' Equity (Deficit)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
PART II -- OTHER INFORMATION	9
Item 1. Legal Proceedings	9
Item 2. Changes in Securities	9
Item 3. Defaults Upon Senior Securities	9
Item 4. Submission of Matters to a Vote of Security Holders	9
Item 5. Other Information	9
SIGNATURES	9
PART 1. FINANCIAL INFORMATION	
Item 1. Financial Statements:	

BASIS OF PRESENTATION

The accompanying unaudited financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and item 310 under subpart A of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying statements should be read in conjunction with the audited financial statements for the years ended December 31, 1997 and 1996. In the opinion of management, all adjustments (consisting only of normal occurring accruals) considered necessary in order to make the financial statements not misleading, have been included. Operating results for the six months ended June 30, 1998 are not necessarily indicative of results that may be expected for the year ending December 31, 1998. The financial statements are presented on the accrual basis.

PETHEALTH SYSTEMS, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS (UNAUDITED)

	June 30, 1998	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash in checking	321	\$ 265
Stock Receivable	\$ 380	\$ 380
TOTAL CURRENT ASSETS	\$ 701	\$ 645
FIXED ASSETS:		
Equipment	3,138	3,138
Less accumulated depreciation	\$ (1,025)	\$ (523)
Net fixed assets	2,113	2,615
TOTAL ASSETS	\$ 2,814	3,260

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable	\$ 6,351	\$ 8,174
Due to Ameristar Group Incorporated (Note 2)	127,300	122,500
TOTAL CURRENT LIABILITIES	133,651	130,674

STOCKHOLDERS' (DEFICIT) :

Preferred Stock, \$.10 par value, 100,000,000 shares authorized, none issued	-	-
Common Stock, Class A no par value, 800,000,000 shares authorized, 1,153,027 shares issued and outstanding	243,834	243,834
Deficit accumulated during development stage	(374,671)	(371,248)
TOTAL STOCKHOLDERS' (DEFICIT)	(130,837)	(127,414)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,814	\$ 3,260

PETHEALTH SYSTEMS, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended		For the Period December 8, 1981 (Inception) to June 30, 1998
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES:					
Legal and accounting	675	22,199	2,175	41,053	103,838
Management services (Note 2)	-	30,000	-	60,000	120,000
Amortization	-	25	-	50	750
Consulting Fees	-	8,000	-	20,500	47,000
Depreciation Expense	251	157	502	209	1,025
Filing and transfer fees	207	421	399	4,749	14,459
Public relations	-	-	-	-	14,414
Office and Printing Expense	64	3,971	127	4,908	4,904
Taxes, Franchise	-	62	220	660	905
Travel Expenses	-	534	-	534	534
Other Expenses	-	-	-	-	34,468
TOTAL OPERATING EXPENSES	1,197	65,369	3,423	132,663	342,297
NET (LOSS) BEFORE OTHER INCOME (EXPENSES)	(1,197)	(65,369)	(3,423)	(132,663)	(342,297)

OTHER INCOME AND (EXPENSES):

Writeoff of advances					
recision of merger	-	-	-	-	(119,110)
Sale of business plan	-	-	-	-	76,000
Forgiveness of debt	-	-	-	-	7,455
Interest income	-	-	-	-	3,230

TOTAL OTHER INCOME (EXPENSES)	-	-	-	-	(32,425)
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NET INCOME (LOSS)	\$	(1,197)	\$ (65,369)	(3,423)	\$ (132,663)	(374,722)
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NET (LOSS) PER COMMON SHARE	\$	*	\$ *	\$ *	\$ (.04)	\$ N/A
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WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,153,027	3,285,030	1,153,027	3,285,030	N/A
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* less than \$.01 net loss per share

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

PETHEALTH SYSTEMS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

	For the Six Months Ended		For the Period
	June 30,		December 8, 1981
	(Unaudited)		(Inception) to
	1998	1997	June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$	(3,423)	\$ (132,663)	\$ (374,671)
Adjustments to reconcile net (loss) to net cash used by operating activities:				
Amortization		-	50	750
Depreciation		502	209	1,025
Stock issued for Services/expenses		-	-	52,925
Changes in operating assets and liabilities:				
Increase in stock receivable		-	-	(380)
Increase (decrease) in Current liabilities		2,977	62,475	133,651
NET CASH (USED) BY OPERATING ACTIVITIES		56	(69,929)	(186,700)

CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchased Fixed Assets		(3,138)	(3,138)
Organization Costs	-	-	(750)
NET CASH (USED) BY INVESTING ACTIVITIES:			
	56	(3,138)	(3,888)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	-	76,000	252,344
Proceeds from issuance of Class B common stock	-	-	10,000
Deferred offering costs	-	-	(71,435)
NET CASH PROVIDED BY FINANCING ACTIVITIES			
	0	76,000	190,909
NET INCREASE (DECREASE) IN CASH			
	56	2,933	321
CASH, BEGINNING OF PERIOD	\$ 265	\$ 0	\$ 0
CASH, END OF PERIOD	\$ 321	\$ 2,933	\$ 321

PETHEALTH SYSTEMS, INC.
 (A DEVELOPMENT STAGE COMPANY)
 STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
 For the Six Months Ended June 30, 1998 (UNAUDITED)

	Number Of Shares	Amount	Common Stock Issuable	Deficit Accumulated During Development Stage	Total Stockholders' Equity (Deficit)
Balance, January 1, 1998	1,153,027	\$243,834	\$ 0	\$ (371,248)	\$ (127,414)
Net Loss for the Six Months Ended June 30, 1998	--	--	--	\$ (3,423)	\$ (3,423)
Balance, June 30, 1998	1,153,027	\$243,834	\$ --	\$ (374,671)	\$ (130,837)

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

Plan of Operation

The Registrant is continuing its efforts to locate a business opportunity for the purpose of making an acquisition. It is possible that the registrant will be successful in locating such a business opportunity and negotiating and closing an acquisition thereof by the issuance of restricted shares of the registrant's Common Stock, without the necessity of paying any cash consideration for such acquisition. However, if the registrant cannot effect a non-cash acquisition, the registrant may have to raise funds from a private offering of its securities under Rule 506 of Regulation D. There is no assurance the registrant would obtain any such equity funding.

As of the date of this report, and throughout fiscal 1997, the registrant's general and administrative expenses which were paid have been funded by advances from Ameristar Capital Corporation, a private corporation affiliated with Joseph J. Messina and Martin I. Saposnick, former directors of the registrant. As of June 30, 1998, such advances represent \$ 7,300 of the liabilities of the registrant, and the consulting agreement with Ameristar represents \$120,000 of such liabilities. See Note 2 to financial Statements, "Related Party Transactions" in the Company's Form 10-KSB for the year ended December 31, 1997..

Results of Operations

The Company did not have any operating income during the quarterly period ended June 30, 1998, and has not had any operating income since its inception. For this quarterly period, the registrant recognized a net loss of \$1,197 compared to a net loss of \$65,369 for the quarterly period ended June 30, 1997. General and administrative expenses during the current quarterly period were funded by Ameristar Capital Corporation, a private corporation affiliated with two directors of the registrant. Expenses for the quarterly period ended June 30, 1998 were comprised of costs associated with audit, legal and SEC reporting obligations.

Liquidity and Capital Resources

At June 30, 1998 the Company had no capital resources other than an insignificant amount of cash, and will rely on advances from related parties to fund administrative expenses pending acquisition of an operating company. Presently there are no agreements in place for such acquisition, and there is no assurance any acquisition will be consummated. Alternatively, the Company may seek equity funding for administrative costs and anticipated costs of negotiating a possible acquisition, but such equity funding currently is not underway.

PART II - OTHER INFORMATION

- Item 1. Legal Proceedings. Not applicable.
- Item 2. Changes in Securities. None.
- Item 3. Defaults Upon Senior Securities. Not Applicable.
- Item 4. Submission of Matters to a Vote of Security Holders. None.
- Item 5. Other Information. None.
- Item 6. Exhibits and Reports of Form 8-K. None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned, thereunto duly authorized, on July 20, 1998.

PETHEALTH SYSTEMS, INC.

By: /s/ Robert Gordon

Robert Gordon, President