

Edgar Filing: SOFTSTONE INC - Form 10QSB

SOFTSTONE INC
Form 10QSB
May 20, 2003

U.S. 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 March 31, 2003
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 0-29523

SOFTSTONE INC.
(Exact name of small business issuer as specified in its charter)

Delaware
(State of Incorporation)

73-1564807
(IRS Employer Identification Number)

111 Hilltop Lane, Pottsboro, TX 75076
(Address of principal executive offices)

903-786-9618
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 such filing requirements for the past 90 days. Yes No

As of May 16, 2003, the Company had 7,621,965 shares of its \$.001 par value common stock issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheet March 31, 2003 (Unaudited)	3
Statements of Operations for the Three Month and Nine Month Periods Ended March 31, 2003 and 2002 (Unaudited)	4
Statements of Cash Flows for the Three Month and Nine Month Periods Ended March 31,	

Edgar Filing: SOFTSTONE INC - Form 10QSB

2003 and 2002 (Unaudited)
Notes to Unaudited Financial Statements

5
6

2

SOFTSTONE, INC.
BALANCE SHEET
March 31, 2003
(Unaudited)

ASSETS

CURRENT ASSETS:

Cash & cash equivalents	\$	196
Accounts receivable		30,035

Total current assets		30,231

PROPERTY AND EQUIPMENT, net		310,879

	\$	341,110
		=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable	\$	29,921
Accounts payable-related party		161,682
Accrued expenses		66,656
Loans - current, including \$547,852 to related parties		747,614

Total current liabilities		1,005,873

LONG TERM LIABILITIES

Edgar Filing: SOFTSTONE INC - Form 10QSB

Notes payable, financial institutions	48,554
STOCKHOLDERS' DEFICIT	
Common stock, \$0.001 par value; 30,000,000 shares authorized; 7,041,965 shares issued and outstanding	7,042
Additional paid-in capital	2,232,162
Shares to be issued	41,749
Accumulated deficit	(2,994,270)

Total stockholders' deficit	(713,317)

	\$ 341,110
	=====

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

3

SOFTSTONE, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED MARCH 31, 2003 AND 2002
(Unaudited)

	Three months ended March 31,		Nine months e
	2003	2002	2003
	-----	-----	-----
Revenues	\$ 5,079	\$ 8,624	\$ 95,354
Cost of revenue	38,329	-	92,719
	-----	-----	-----
Gross profit (loss)	(33,250)	8,624	2,635
Operating expenses			
General and administrative	26,205	355,172	111,722
	-----	-----	-----
Operating loss	(59,455)	(346,548)	(109,087)
Other expense			
Interest expense	16,322	12,857	48,920
Loss on sale of assets	5,802	-	26,916
	-----	-----	-----
Total other expense	22,124	12,857	75,835
	-----	-----	-----
Loss before income taxes	(81,579)	(359,405)	(184,922)
Income taxes	-	-	800
	-----	-----	-----
Net loss	\$ (81,579)	\$ (359,405)	\$ (185,722)
	=====	=====	=====

Edgar Filing: SOFTSTONE INC - Form 10QSB

Basic and diluted weighted average number of common stock outstanding	7,041,965 =====	6,348,697 =====	7,041,965 =====
Basic and diluted net loss per share	\$ (0.01) =====	\$ (0.06) =====	\$ (0.03) =====

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

4

SOFTSTONE, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED MARCH 31, 2003 AND 2002
(Unaudited)

	2003 -----	2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (185,722)	\$ (629,684)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	51,466	64,689
Non Cash Compensation	-	306,581
Loss on sale of assets	26,916	-
Increase of accounts receivable	(27,452)	(21,011)
Decrease in other current assets	-	3,355
Decrease of accounts payable	(8,652)	22,354
Increase of license fees payable	-	125,000
Increase of accrued expense	37,049	(10,253)
	-----	-----
Total adjustments	79,327	490,715
	-----	-----
Net cash used in operating activities	(106,396)	(138,969)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	32,576	-
Purchase of exclusive license	-	(125,000)
Purchase of stock	-	(125,000)
Purchase of property and equipment	-	(10,000)
	-----	-----
Net cash provided by (used in) investing activities	32,576	(260,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investments by stockholders	-	89,000
Proceeds from loans	40,100	96,697
Payments of loans	(6,087)	(15,046)
Cash received for shares to be issued	38,750	-
Issuance of common stock pursuant to offering	-	237,020
	-----	-----
Net cash provided by financing activities	72,763	407,671
	-----	-----

