

CYTATION CORP
Form 10QSB
August 11, 2003

UNITED STATES

SECURITIES AND 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 June 30, 2003

Commission file Number 0 5388

CYTATION CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

16-0961436

(State or Other Jurisdiction of Incorporation)

(I.R.S. Employer Identification Number)

251 Thames Street, No. 8, Bristol, RI 02809
(Address of Principal Executive Offices) (Zip Code)

(401) 254-8800
(Registrant's Telephone Number, Including Area Code)

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.

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, \$.001 Par Value - 256,165 shares as of August 11, 2003.

FORWARD-LOOKING INFORMATION

THIS FORM 10-QSB AND OTHER STATEMENTS ISSUED OR MADE FROM TIME TO TIME BY CYTATION CORPORATION OR ITS REPRESENTATIVES CONTAIN STATEMENTS WHICH MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AND

THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, FIFTEEN U.S.C.A. SECTIONS 77Z-2 AND 78U-5 (SUPP. 1996). THOSE STATEMENTS INCLUDE STATEMENTS REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF CYTATION CORPORATION AND MEMBERS OF ITS MANAGEMENT TEAM AS WELL AS THE ASSUMPTIONS ON WHICH SUCH STATEMENTS ARE BASED. PROSPECTIVE INVESTORS ARE CAUTIONED THAT ANY SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS TO REFLECT CHANGED ASSUMPTIONS, THE OCCURRENCE OF UNANTICIPATED EVENTS OR CHANGES TO FUTURE OPERATING RESULTS OVER TIME.

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements.

Cytation Corporation

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UNAUDITED FINANCIAL STATEMENTS

Balance Sheets as of June 30, 2003 and December 31, 2002

Statement of Operations for the Three Months Ended June 30, 2003 and 2002

Statement of Operations for the Six Months Ended June 30, 2003 and 2002

Statement of Cash Flows for the Six Months Ended June 30, 2003 and 2002

Notes to Financial Statements

**Cytation Corporation
Balance Sheets**

ASSETS

	June 30, <u>2003</u> (Unaudited)	December 31, <u>2002</u> (Audited)
CURRENT ASSETS:		
Cash	\$ 16,043	\$ 180,984
Notes receivable, stockholders	11,348	11,348
Notes receivable, others	55,169	55,169
Prepaid expenses and other current assets	<u>1,800</u>	<u>1,800</u>
Total Current Assets	84,360	249,301
PROPERTY AND EQUIPMENT, Net	10,807	17,767
OTHER ASSETS:		
Investment	<u>1,326,178</u>	<u>-</u>
TOTAL ASSETS	\$ 1,421,345 =====	\$ 267,068 =====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 112,666	\$ 356,819
Note payable and accrued interest	<u>111,790</u>	

Total Current Liabilities 224,456 356,819 COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT): Common stock, \$0.001 par value, 2,000,000 shares authorized, 256,165 and 248,809 shares issued and outstanding, respectively 256 249 Additional paid-in capital 33,082,949 33,078,122 Accumulated deficit (31,886,316) (33,168,122) TOTAL STOCKHOLDERS' EQUITY (DEFICIT) 1,196,889 (89,751)
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) \$ 1,421,345 \$ 267,068 ===== See notes to financial statements.

**Cytation Corporation
 Statements of Operations
 For The Three Months Ended June 30, 2003 and 2002
 (Unaudited)**

	<u>2003</u>	<u>2002</u>
CONSULTING REVENUES	\$ <u>1,351,178</u>	\$ <u>-</u>
OPERATING EXPENSES:		
Depreciation and amortization	3,480	6,960
General and administrative	<u>21,214</u>	<u>283,434</u>
TOTAL OPERATING EXPENSES	<u>24,694</u>	<u>290,394</u>
OPERATING INCOME (LOSS)	1,326,484	(290,394)
OTHER INCOME (EXPENSES):		
Interest income (expense), net	(925)	1,594
INCOME (LOSS) BEFORE INCOME TAXES	1,325,559	(288,800)
INCOME TAXES	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	1,325,559	(288,800)
PREFERRED STOCK DIVIDEND EARNED	<u>-</u>	<u>68,775</u>
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHARES	\$ <u>1,325,559</u>	\$ <u>(357,575)</u>
Net Income (Loss) Per Share (Basic and Diluted)	\$ <u>5.17</u>	\$ <u>(1.44)</u>
Weighted Average Common Shares Outstanding	256,165	249,079

See notes to financial statements.

