

TOMBSTONE TECHNOLOGIES, INC.  
Form 10-Q  
November 15, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 10Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

OF 1934 For the quarterly period ended September 30, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from

Commission file number: 000-53515

TOMBSTONE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Colorado	333-138184	51-0541963
(State or other	(Commission	(IRS Employer
jurisdiction of	File Number)	Identification
Incorporation)		Number)

10001 Woodloch Forest Drive, Suite 325, The Woodlands, TX 77380

(Address of Principal Executive Offices) (Zip Code)

281-825-5000

Registrant's telephone number, including area code

5830 Highlands Drive, Longmont, CO 80503

(Former address, 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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the 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

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 for Regulation S-T (ss.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

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

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 share outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 15, 2010, there were 33,878,000 shares of the registrant's common stock issued and outstanding.

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## PART I

## ITEM 1. FINANCIAL STATEMENTS:

TOMBSTONE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONDENSED BALANCE SHEETS

September 30,  
2010  
(Unaudited)

December 31,  
2009  
(Audited)

## ASSETS

## Current assets:

Cash and cash equivalents	\$ 1,176	\$ 7,439
Accounts receivables	-	-
Prepaid expenses	-	-
Other	-	-
<b>Total current assets</b>	<b>1,176</b>	<b>7,439</b>
Property, plant and equipment, net oaccumulated	-	5,679
Intangible assets, net	-	92,647
Other	-	-
<b>Total assets</b>	<b>\$ 1,176</b>	<b>\$ 105,765</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

## Current liabilities:

Accounts payable	\$ 10,507	\$ 7,234
Other current liabilities	49,965	-
Convertible promissory note	-	100,000
Discount on convertible promissory note	-	(1,667 )
Current portion of capital lease obligation	-	1,925
<b>Total current liabilities</b>	<b>60,472</b>	<b>107,492</b>

## Long term debt

net of current portion	-	-
<b>Total liabilities</b>	<b>60,472</b>	<b>107,492</b>

## Commitments and contingencies

## Shareholders' equity (deficit)

Preferred stock, 1,000,000 shares authorized		
Class A Convertible Preferred, 125,000 shares designated	-	-
Class B Convertible Preferred, 125,000 shares designated	-	-
Common stock, no par value, 100,000,000 shares authorized, 4,878,000 and 3,878,000 shares issued and outstanding, Respectively	   1,055,775	   955,775

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Additional paid in capital	253,275	253,275
Accumulated deficit	(909,499 )	(909,499 )
Loss accumulated during the development stage	(458,847 ))	(301,278 )
Total shareholders' equity (deficit)	(59,296 )	(1,727 )
Total liabilities and shareholders' equity (deficit)	\$ 1,176	\$ 105,765

The accompanying notes are an integral part of these consolidated financial statements.

TOMBSTONE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONDENSED STATEMENT OF OPERATIONS (UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended September 30,		January 1, 2009 (Inception of Development Stage through September 30, Stage) through 2010
	2010	2009	2010	2009	
Sales	\$ -	\$ 792	\$ -	\$ 792	\$ 1,508
Cost of sales	-	201	-	201	1,120
Gross profit	-	591	-	591	388
Selling, general and administrative Expenses	89,024	157,413	26,072	29,198	(286,678 )
Loss from operations	(89,024 )	(156,822 )	(26,072 )	(28,607 )	(286,290 )
Other income (expense):					
Interest Income	-	5	-	-	5
Interest expense					
Beneficial conversion feature	(1,667 )	(67,500 )	-	(47,917 )	(100,000 )
Other	(523 )	(2,987 )	(193 )	(1,946 )	(5,722 )
Loss from asset valuation	(66,356 )	(484 )	(66,356 )	(484 )	(66,840 )
Total other income (expense)	(68,546 )	(70,966 )	(66,549 )	(50,347 )	(172,557 )
Loss before income taxes	(157,570 )	(227,788 )	(92,621 )	(78,954 )	(458,847 )
Income tax provision	-	-	-	-	-
Net loss	\$ (157,570 )	\$ (227,788 )	\$ (92,621 )	\$ (78,954 )	\$ (458,847 )
Loss per common share	\$ (0.03 )	\$ (0.07 )	\$ (0.02 )	\$ (0.02 )	
Weighted average common shares outstanding	4,823,055	3,427,171	4,878,000	3,878,000	

The accompanying notes are an integral part of these consolidated financial statements.