Edgar Filing: SOFTSTONE INC - Form 10QSB

Net increase (decrease) in cash & cash equivalents	(1,057)	8,702
CASH & CASH EQUIVALENTS, BEGINNING	1,253	12,673
	-----	-----
CASH & CASH EQUIVALENTS, ENDING	\$ 196	\$ 21,375
	=====	=====
CASH PAID FOR:		
Interest	\$ 14,057	\$ 12,417
	=====	=====
Income taxes	\$ -	\$ -
	=====	=====

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

SOFTSTONE, INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Softstone, Inc. (the "Company"), was formed to manufacture a patented rubber product used in the road and building construction industries. The Company plans to create rubber modules entirely from recycled tires, which can be used in the construction of roads, driveways, decks, and other types of walkways. Its principal activities have consisted of financial planning, establishing sources of production and supply, developing markets, and raising capital. Prior to July 2002, the Company was in the development stage in accordance with Statement of Financial Accounting Standards No. 7. Its principal operations began in the quarter ended September 30, 2002.

On October 7, 1998, SoftStone Building Products, Inc. ("SSBI" - an Oklahoma corporation and predecessor to the Company) was incorporated. Effective May 31, 1999, SSBI was merged into Softstone, Inc. (incorporated January 28, 1999 under the laws of the State of Delaware) and SSBI was subsequently dissolved. Each share of previously outstanding common stock was converted into 2,500 shares of common stock of the new entity and the new capitalization is reflected in the accompanying financial statements as if it had occurred at the beginning of the period presented.

On July 24, 2001, the Company entered into a plan of reorganization involving Kilkenny Acquisition Corp. (Kilkenny) whereby the Company is the survivor and in control of the board of directors. The merger agreement provided for the exchange of 1,158,387 shares of the Company's common stock for all the common stock of Kilkenny. In connection with this merger, on April 4, 2001, certain insider shareholders of the Company contributed 3,947,698 shares of their common stock to the Company effectively reducing the then outstanding shares of stock to 3,685,992. Subsequent issues of common stock for cash and services increased the outstanding stock of the Company to 4,590,646. The issuance of the above mentioned shares of the Company's common stock on the merger date increased the common stock of the Company to 5,669,033 with the Company shareholders, prior to the merger, owning approximately 81% of the outstanding shares of the Company. For accounting purposes, the transaction between the Company and Kilkenny has been treated as a re-capitalization of the Company, with the Company as the accounting acquirer (reverse acquisition), and has been accounted for in a manner similar to a pooling of interests.

Edgar Filing: SOFTSTONE INC - Form 10QSB

Basis of presentation

The accompanying unaudited condensed interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The audited consolidated financial statements for the year ended June 30, 2002 were filed on October 15, 2002 with the Securities and Exchange Commission and are hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the nine-month ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended June 30, 2003.

Segment Reporting

During the periods ended March 31, 2003 and 2002, the Company only operated in one segment. Therefore, segment disclosure has not been presented.

6

SOFTSTONE, INC. NOTES TO UNAUDITED FINANCIAL STATEMENTS

Reclassifications

Certain comparative amounts have been reclassified to conform to the current year's presentation.