Cytation Corporation
Statements of Operations
For The Six Months Ended June 30, 2003 and 2002
(Unaudited)

	2003	2002
CONSULTING REVENUES	\$ <u>1,366,178</u>	\$ <u>-</u>
OPERATING EXPENSES:		
Depreciation	6,960	13,920
General and administrative	<u>76,491</u>	<u>662,850</u>
 TOTAL OPERATING EXPENSES		 <u>83,451</u> <u>676,770</u>
OPERATING INCOME (LOSS) 1,282,727 (676,770)		OTHER INCOME (EXPENSES)
Interest income (expenses), net		<u>(920)</u> <u>3,300</u>
INCOME (LOSS) BEFORE INCOME TAXES 1,281,807 (673,470)	INCOME TAXES	<u>-</u> <u>-</u>
NET INCOME (LOSS) 1,281,807 (673,470)	PREFERRED STOCK DIVIDEND EARNED	<u>-</u> <u>-</u>
<u>137,549</u>	NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHARES \$ 1,281,807 \$ (811,019)	Net Income (Loss)
Per Share (Basic and Diluted) \$ 5.01 \$ (3.26)	=====	Weighted Average Common Shares Outstanding 255,879
	=====	249,079 ===== See notes to financial statements.

Cytation Corporation
Statements of Cash Flows
For the Six Months Ended June 30, 2003 and 2002
(Unaudited)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,281,807	\$ (673,470)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	6,960	13,920
Amortization of deferred compensation	-	290,000
Stock-based compensation	4,834	-
Accrued interest on note payable	925	
Non-cash consulting income	(1,326,178)	
Changes in operating assets and liabilities:		
Prepaid expenses and others	-	124,435
Cash in escrow account	-	(4,312)
Accounts payable and accrued expenses	<u>(133,289)</u>	<u>157,307</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(164,941)</u>	<u>(92,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		

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Purchases of property and equipment	-	(737)
Collection on notes receivable	<u>-</u>	<u>19,854</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES:	<u>-</u>	<u>19,117</u>
NET DECREASE IN CASH	(164,941)	(73,003)
CASH, Beginning	<u>180,984</u>	<u>79,861</u>
CASH, Ending	\$ 16,043	\$ 6,858
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the periods for:		
Interest	\$ -	\$ -
	=====	=====
Taxes	\$ -	\$ -
	=====	=====
Non-cash investing and financing activities:		
Conversion of accounts payable to note payable	\$ 110,865	-
	=====	=====

See notes to financial statements.

Notes To Financial Statements

1.

Basis of Presentation:

The accompanying unaudited financial statements of Cytation Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to prepare them for inclusion as part of the Form 10QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements for the periods ended June 30, 2003 and 2002 are unaudited and include all adjustments which in the opinion of management are necessary in order to make the financial statements not misleading. All such adjustments are of a normal recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10KSB filed with the Securities and Exchange Commission for the period ended December 31, 2002.

2. The Company:

Until June 20, 2001, the Company provided an extensive range of in-school and online services directed at high school students and their parents, high school counselors, college admissions officers and corporations which target the teen marketplace. On June 20, 2001, the Company sold all of its assets associated with these activities to TMP Worldwide Inc. for approximately \$7.2 million in cash and debt assumed.

Since the fourth quarter of 2002, the Company has engaged in the business of providing consulting and related services to private companies that wish to become reporting companies under the Securities Exchange Act of 1934.

3. Equity Transactions:

In the first quarter of 2003, the Company issued 9,667 shares of its common stock to non-affiliates in exchange for services rendered or to be rendered to the Company. The Company also redeemed 1,978 shares of common stock from

a former consultant to the Company in connection with an arbitration settlement in December 2002 and cancelled 333 shares of common stock issued to and subsequently forfeited by a former employee .