TOMBSTONE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,		January 1, 2009 (Inception of Development Stage) through September 30, 2010
	2010	2009	
<b>Cash flows from operating activities</b>			
Net loss	\$ (157,570)	\$ (227,788)	\$ (458,847)
Adjustments to reconcile net income to net cash flow from operating activities:			
Depreciation and amortization	31,970	19,247	62,412
Loss from asset valuation	66,356	-	66,840
Beneficial conversion feature	1,667	67,680	100,000
Stock based compensation	-	69,460	78,983
Changes in operating assets and liabilities:			
Accounts receivable	-	(409 )	303
Prepays and other	-	1,854	1,854
Accounts payable	3,273	1,333	9,554
Other current liabilities	49,965	-	47,211
Net cash used in operating activities	(4,339 )	(68,623 )	(91,690 )
<b>Cash flows from investing activities</b>			
Purchases of software	-	(14,553 )	(14,776 )
Net cash used in investing activities	-	(14,553 )	(14,776 )
<b>Cash flows from financing activities</b>			
Proceeds from convertible notes payable	-	100,000	100,000
Payments on capital leases	(1,925 )	(1,709 )	(4,240 )
Net cash provided (used) by financing activities	(1,925 )	98,291	95,760
Increase (decrease) in cash and cash equivalents	(6,264 )	15,115	(10,706 )
Cash and cash equivalents, beginning of period	7,440	11,882	11,882
Cash and cash equivalents, end of period	\$ 1,176	\$ 26,997	\$ 1,176



Supplemental disclosure of cash flow  
information:

Interest paid	\$ -	\$ 2,720	\$ 5,415
Common stock issued for software	\$ -	\$ 42,870	\$ 42,870
Common stock issued as compensation	\$ -	\$ -	\$ 36,000
Common stock issued to retire convertible note	\$ 100,000	\$ -	\$ 100,000

The accompanying notes are an integral part of these consolidated financial statements.

TOMBSTONE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to Condensed Financial Statements (Unaudited)  
September 30, 2010

Note 1: Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Regulation S-K. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2010, the results of operations for the nine months and three months ended September 30, 2010, and cash flows for the nine months ended September 30, 2010. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2009. There have been no updates or changes to our audited financial statements for the year ended December 31, 2009. The results of operations for the nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year.

Going Concern

The Company's financial statements for the nine months ended September 30, 2010 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company reported an accumulated deficit of \$1,368,347 as of September 30, 2010. The Company recognized losses of \$157,570 from its operational activities during the nine months ended September 30, 2010. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Recent Accounting Pronouncements

There were various accounting standards and interpretations issued during the nine months ended 2010, none of which are expected to have a material impact on the Company's financial position, operations or cash flows.

Note 2: Convertible Promissory Notes

During 2009, the Company issued Convertible Promissory Notes payable to unrelated third parties totaling \$100,000 with interest accruing at 8% per annum (paid quarterly) maturing twelve months from date of issuance. The notes were immediately convertible to restricted shares of common stock at \$0.10 per share. A beneficial conversion feature (difference between conversion price and the quoted stock price on the date of commitment) embedded in the convertible promissory notes was measured at \$100,000 and recorded as a debt discount on the transaction date. As of December 31, 2009, \$98,333 of the discount was amortized to interest expense, leaving an unamortized discount of \$1,667 in the accompanying financial statements for the year ended December 31, 2009.

On January 15, 2010, all of the holders of the outstanding Convertible Promissory Notes converted these instruments, resulting in the issuance of 1,000,000 shares of Company's common stock.

Note 3: Shareholders' Equity

Common Stock

In January 2010, all of the holders of the outstanding Convertible Promissory Notes totaling \$100,000 converted these instruments into the Company's common stock (see Note 2 above).

We are authorized to issue up to 100,000,000 shares of no par value common stock.

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## Preferred Stock

We are authorized to issue up to 1,000,000 shares of preferred stock. As a result of this transaction discussed in Note 5 below, Tombstone created two classes of Preferred Stock securities, the Class A Convertible Preferred Stock (Class A) and Class B Convertible Preferred Stock (Class B).

## Stock Options

Pursuant to our Employee/Consultant Stock Option Plan, stock options generally are granted with an exercise price equal to the market price of our common stock at the date of grant. Substantially all of the options granted to employees and consultants are exercisable pursuant to an immediate vesting schedule with a maximum contractual term of 5 years. The risk-free interest rate for periods within the expected life of the option is based on the U.S. Treasury bond rate in effect at the time of grant. We do not pay dividends and do not expect to do so in the future. Expected volatilities are based on the historical volatilities of appropriate industry sector index. The expected term of the options granted during 2009 is approximately 3 years calculated using the simplified method.

We use historical volatility of appropriate industry sector index as we believe it is more reflective of market conditions and a better indicator of volatility. We use the simplified calculation of expected life. If we determined that another method used to estimate expected volatility was more reasonable than our current methods, or if another method for calculating these input assumptions was prescribed by authoritative guidance, the fair value calculated for share-based awards could change significantly. Higher volatility and longer expected lives result in an increase to share-based compensation determined at the date of grant.

