

SITSEARCH CORP
Form 10-Q
March 12, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: January 31, 2010

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: 333-100137

SITSEARCH CORPORATION
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation
or organization)

20-5422795
(I.R.S. Employer Identification No.)

2850 W. Horizon Ridge Parkway, Ste 200
Henderson, NV
(Address of principal executive offices)

89052
(Zip Code)

(702) 799-9540
(Issuer's telephone number)

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 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

Edgar Filing: SITESEARCH CORP - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,089,677 as of February 28, 2010.

SITESEARCH CORPORATION

Table of Contents

	Page
PART I – FINANCIAL INFORMATION	1
Item 1. Unaudited Financial Statements:	2
Consolidated Balance Sheets	2
Consolidated Statement of Operations and Comprehensive Loss	3
Consolidated Statements of Cash Flows	4
Notes to Unaudited Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7
Item 4. Controls and Procedures	8
PART II – OTHER INFORMATION	9
Item 1. Legal Proceedings.	9
Item 1A. Risk Factors	9
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	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
Item 6. Exhibits	9
SIGNATURES	10

PART I – FINANCIAL INFORMATION

Forward-Looking Information

The statements contained in this Quarterly Report on Form 10-Q that are not historical fact are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are based on current expectations that involve a number of risks and uncertainties. These statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “intend,” “plan,” “could,” “is likely,” or “anticipates,” or the negative thereof or other thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The Company wishes to caution the reader that these forward-looking statements that are not historical facts are only predictions. No assurances can be given that the future results indicated, whether expressed or implied, will be achieved. While sometimes presented with numerical specificity, these projections and other forward-looking statements are based upon a variety of assumptions relating to the business of the Company, which, although considered reasonable by the Company, may not be realized. Because of the number and range of assumptions underlying the Company’s projections and forward-looking statements, many of which are subject to significant uncertainties and contingencies that are beyond the reasonable control of the Company, some of the assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to the date of this report. These forward-looking statements are based on current expectations and the Company assumes no obligation to update this information. Therefore, the actual experience of the Company and the results achieved during the period covered by any particular projections or forward-looking statements may differ substantially from those projected. Consequently, the inclusion of projections and other forward-looking statements should not be regarded as a representation by the Company or any other person that these estimates and projections will be realized, and actual results may vary materially. There can be no assurance that any of these expectations will be realized or that any of the forward-looking statements contained herein will prove to be accurate.

Item 1. Financial Statements.

SITESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	January 31, 2010	July 31, 2009
ASSETS		
Cash and cash equivalents	\$ 159,463	\$ 257,853
Other current assets	26,267	28,699
		-
Total current assets	185,730	286,552
Fixed assets (net of accumulated depreciation of \$27,975 and \$22,127)	24,844	31,311
Deposits and other assets	12,664	13,430
TOTAL ASSETS	\$ 223,238	\$ 331,293
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 48,308	\$ 66,408
Accrued interest - related party	3,266	-
Short term notes payable - related party	250,000	-
Total current liabilities	301,574	66,408
Total liabilities	301,574	66,408
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$0.001 par value; 55,000,000 shares authorized; 8,089,677 shares issued and outstanding	8,090	8,090
Additional paid-in capital	2,657,172	2,653,991
Accumulated other comprehensive loss	(12,219)	(16,621)
Accumulated deficit	(2,731,379)	(2,380,575)
Total stockholders' equity (deficit)	(78,336)	264,885
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 223,238	\$ 331,293

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

SITESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2010 AND JANUARY 31, 2009
AND AUGUST 21, 2006 (INCEPTION) TO JANUARY 31, 2010
(Unaudited)