4. Investment/Non-Cash Income:

In the second quarter of 2003, the Company received 1,326,178 restricted shares of common stock and warrants of an unrelated entity, Solomon Technologies, Inc. ("Solomon"), constituting approximately 13% of the total outstanding shares of Solomon, as compensation for consulting services provided. Solomon develops, manufactures, sells and installs the patented "Electric Wheel" motor system as well as a full line of high torque electric propulsion systems for marine and other applications. The investment is valued at \$1,326,178 and recorded as consulting revenue on the accompanying financial statements. Management anticipates that such investment will be carried on a cost basis.

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

Results of Operations

The Company was not actively engaged in generating revenue from its current business (*see Plan of Operation*, below) during the quarter ended June 30, 2002. However, in the quarter ended June 30, 2002, the Company conducted an analysis and evaluation of the market opportunity for its current business; engaged in minimal prospective customer contact and test marketing; and planned the corporate restructuring required to enter its current business. Accordingly, management does not believe that it is informative or useful to compare the results of operations of the principal business it is now engaged in with the results of operations for the year ago quarter ending June 30, 2002, when it was not actively engaged in any revenue producing activities.

Liquidity and Capital Resources

Net cash used in operating activities was \$164,941 for the six month period ended June 30, 2003 compared to \$92,120 for the six month period ended June 30, 2002. As of June 30, 2003, the Company had negative working capital of \$140,096 compared to positive working capital of \$279,722 as of June 30, 2002.

The Company carries an investment in shares of common stock of Solomon Technologies, Inc. on its books at cost. These shares are restricted and are not currently saleable. There is no assurance that these shares can ever be sold or, if sold, at what price. In addition, the Company may elect to distribute some of these shares to its stockholders as a pro rata stock dividend.

The Company has minimal operating expenses. None of its employees receives current compensation, and the Company has no employment agreements or long-term commitments for office space or services.

Plan of Operation

In late 2001 and early 2002, the Company decided to leverage management's public company expertise, legal background and brokerage experience by researching the feasibility of entering into the business of providing consulting and related services to private companies that wished to "go public" and develop a trading market for their securities. The Company, in consultation with legal counsel, considered the following, among others:

- the IPO market for small and microcap companies as well as the overall market for and interest in "reverse merger" transactions

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- the level of interest that smaller companies exhibited in becoming reporting companies and the reasons "going public" was attractive to them
- the cash paid by operating companies for "shells" or blank check companies and the amount of equity operating companies gave up in the reverse merger
- the type of post-merger difficulties experienced by some companies that had engaged in a reverse merger
- the type of pre-merger difficulties experienced by some companies that had engaged in, or attempted to engage in, a reverse merger
- the number of promoters of reverse mergers, including facilitators who match private companies and shell company owners
- the distribution of shares in the public float and the number of "public" shareholders after the reverse merger was consummated
- the applicability of Rule 144 promulgated under the Securities Act of 1933 to "free-trading" shares held by promoters and others after the consummation of reverse mergers
- the exchanges on which reverse merged companies' traded
- the overall performance of reverse merged companies' shares in the aftermarket
- the enactment of the Sarbanes-Oxley Act of 2002 on the continued viability and practicality of reverse merger transactions.
- the enactment of the Sarbanes-Oxley Act of 2002 on the willingness and ability of entrepreneurs to comply with complex and costly reporting requirements that provide little, if any, compliance flexibility for small and microcap companies.

The Company concluded as follows:

- investment banking firms are likely to continue to underwrite a very limited number of initial public offerings, particularly in the small and microcap marketplaces, and that accordingly very limited amounts of public capital would be available to the Company's targeted client base
- there were serious transactional and disclosure risks associated with reverse mergers and that the substantially increased demand and requirements for full and timely disclosure in the public markets may well not be met by the parties to this type of transaction
- reverse mergers proved to be far more expensive than many companies could afford and, for this reason alone, the Company's program offered a viable alternative
- there was a market opportunity in offering private companies consulting and related services in order to assist them in attaining reporting company status under the Securities Exchange Act of 1934 without a substantial cash payment requirement, without utilizing a shell or blank check company and without engaging in a reverse merger transaction.