2. RECENT PRONOUNCEMENTS

In May 2002, the Board issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS 145"). SFAS 145 rescinds the automatic treatment of gains or losses from extinguishments of debt as extraordinary unless they meet the criteria for extraordinary items as outlined in APB Opinion No. 30, Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and makes various technical corrections to existing pronouncements. The provisions of SFAS 145 related to the rescission of FASB Statement 4 are effective for fiscal years beginning after May 15, 2002, with early adoption encouraged. All other provisions of SFAS 145 are effective for transactions occurring after May 15, 2002, with early adoption encouraged. The adoption of SFAS 145 does not have a material effect on the earnings or financial position of the Company.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3 a liability for an exit cost as defined, was recognized at the date of an entity's commitment to an

Edgar Filing: SOFTSTONE INC - Form 10QSB

exit plan. The adoption of SFAS 146 does not have a material effect on the earnings or financial position of the Company.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." SFAS No. 147 removes the requirement in SFAS No. 72 and Interpretation 9 thereto, to recognize and amortize any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. This statement requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." In addition, this statement amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include certain financial institution-related intangible assets. The adoption of SFAS 147 does not have a material effect on the earnings or financial position of the Company.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of this pronouncement does not have a material effect on the earnings or financial position of the Company.

7

SOFTSTONE, INC. NOTES TO UNAUDITED FINANCIAL STATEMENTS

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used, on reported results. The Statement is effective for the Companies' interim reporting period ending January 31, 2003. The adoption of SFAS 148 does not have a material effect on the earnings or financial position of the Company.

On April 30, the FASB issued FASB Statement No. 149 (FAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities. FAS 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of FASB Statement No. 133 (FAS 133), Accounting for Derivative Instruments and Hedging Activities. FAS 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. FAS 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. The Company does not expect the adoption of SFAS No. 149 to have a material impact on its financial position or results of operations

Edgar Filing: SOFTSTONE INC - Form 10QSB

or cash flows.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2003:

Furniture and computer equipment	\$ 42,198
Production and other equipment	450,063
Vehicles	29,381

	521,642
Less: Accumulated depreciation	(210,763)

	\$ 310,879
	=====

4. NOTES PAYABLE

Notes payable consist of the following at March 31, 2003:

Revolving note payable to bank; interest due 7/5/02, prime + 1%, due on demand	\$ 96,448
Notes payable to stockholder, 8% & 12% interest rates	547,852
Bank term loan; 3.9% interest rate; due on demand. The fair value of the loan at current market rate of 9% would be approximately \$64,000	63,214
8	
Bank term loan; 6.78% interest rate; maturing September 13, 2003.	40,100
Note payable to finance vehicle, 9.5% interest rate, maturing July 15, 2005, collateralized by vehicle	14,739
Refinanced bank term loan; payable on demand or in semiannual payments of \$6,485, including interest at 10.75% (variable); collateralized by equipment, accounts receivable and intangibles and guaranteed by the principal stockholder of the Company, due July 15, 2004	25,331
Note payable to bank, collateralized by tractor, 9%, variable payable in 60 monthly installments beginning	

Edgar Filing: SOFTSTONE INC - Form 10QSB

July 29, 2001	8,484
Payable to stockholder; interest free; due on demand and unsecured	161,682 -----
	957,850
Less: current portion	909,296 -----
Long-term debt	\$ 48,554 =====

The following is a summary of maturities of principal under long-term debt for periods ending March 31:

2004	\$ 25,331
2005	14,250
2006	8,973 -----
	\$ 48,554 =====

The notes payable has been classified in the balance sheet at March 31, 2003 as per follows:

Accounts payable - related party	\$ 161,682
Loans current	747,614 -----
Current liabilities	909,296
Notes Payable	48,554 -----
	\$ 957,850 =====

5. MERGER & ACQUISITION

The Company has agreed to participate in a plan of reorganization involving Kilkenny Acquisition Corp. (Kilkenny) whereby the Company, upon merger, is the survivor and controls the board of directors. To facilitate the merger

and acquire additional capital, the Company is committed to issue certain of the Company stock for all the common stock of Kilkenny. In connection with this merger, on April 4, 2001, certain insider shareholders of the Company contributed 3,947,686 of their common stock to the Company and effectively reduced the then outstanding shares of stock to 3,685,992.

Edgar Filing: SOFTSTONE INC - Form 10QSB

Subsequent issues of common stock for cash and services increased the outstanding stock of the Company to 4,590,646. The issuance of the above mentioned shares of the Company's common stock on the merger date, July 24, 2001, increased the Common stock of the Company to 5,669,033 with the Company shareholders, prior to the merger, owning approximately 81% of the outstanding shares of the merged Company.

