

Graystone Co
Form 10-Q
May 15, 2013

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

FORM 10-Q

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

For the quarterly period ended MARCH 31, 2013

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: 000-54254

The Graystone Company, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

27-3051592
(I.R.S. Employer Identification No.)

2620 Regatta Drive, Ste 102, Las Vegas, NV
(Address of principal executive offices)

89128
(Zip Code)

(702) 438-4100
(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 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 ☒ No ☐

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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 ☐
Smaller reporting company ☒

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding as of April 30, 2012
Class A Common stock, par value \$0.0001 per share	549,255,774
Class B Common stock, par value \$0.001 per share	5,000,000

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THE GRAYSTONE COMPANY, INC.

FORM 10-Q
March 31, 2013

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ITEM 1. FINANCIAL STATEMENTS

THE GRAYSTONE COMPANY, INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$17,061	\$14,922
Prepaid expense	-	50,000
Loan to joint venture	28,099	-
Total current assets	45,160	64,922
Plant, property & equipment (net of depreciation)	60,173	70,841
Total assets	\$105,333	\$135,763
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable	\$19,434	\$10,487
Accrued expenses	9,660	8,604
Accrued expenses - related party	117,149	78,399
Convertible notes payable (net of discount)	143,500	136,373
Notes Payable	376,950	244,950
Notes Payable (related party)	113,033	82,908
Derivative liability	-	19,807
Total liabilities	779,726	581,528
Stockholders' (deficit) equity		
Class A Common stock, \$.0001 par value; 5,000,000,000 shares authorized, 522,717,312 and 345,777,234 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively.	52,272	34,578
Class B Common stock, \$.001 par value; 5,000,000 shares authorized, 5,000,000 and 1,400,000 shares issued and outstanding as of December 31, 2011 and December 31, 2010, respectively.	5,000	5,000
Additional paid-in capital	5,993,073	5,471,670
Accumulated deficits	(6,724,738)	(5,957,013)
Total stockholders' (deficit) equity	(674,393)	(445,765)
Total liabilities and stockholders' (deficit) equity	\$105,333	\$135,763

See accompanying notes to unaudited condensed consolidated financial statements

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THE GRAYSTONE COMPANY, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Sales, net	\$26,649	\$15,101
Cost of goods sold	129,463	5,340
Gross profit (loss)	\$(102,814)	\$9,761
Operating Expenses		
General and administrative	408,509	36,242
Legal and professional	199,712	320,174
Depreciation and amortization	10,668	629
Research and development	-	34,039
Total operating expenses	618,888	391,084
Loss from operations	(721,702)	(381,323)
Other income (expense)		
Interest income	-	8
Interest expense	(69,956)	(20,540)
Gain/Loss on derivatives	23,933	-
Total other income (expense)	(46,023)	(20,532)
Loss before income taxes	(767,725)	(401,855)
Provision for income taxes	-	-
Net loss	\$(767,725)	\$(401,855)
Net loss per share of common stock:		
Basic	\$(0.00)	\$(0.00)
Weighted average number of shares outstanding	413,626,841	190,466,056

See accompanying notes to unaudited condensed consolidated financial statements

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THE GRAYSTONE COMPANY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ending March 31,	
	2013	2012
Cash flows from operating activities		
Net Income(loss)	\$(767,725)	\$(401,855)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation on plant, property & equipment	10,668	629
Amortizations on intangible assets	-	250
Gain on derivative liability	(23,933)	-
Issuance of common stock for services	402,950	184,800
Amortization of debt discount	65,000	20,540
Changes in operating assets and liabilities:		
Accounts receivable	-	4,446
Prepaid expenses	50,000	-
Loan to joint venture	(28,099)	-
Accounts payable	8,947	2,334
Accrued expenses	4,956	(310)
Net cash used by operating activities	(277,236)	(189,166)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	-	181,000
Proceeds from notes payable	210,500	12,392
Proceeds from notes payable - related party	138,038	-
Repayment on notes payable	-	(782)
Repayment from notes payable - related party	(69,163)	-
Net cash provided by financing activities	279,375	192,610
Net change in cash and cash equivalent	2,139	3,444
Cash and cash equivalent at the beginning of year	14,922	793
Cash and cash equivalent at the end of year	\$17,061	\$4,237
	-	
Supplemental disclosures of cash flow Information:		
Cash paid during the period for:		
Interest	\$-	\$-
Income taxes	\$-	\$2,208
Supplemental non-cash investing and financing activities:		
Issuance of common stock for conversion of debt and accrued interest	86,400	-
Debt discount on notes payable due to derivative liabilities	65,000	-
Reclassification of derivative liabilities to additional paid-in capital due to conversion of related notes payable	49,947	-