No additional stock options have been issued during 2010.

## Note 4: Income Taxes

The Company incurred net operating losses during the periods shown on the condensed financial statements resulting in a deferred tax asset, which was reserved; therefore the net benefit and expense resulted in \$-0- income taxes.

## Note 5: Subsequent Event

On October 29, 2010, the Company entered into a Merger Agreement (the "Agreement") and acquired substantially all the issued and outstanding stock of Hunt Global Resources, Inc. ("Hunt") in exchange for the issuance of Tombstone shares as follows:

- 29,000,000 shares of restricted Common Stock of Tombstone to the holders of Hunt Common Stock and Hunt Preferred Stock;
- 125,000 shares of a series of Class A Convertible Preferred Stock of Tombstone to certain holders of Hunt Common Stock (having a conversion ratio of one share of Preferred Stock to 208 shares of Common Stock of Tombstone);
- 125,000 shares of a series of Class B Convertible Preferred Stock of Tombstone to the "Controlling Stockholders" of Hunt Common Stock (having a conversion ratio of one share of Preferred Stock for 248 shares of Common Stock of Tombstone and having a quarterly dividend of \$0.56 per share); and
- A reserve for issuance of an additional 10,265,999 additional shares of Tombstone Common Stock for the exercise of Tombstone stock options for 1,689,999 shares of Tombstone Common Stock that have been extended for two years and the exercise of Hunt warrants for 8,576,000 shares of Hunt Common Stock.



Upon completion of the acquisition, the existing Hunt stockholders will own approximately 94.6% of the issued and outstanding stock of Tombstone on a fully diluted as-converted basis. As a result, Hunt stockholders and management will own a controlling interest in the combined company. Consequently, for accounting purposes, the transaction will be accounted for as a reverse acquisition, with Hunt as the acquirer. Subsequent to the consummation of the transaction, the historical financial statements of Hunt will become the historical financial statements of the combined company and the assets and liabilities of Tombstone will be accounted for as required under the purchase method of accounting. The results of operations of Tombstone will be included in the consolidated financial statements from the closing date of acquisition.

The purchase price is assumed to be equal to Tombstone book value since Tombstone had limited assets and operations, and no goodwill is recorded on the transaction. The amount ascribed to the shares issued to the Hunt members represents the net book value of Tombstone at the date of closing.

The accompanying proforma condensed consolidated financial statements are unaudited and illustrate the effect of Tombstone's reverse acquisition ("Pro Forma") of Hunt. The proforma condensed consolidated balance sheet as of September 30, 2010 is based on the historical balance sheets of Hunt and Tombstone as of those dates and assumes the acquisition took place on each of those respective dates. The pro forma condensed consolidated statements of operations for the nine months ended September 30, 2010 are based on the historical statements of operations of Hunt and Tombstone for those periods. The proforma condensed consolidated statements of operations assume the acquisition took place on January 1, 2010.

The proforma condensed consolidated financial statements may not be indicative of the actual results of the acquisition. In particular, the pro forma condensed consolidated financial statements are based on management's current estimate of the allocation of the purchase price, the actual allocation of which may differ.

The accompanying proforma condensed consolidated financial statements should be read in connection with the historical financial statements of Hunt and Tombstone, including the related notes, and other financial information included in the Form 8-K filing made on November 5, 2010.

TOMBSTONE TECHNOLOGIES, INC.  
PROFORMA CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)  
AS OF SEPTEMBER 30, 2010

	Tombstone	Hunt	Pro Forma Adjustments		Pro Forma
			Debit	Credit	
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 1,176	\$ 58,589	\$ -	\$ -	\$ 59,765
Accounts receivable	-	37,000			37,000
Related party receivables	-	338,844			338,844
Prepaid royalties to related parties	-	519,560			519,560
Intercompany receivables	-	49,965		49,965 [4]	-
Prepaid rent and other	-	4,702			4,702
<b>Total current assets</b>	<b>1,176</b>	<b>1,008,660</b>			<b>959,871</b>
Property and equipment, net					
Investments	-	944,634		2,620	944,634
Surface mining rights and royalty agreement	-	35,000			35,000
Other assets	-	3,696,177			3,696,177
<b>Total assets</b>	<b>\$ 1,176</b>	<b>\$ 5,701,655</b>	<b>\$ -</b>	<b>\$ 49,965</b>	<b>\$ 5,652,866</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>					
Current liabilities					
Accounts payable	\$ 10,507	\$ 507,240	\$ -		\$ 517,747
Indebtedness to acquisition candidate	49,965	-	49,965 [4]		