	Three months ended January 31,		Six months ended January 31,		August 21, 2006 (Inception) to January 31, 2010
	2010	2009	2010	2009	2010
REVENUES	\$-	\$-	\$-	\$-	\$222
OPERATING EXPENSES					
Selling, general and administrative	195,630	346,221	339,120	632,225	2,705,364
Depreciation	3,423	2,699	6,710	5,460	30,671
Total costs and expenses	199,053	348,920	345,830	637,685	2,736,035
OPERATING LOSS	(199,053)	(348,920)	(345,830)	(637,685)	(2,735,813)
OTHER INCOME (EXPENSE)					
Other income	(10,245)	-	358	-	1,658
Interest income (expense)	(5,113)	(205)	(5,332)	(234)	2,776
Total other (expenses)	(15,358)	(205)	(4,974)	(234)	4,434
NET LOSS BEFORE					
PROVISION FOR INCOME TAXES	(214,411)	(349,125)	(350,804)	(637,919)	(2,731,379)
Provision for income taxes	-	-	-	-	-
NET LOSS	(214,411)	(349,125)	(350,804)	(637,919)	(2,731,379)
Foreign currency translation adjustments	9,385	(10,278)	4,402	(23,469)	(12,219)
Comprehensive loss	\$(205,026)	\$(359,403)	\$(346,402)	\$(661,388)	\$(2,743,598)
NET LOSS PER COMMON SHARE -					
BASIC & DILUTED	\$(0.03)	\$(0.04)	\$(0.04)	\$(0.08)	
WEIGHTED AVERAGE COMMON					
SHARES OUTSTANDING					
BASIC & DILUTED	8,089,677	8,049,677	8,089,677	8,008,807	

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

SITESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 2010 AND JANUARY 31, 2009
AND AUGUST 21, 2006 (INCEPTION) TO JANUARY 31, 2010
(Unaudited)

	Six months ended January 31,		August 21, 2006 (Inception) to January 31, 2009
	2010	2009	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$(350,804)	\$(637,919)	\$(2,731,379)
Adjustments to reconcile net loss to net cash used in operating activities			
Shares and warrants issued to consultants and employees	-	31,810	403,287
Depreciation	6,710	5,460	30,671
Stock option expense	3,181	15,620	55,221
Changes in assets and liabilities:			
Deposits	766	4,473	(12,382)
Accounts payable and accrued expenses	(18,101)	2,389	54,683
Accrued interest - related party	3,266	-	3,266
Other assets	2,189	1,082	(30,955)
Net cash used in operating activities	(352,792)	(577,085)	(2,227,588)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets	-	(3,446)	(47,733)
Net cash used in investing activities	-	(3,446)	(47,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock and warrants	-	230,000	2,172,749
Proceeds from issuance of short term notes payable - related party	250,000	-	250,000
Proceeds from contributed capital	-	-	24,254
Net cash provided by financing activities	250,000	230,000	2,447,003
Effect of exchange rate changes on cash and cash equivalents	4,402	(20,053)	(12,219)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(98,390)	(370,584)	159,463
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	257,853	1,025,558	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 159,463	\$ 654,974	\$ 159,463
SUPPLEMENTAL SCHEDULE OF CASH PAID FOR:			
Interest	\$-	\$-	\$-
Income taxes	\$-	\$-	\$-
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:			
Receipt of fixed assets as contributed capital	\$-	\$-	\$9,750

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

4

SITSESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 – BACKGROUND AND BASIS OF PRESENTATION

Sitesearch Corporation (“Sitesearch”) is a Nevada Corporation founded on August 21, 2006 with a focus on helping users find the most useful information and websites on the internet. Through the editorial process, Sitesearch encourages its users to identify the best websites as they relate to popular informational topics. Revenues are generated through online advertisements and agreements with third-parties on a “per-click” basis. The website was placed online during April of 2007. Sitesearch is headquartered in Henderson, Nevada, with a branch office in Phoenix, Arizona and technical operations in Sonora, Mexico.

Development Stage Company

The Company is considered to be in the development stage as defined in Statement of ASC 915-15 “Accounting and Reporting by Development Stage Enterprises”. The Company has devoted substantially all of its efforts to business planning and development. Additionally, the Company has allocated a substantial portion of its time and investment to bringing its product to the market, and to raising capital.

Certain prior year amounts have been reclassified to conform with the current year presentation.

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flows.

NOTE 2 - GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming Sitesearch will continue as a going concern. Sitesearch has not received substantial revenue, and has incurred losses from continuing operations and operational cash outflows since inception. All losses accumulated since the inception of business have been considered part of development stage activities.