See accompanying notes to unaudited condensed consolidated financial statements

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THE GRAYSTONE COMPANY, INC.
CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited financial statements of The Graystone Company, Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's registration statement filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2012 as reported in Form 10-K, have been omitted.

Note 2 – Going Concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has negative working capital, recurring losses, and does not have an established source of revenues sufficient to cover its operating costs. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading, or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

In the coming year, the Company's foreseeable cash requirements will relate to continual development of the operations of its business, maintaining its good standing and making the requisite filings with the Securities and Exchange Commission, and the payment of expenses associated with operations and business developments. The Company may experience a cash shortfall and be required to raise additional capital.

Historically, it has mostly relied upon internally generated funds such as shareholder loans and advances to finance its operations and growth. Management may raise additional capital by retaining net earnings or through future public or private offerings of the Company's stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company's failure to do so could have a material and adverse affect upon it and its shareholders.

Note 3 – Related Party Transaction

On March 8, 2013, the Company issued 31,500,000 of our Class A Common Stock to Renard Properties for services rendered. . The price per shares \$.003 for \$94,500 in bonus payment for achieving pre-determined mining goals. Paul Howarth, our CEO, is the managing member of Renard Properties.

On March 8, 2013, the Company issued 31,500,000 of our Class A Common Stock to Joseph Mezey for services rendered. The price per shares \$.003 for \$94,500 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 5,000,000 of our Class A Common Stock to Joseph Mezey for services rendered. The price per shares \$.0028 for \$14,000 in bonus payment for achieving pre-determined mining goals.

On March 18, 2013, the Company issued 5,000,000 of our Class A Common Stock to Paul Howarth for services rendered. The price per shares \$.0028 for \$14,000 in bonus payment for achieving pre-determined mining goals.

During the 3 Months Ending March 31, 2013, \$46,875 was recorded to related party payables from amounts paid on behalf of the Company by Renard Properties, for accrued salaries and consulting fees. \$35,000 was repaid against these payables resulting in an ending balance of \$77,753. Paul Howarth, our CEO, is the managing member of Renard Properties.

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During the 3 Months Ending March 31, 2013, \$46,875 was recorded to related party payables from amounts paid on behalf of the Company by JW Group, for accrued salaries and consulting fees. \$20,000 was repaid against these payables resulting in an ending balance of \$39,396. Joseph Mezey, our CFO, is the President of JW Group

During the 3 Months Ending March 31, 2013, the Company borrowed \$28,000 in cash from Renard Properties and repaid \$4,700 in cash leaving a balance of \$99,975 owed to Renard Properties. Paul Howarth, our CEO, is the managing member of Renard Properties.

During the 3 Months Ending March 31, 2013, the Company borrowed \$16,288 in cash from JW Group and repaid \$9,463 in cash leaving a balance of \$13,058 owed to JW Group. Joseph Mezey, our CFO, is the President of JW Group. These loans bear no interest and are due in December 2013.

Note 4 – Common Stock and Preferred Stock

During Three Months Ending March 31, 2013, the Company issued the following Class A shares:

- 49,940,082 shares for conversion of notes payable and accrued interest of \$86,400
- 127,000,000 shares for services with a fair value of \$402,950

Note 5 – Notes Payable and Derivative Liabilities

Convertible Notes

Fiscal 2012 Asher Convertible Note. Throughout fiscal 2012, the Company borrowed \$275,000 from Asher Enterprises, Inc. in eight notes. The notes bear simple interest of 8% per annum from the issuance date. The notes become convertible into Class A common stock at 57% of market price 180 days after issuance and mature 270 days after issuance. On the date the notes become convertible, the embedded conversion options are classified as liabilities under ASC 815 at their fair value. During 2013, \$65,000 of these notes became convertible. The fair value of the conversion options exceeded the principal balance resulting in a full discount to the notes payable of \$65,000. The entire amount was amortized the interest expense during the three months ended March 31, 2013.