In March 2002, the Company entered into a purchase agreement with Lev gum, Ltd. (Levgum) of Tel Aviv, Israel, where the Company received 83 shares with 1.00 par value representing 10% of outstanding capital, for \$250,000. The Company also received the right to use their technology for rubber devulcanization and right to sublicense as part of this purchase agreement. The recorded its investment in Lev gum for \$125,000 and license agreement acquired through acquisition at \$125,000. On June 30, 2002, the Company evaluated its investment and patents rights according to FASB 121 and recognized an impairment loss equal to the book value of these intangible assets.

6. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. Through March 31, 2003, the Company had incurred cumulative losses of \$2,994,270 and negative working capital of \$975,642. The Company's goal to attain profitable operations is dependent upon obtaining financing adequate to fulfill its research and development activities, production of its equipment and achieving a level of revenues adequate to support the Company's cost structure. Management's plan of operations anticipates that the cash requirements for the next twelve months will be met by obtaining capital contributions through the sale of common stock and cash flow from operations. However, there is no assurance that the Company will be able to implement its plan.

10

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

The following discussion and analysis should be read in conjunction with the financial statements and the accompanying notes thereto and is qualified in its entirety by the foregoing and by more detailed financial information appearing elsewhere. See "Item 1. Financial Statements."

Results of Operations - Third Quarter (Q3) of Fiscal Year 2003 Compared to

Third Quarter of Fiscal Year 2002

Edgar Filing: SOFTSTONE INC - Form 10QSB

Softstone had sales of \$5,079 in Q3 2003, as compared with sales of \$8,624 in Q3 2002 (Softstone's fiscal year ends on June 30). Softstone is making significant progress in the areas of brokering specified crumb rubber and sees this area of the business increasing, enabling the company to operate profitably. Furthermore, until Softstone (i) increases its volume of sales of specified crumb rubber or (ii) expands the Lev gum devulcanized technology throughout the Western Hemisphere, it is unable to operate profitably. Accordingly, Softstone is pursuing sales in these areas and has a significant purchase order that it is filling currently.

Our general, selling and administrative expenses - which have been devoted to raising capital, brokering specified crumb rubber, expanding on our rights to the Lev gum Devulcanization Technology and acquiring a public market for our common stock - were \$26,205 in Q3 2003 as compared with \$355,172 in Q3 2002.

We had a loss of \$81,579 in Q3 2003, or \$0.01 a share, as compared with a loss of \$359,405 in Q3 2002, or \$0.06 a share.

Results of Operations - First Nine Months of Fiscal Year 2003 Compared to ----- First Nine Months of Fiscal Year 2002 -----

Softstone had sales of \$95,354 in the first nine months of FY 2003 (March 31, 2003) compared to sales of \$36,120 in the first nine months of FY 2002 (March 31, 2002). Softstone is making significant progress in the areas of brokering specified crumb rubber and sees this area of the business increasing, enabling the company to operate profitably. Furthermore, until Softstone (i) increases its volume of sales of specified crumb rubber or (ii) expands the Lev gum devulcanized technology throughout the Western Hemisphere, it is unable to operate profitably. Accordingly, Softstone is pursuing sales in these areas and has a significant purchase order that it is filling currently.

Our general, selling and administrative expenses - which have been devoted to raising capital, brokering specified crumb rubber, expanding our rights to the Lev gum Devulcanization Technology and acquiring a public market for our common stock - were \$111,722 in the first nine months of FY 2003 as compared with \$630,545 in the first nine months of FY 2002.

We had a net loss of \$185,722, or \$0.03a share, in the first nine months of FY 2003 as compared with a net loss of \$629,684, or \$0.10 a share, in the first nine months of FY 2002.

11

We covered our \$185,722 loss in the first nine months of FY 2003 by loans of \$40,100, an increase of accrued expenses of \$37,049, proceeds of \$32,576 from the sale of assets, and the sale of \$38,750 in stock in private placements. Additionally, some \$51,466 of the loss was attributable to a non-cash line item, depreciation and amortization.

OUTLOOK

The statements made in this Outlook are based on current plans and expectations. These statements are forward looking, and actual results may vary considerably from those that are planned.