SiteSearch’s ability to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance, as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control. If SiteSearch fails to generate sufficient cash from operations, it will need to raise additional equity or borrow additional funds to achieve its objectives. There can be no assurance that SiteSearch will generate sufficient revenues or that equity or borrowings will be available or, if available, will be at rates or prices acceptable to SiteSearch. These conditions raise substantial doubt about SiteSearch’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 – SHORT-TERM DEBT-RELATED PARTY

On December 8, 2009, the Company entered into an unsecured promissory note agreement with Inter123 Corporation, a Nevada Corporation controlled by Sitesearch CEO Jeffrey Peterson. Pursuant to the agreement, Inter123 loaned \$100,000 to Sitesearch, with principal and interest payable on December 8, 2010. The note carries an annual interest rate of 9%. Interest expense and accrued interest of \$1,300 has been recognized in the current period relative to this

loan.

On December 8, 2009, the Company also entered into an unsecured promissory note agreement with Ms. Rocio Grijalva, an employee of SiteSearch. Pursuant to the agreement, Ms. Grijalva loaned \$150,000 to SiteSearch, with principal and interest payable December 8, 2010. The note carries an annual interest rate of 9%. Interest expense and accrued interest of \$1,960 has been recognized in the current period relative to this loan.

5

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

The following discussion and analysis provides information that management believes is relevant for an assessment and understanding of our results of operations and financial condition. The following selected financial information is derived from our historical financial statements and should be read in conjunction with such financial statements and notes thereto set forth elsewhere herein and the "Forward-Looking Statements" explanation included herein. This information should also be read in conjunction with our audited historical consolidated financial statements which are included in our Form S-1 filed with the Securities and Exchange Commission on November 4, 2008.

Overview

We have launched and continue to develop a proprietary online community that combines various emerging Internet business models: Social bookmarking, social networking, original user generated content, and other services, all under our SiteSearch brand. SiteSearch users organize, share, and rank web links, interact with each other through online social networking and are able to create, post, and collaboratively edit online data and documents. Since our users are able to discover, dynamically organize and rank content using non-standard methods and technologies, we offer an alternative to standard search engines for organizing online information.

We were incorporated in August 2006 as a Nevada corporation. We are headquartered in Henderson, Nevada, with a branch office in Phoenix, Arizona and technical operations in Sonora, Mexico.

Results of Operations

General and Administrative

	General and Administrative Expenses			
	2010	2009	Change	Percent
Three Months Ended January 31,	\$ 195,630	\$ 346,221	\$ (150,591)	(43)%
Six Months Ended January 31,	\$ 339,120	\$ 632,225	\$ (293,105)	(46)%

Our general and administrative expenses decreased to \$195,630 for the three months ended January 31, 2010 as compared to \$346,221 for the three months ended January 31, 2009. This decrease is mainly attributable to professional service fees, including legal and accounting, which decreased to approximately \$26,000 as compared to approximately \$161,000 for the three months ended January 31, 2010 and 2009, respectively. These expenses were incurred in the process of becoming listed on the Over the Counter Bulletin Board. Travel expenses also decreased to \$2,200 for the three months ended January 31, 2010 as compared to approximately \$21,000 for the three months ended January 31, 2009.

Our general and administrative expenses decreased to \$339,120 for the six months ended January 31, 2010 as compared to \$632,225 for the six months ended January 31, 2009. This decrease is mainly attributable to professional service fees, including legal and accounting, which decreased to approximately \$47,000 as compared to approximately \$242,500 for the six months ended January 31, 2010 and 2009, respectively. These expenses were incurred in the process of becoming listed on the Over the Counter Bulletin Board. Employee related expenses also decreased to \$207,000 for the six months ended January 31, 2010 as compared to \$260,000 for the six months ended January 31, 2009. Travel expenses also decreased to \$2,200 for the six months ended January 31, 2010 as compared to \$21,000 for the six months ended January 31, 2009.