Fiscal 2013 Asher Convertible Note. In the Three Months Ending March 31, 2013, the Company borrowed \$78,500 from Asher Enterprises, Inc. in one note. The notes bear simple interest of 8% per annum from the issuance date. The notes become convertible into Class A common stock at 57% of market price 180 days after issuance and mature 270 days after issuance. On the date the notes become convertible, the embedded conversion options will be classified as liabilities under ASC 815.

During the Three Months Ending March 31, 2013, the Company issued 49,940,082 Class A Common Shares to Asher in satisfaction of \$82,500 loaned to the Company and \$3,900 of accrued interest. As a result of the conversion of the related notes, the Company re-valued its derivative liabilities on the settlement dates and reclassified these amounts to additional paid-in capital. As of March 31, 2013, the Company owes Asher a remaining total of \$143,500

The following table summarizes the changes in the derivative liabilities during the year ended December 31, 2012:

Ending balance as of December 31, 2012	\$ 19,807
Additions due to new convertible debt issued	118,181
	(49,947)

Reclassification of derivative liabilities to additional
paid-in capital due to conversion of debt

Change in fair value (88,041)

Ending balance as of March 31, 2013 \$-

During the period ended March 31, 2013, the gain on derivatives of \$23,933 in the statement of operations consisted of a gain on the change in fair value of \$88,041 noted above and a loss of \$64,108, which was the amount by which the derivative liabilities exceeded the principal of the related notes payable on the date the notes were issued.

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Notes Payable

During fiscal 2012, the Company borrowed \$132,000 from a third party in eight notes. The notes are all due December 31, 2013, bear interest at 9%, and are unsecured.

Note 6 – Subsequent Events

Subsequent to March 31, 2013, the Company issued 42,205,128 for the conversion of notes payable of \$53,500.

On April 10, 2013 the Company received a note in the amount of \$32,500 from Asher Enterprises, Inc. The note bears a simple interest of 8% per annum from the date hereof (the “Issue Date”) until it becomes due and payable, whether at maturity date on November 13, 2013. The note is convertible into shares of Class A Common Stock, \$0.0001 par value per share. Pursuant to the note, Asher may convert the any outstanding balance and accrued interest into our Class A Common. Asher shall receive a discount of 45% from the average of the three lowest closing bids prices during the ten trading days immediately prior to the conversion date. Asher typically converts its notes 6 months after funding the note which allows them to receive free trading shares under Rule 144.

On May 13, 2013, the Company agreed to issue 15,000,000 shares to SC Capital as part of payment towards its October 22, 2012 note of \$64,500. The company previously issued 15,000,000 on May 9, 2012 for \$15,000 of the \$64,500. The total amount remaining on the note is \$34,500.

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ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed herein are forward-looking statements. Such forward-looking statements contained herein involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy;
- our possible financings; and
- the adequacy of our cash resources and working capital.

These forward-looking statements can generally be identified as such because the context of the statement will include words such as we “believe,” “anticipate,” “expect,” “estimate” or words of similar meaning. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this report, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto, included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this report, particularly in the “Risk Factors” section.

Going Concern

Our financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company’s interests in the underlying properties, and the attainment of profitable operations. The Company has had very little operating history to date. These financial statements do not include any adjustments to the recoverability

and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Overview

During the Three Months Ending March 31, 2013, we generated sales of \$26,649 and incurred a net loss of \$767,725. We have received no substantial revenue (\$26,649 from the production of gold or other metals, and historically relied on our other divisions and equity and debt financings to finance our ongoing operations. Our operations generated a net loss of \$6,033,737 from inception (March 27, 2010) through the Three Months Ending March 31, 2013. In order to fund operations, we relied on proceeds received under the private placement sale in secured convertible debentures from Asher Enterprises, loans payable from SC Capital and proceeds received from notes payable from our shareholders.

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Results of Operations

For the three months ending March 31, 2013 and 2012 respectively, the Company generated the following revenue:

	Three Months Ending March 31,	
	2013	2012
Sales, net	\$ 26,649	\$ 15,101
Cost of Goods Sold	129,463	