After the Company's stockholders meeting in September 2002, the Company began implementing a program based on these conclusions that would enhance Cytation stockholder value. Because the performance of a part of the Company's overall program required an amendment to the Company's certificate of incorporation, it was not able to engage actively in this business until it this amendment was effective. The amendment was approved by the Company's stockholders in September 2002 and implemented before year-end.

The Company has now signed consulting agreements with private companies that wish to utilize the Company's services and recorded revenue therefrom. Accordingly, the Company has generated revenue in both the first and second quarters of 2003 and expects to make distributions in 2003 to its stockholders based on the performance of some or all of these agreements and possibly others.

The Company does not underwrite its clients' securities, does not make markets in securities, does not provide research, and does not engage in other services typically provided by broker-dealers. Nevertheless, management believes that the Company's program fills an important market need: to provide the know-how and means for private companies to attain public status and to achieve a trading market for their securities in full compliance with securities

regulations through an alternative to a reverse merger. The Company believes it is important that these companies have access to the public markets to enhance, often significantly, their ability to attract capital from funds and other institutional investors now that venture capital firms have sharply curtailed their investment activities.

The Company's program is grounded in full disclosure because client companies file a registration statement with the Securities and Exchange Commission. The Company works closely with legal and accounting professionals of client companies in the preparation of applicable disclosure documents but does not supplant them. The Company believes that full disclosure in the form of a registration statement filed with the Securities and Exchange Commission *before* trading begins is in the spirit of the Securities Act of 1933 as well as the Sarbanes-Oxley Act. With increasing regulatory skepticism and scrutiny of reverse mergers and the promoters of these types of transactions, the Company believes its program will continue to attract an increasing level of interest from companies wishing to take advantage of the benefits of public status.

Item 3. Controls and Procedures

As of the end of the period covered by this report on Form 10-QSB, the Company carried out an evaluation, under the supervision and with the participation of the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information required to be included in the Company's reports filed or submitted under the Securities Exchange Act of 1934.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Change in Securities.

None

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

Certification under Sarbanes-Oxley Act

. Our chairman and general counsel as well as our president and acting chief financial officer have furnished to the SEC the certification with respect to this Report that is required by Section 906 of the Sarbanes-Oxley Act of 2002.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

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The following exhibits are filed as part of or incorporated by reference into this Report:

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Company(2)
3.2	Articles of Merger between the Company and Cytation Corporation, dated February 11, 1999(1)
3.3	Articles of Merger between CollegeLink.com Incorporated and ECI, Inc., dated August 10, 1999(2)
3.4	Certificate of Merger of CollegeLink.com Incorporated and ECI, Inc., dated August 10, 1999(2)
3.5	Certificate of Ownership and Merger between the Company and CollegeLink.com Incorporated, dated November 15, 1999(2)
3.6	By-Laws of the Company(2)
4.1	Please see Exhibits 3.1 and 3.6 for provisions of the Amended and Restated Certificate of Incorporation and By-Laws of the Company defining the rights of holders of the common stock of the Company
10.1	Employment Agreement, dated October 15, 2001, between the Company and Richard A. Fisher
10.2	Employment Agreement, dated October 15, 2001, between the Company and Kevin High
10.3	Letter from Richard A. Fisher dated February 20, 2003 terminating his employment agreement with the Company effective December 31, 2002
10.4	Letter from Kevin J. High dated February 20, 2003 terminating his employment agreement with the Company effective December 31, 2002
10.5	Agreement between the Company and Solomon Technologies, Inc. dated as of May 16, 2003(3)
24.1	Power of Attorney (contained on the signature page of this Form 10-QSB)
31	Section 302 Certifications (3)
32	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)

(1) Incorporated by reference from the Company's Form 8-K, Current Report, filed March 18, 1999, and later amended on April 2, 1999.

(2) Filed as Exhibit to the Company's Registration Statement No. 333-85079 on Form SB-2 and incorporated herein by reference.

(3) Filed herewith.

(b) Reports on Form 8-K

None

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SIGNATURE

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

CYTATION CORPORATION

By: /s/ Kevin J. High
Name: Kevin J. High
Title: President and Chief Financial Officer
Date: August 11, 2003