Net Loss

	Net Loss			
	2010	2009	Change	Percent
Three Months Ended				
January 31,	\$ (214,411)	\$ (349,125)	\$ 134,714	(39)%
Six Months Ended				
January 31,	\$ (350,804)	\$ (637,919)	\$ 287,115	(45)%

Our net loss decreased for the three and six months ended January 31, 2010 as compared to the three and six months ended January 31, 2009, primarily due to the increase in operating expenses which is discussed above.

Liquidity and Capital Resources

At January 31, 2010, we had negative working capital of \$115,844, comprised of \$185,730 of current assets and \$301,574 of current liabilities. We expect our working capital balance to fluctuate significantly as we develop our business.

All of our capital resources to date have been provided exclusively through the sale of equity securities and issuance of short term debt. From our inception through January 31, 2010, we received cash proceeds of \$2,172,749 from the sale of our common stock.

We expect to need additional funding to achieve our business development goals. Our ability to continue as a going concern is contingent upon our ability to obtain capital through the sale of equity or issuance of debt, and ultimately attaining profitable operations. There is no assurance that we will be able to successfully complete these activities.

The report of our registered independent public accountants on our financial statements at July 31, 2009 contains a qualification about our ability to continue as a going concern. This qualification is based on our lack of operating history and negative operating cash flows, among other things.

Sources and Uses of Cash

We require cash to fund our technical development activities, to build our operating infrastructure, to pay our personnel and management team and to finance continued growth.

We expect that the cash flows from our financing activities will permit us to finance our existing operating activities for the next twelve months.

Analysis of Cash Flows

Net cash used in operating activities was \$352,792 during the six months ended January 31, 2010. These cash flows consisted of payments for legal, professional and consulting expenses, executive compensation, salaries, rent and other expenditures necessary to develop our business infrastructure. No net cash was used or provided by investing activities for the six months ended January 31, 2010. Net cash provided by financing activities for the six months ended January 31, 2010 consisted of the issuance of short-term notes payables to related parties in the amount \$250,000.

Net cash used in operating activities was \$577,085 during the six months ended January 31, 2009. These cash flows consisted of payments for legal, professional and consulting expenses, executive compensation, salaries, rent and other expenditures necessary to develop our business infrastructure. Net cash used in investing activities was \$3,446

Edgar Filing: SITESEARCH CORP - Form 10-Q

for the six months ended January 31, 2009, consisting of acquisitions of fixed assets. Net cash provided by financing activities was \$230,000 during the six months ended January 31, 2009 consisting of proceeds from the issuance of common stock and warrants.

We do not currently have any off-balance sheet arrangements.

7

Recent Accounting Pronouncements

We do not believe the adoption of any recently issued accounting pronouncements to have a significant impact on our financial position or results of operations.

Inflation and Seasonality

We do not believe that our operations are significantly impacted by inflation. Our business is not seasonal in nature.

Item 4. Controls and Procedures.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q, SiteSearch's management evaluated, with the participation of SiteSearch's principal executive officer and principal financial officer, the effectiveness of the design and operation of SiteSearch's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act). Based on their evaluation of these disclosure controls and procedures, SiteSearch's chief executive officer and chief financial officer have concluded that the disclosure controls and procedures were not effective as of the end of the period covered by this report due to a lack of segregation of duties and an overreliance on consultants in our financial reporting process.

There has been no change in SiteSearch's internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, SiteSearch's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As of the date of this report, SiteSearch Corporation is not currently involved in any legal proceedings.

Item 1A. Risk Factors.

There have been no changes to the risk factors identified in our Form 10-K filed on November 20, 2009 and they are hereby incorporated by reference herein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

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.

Exhibit Number	Description	By Reference from Document
31.1	<u>Certification of Chief Executive Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934</u>	*
31.2	<u>Certification of Chief Financial Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934</u>	*
32.1	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	*
32.2	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	*

* Filed herewith

SIGNATURES

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, thereunto duly authorized.

SITESEARCH CORPORATION
(Registrant)

Signature	Title	Date
/s/ Jeffrey S. Peterson Jeffrey S. Peterson	Chief Executive Officer	March 9, 2010
/s Humberto Garcia Borbon Humberto Garcia Borbon	Chief Financial Officer	March 9, 2010