We propose to raise additional funds for the purposes of pursuing the marketing of our devulcanized rubber technology that we purchased from Lev gum,

Edgar Filing: SOFTSTONE INC - Form 10QSB

Ltd. for the exclusive rights to the Western Hemisphere, as well as further expanding our brokering of crumb rubber business that was founded in August of 2002.

On April 17, 2002 our common stock was approved for listing on the OTC Bulletin Board. Our stock market symbol is "SOFS".

Item 3. Controls and Procedures

Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in this report is recorded, processed, accumulated and communicated to our management, including our chief executive officer and our chief financial officer, to allow timely decisions regarding the required disclosure. Within the 90 days prior to the filing date of this report, our management, with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of the design and operation of these disclosure controls and procedures. Our chief executive officer and chief financial officer concluded, as of fifteen days prior to the filing date of this report, that these disclosure controls and procedures are effective.

Changes in internal controls. Subsequent to the date of the above evaluation, we made no significant changes in our internal controls or in other factors that could significantly affect these controls, nor did we take any corrective action, as the evaluation revealed no significant deficiencies or material weaknesses.

12

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed, by incorporation by reference, as part of this Form 10-QSB:

- 2 Agreement and Plan of Reorganization of July 24, 2001 between Softstone, Inc. and Kilkenny Acquisition Corp.*
- 3 Certificate of Incorporation of Softstone Inc.*
- 3.1 Bylaws of Softstone, Inc.*
- 10 Lease Agreement of February 1, 2000, between Ardmore Development Authority, as lessor, and Softstone, Inc., as lessee.*
- 10.1 Scrap Tire Disposal Agreement of January 11, 2000, between Michelin North America, Inc., and Softstone, Inc.*
- 10.2 Letter of intent of May 1, 2001, of Little Elm Independent School District regarding the Little Elm Walking Trail.*
- 10.3 Agreement of March 15, 2002 with Lev gum, Inc. concerning exclusive license to Western Hemisphere for Lev gum's

Edgar Filing: SOFTSTONE INC - Form 10QSB

devulcanization technology.

- 99 United States Patent No. 5,714,219.*
- 99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Previously filed with Form 8-K August 8, 2001 Commission File No. 000-29523; incorporated by reference.

(b) Reports on Form 8-K

None.

13

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOFTSTONE INC.

By: /s/ Keith P. Boyd

Keith P. Boyd
Chief Executive Officer

Dated: May 19, 2003

Edgar Filing: SOFTSTONE INC - Form 10QSB

14

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Keith Boyd, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Softstone Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Edgar Filing: SOFTSTONE INC - Form 10QSB

Date: May 19, 2003

/s/ Keith Boyd

Keith Boyd
Chief Executive Officer

15

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Keith Boyd, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Softstone Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls

Edgar Filing: SOFTSTONE INC - Form 10QSB

subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 19, 2003

/s/ Keith Boyd

Keith Boyd
Chief Financial Officer

15

SOFTSTONE INC.
Commission File Number 0-29523

Index to Exhibits to Form 10-QSB 03-31-03

The following exhibits are filed, by incorporation by reference, as part of this Form 10-QSB:

- 2 Agreement and Plan of Reorganization of July 24, 2001 between Softstone, Inc. and Kilkenny Acquisition Corp.*
- 3 Certificate of Incorporation of Softstone Inc.*
- 3.1 Bylaws of Softstone, Inc.*
- 10 Lease Agreement of February 1, 2000, between Ardmore Development Authority, as lessor, and Softstone, Inc., as lessee.*
- 10.1 Scrap Tire Disposal Agreement of January 11, 2000, between Michelin North America, Inc., and Softstone, Inc.*
- 10.2 Letter of intent of May 1, 2001, of Little Elm Independent School District regarding the Little Elm Walking Trail.*
- 10.3 Agreement of March 15, 2002 with Lev gum, Inc. concerning exclusive license to Western Hemisphere for Lev gum's devulcanization technology.
- 99 United States Patent No. 5,714,219.*
- 99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- * Previously filed with Form 8-K August 8, 2001 Commission File No. 000-29523; incorporated by reference.