

SKYE INTERNATIONAL, INC  
Form 10-Q  
November 16, 2010

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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 September 30, 2010

- 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 0-27549

SKYE INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

88-0362112  
(IRS Employer  
Identification No.)

7756 E. Greenway Rd., Scottsdale, AZ 85260  
(Address of principal executive offices) (Zip Code)

(480) 993-2300  
(Registrant's telephone number, including area code)

7701 E. Gray Rd., Suite 104, Scottsdale, AZ 85260  
(Former name, former address and former fiscal year, 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 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No (not required)

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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	<input type="radio"/>
Non-accelerated filer	Smaller reporting company	<input checked="" type="radio"/>

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: 16,287,323 shares of Common Stock, \$0.001 par value, as of September 30, 2010.

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SKYE INTERNATIONAL, INC. AND SUBSIDIARIES  
(DEBTOR-IN-POSSESSION)  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010 (unaudited)	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 12,382	\$ 333,593
Accounts Receivable	3,733	16,152
Inventory	752,585	723,617
Prepaid Expenses	34,953	12,948
<b>Total Current Assets</b>	<b>803,653</b>	<b>1,086,310</b>
<b>EQUIPMENT, NET</b>	<b>66,108</b>	<b>56,252</b>
<b>OTHER ASSETS</b>		
Patents	9,569	10,089
Deferred Financing Costs	14,233	19,802
<b>Total Other Assets</b>	<b>23,802</b>	<b>29,891</b>
<b>Total Assets</b>	<b>\$ 893,563</b>	<b>\$ 1,172,453</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 39,311	\$ 157,226
Accrued Expenses	9,211	2,039
Current Portion, Long term debt	1,706	10,068
Accrued Interest Payable	227,060	8,101
Warranty Accrual	32,487	39,951
<b>Total Current Liabilities</b>	<b>309,775</b>	<b>217,385</b>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	2,560	2,986
Notes Payable - Related Parties	1,380,000	500,000
<b>Total Liabilities</b>	<b>1,692,335</b>	<b>720,371</b>
<b>LIABILITIES SUBJECT TO COMPROMISE</b>	<b>2,476,400</b>	<b>2,421,926</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common Stock: 25,000,000 shares authorized at \$0.001par value; Issued and outstanding 16,287,323 and		

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15,767,323 shares, respectively	16,287	15,767
Additional Paid in Capital	15,718,008	15,588,528
Accumulated Deficit	(19,009,467 )	(17,574,139 )
Total Stockholders' Equity (Deficit)	(3,275,172 )	(1,969,844 )
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	\$ 893,563	\$ 1,172,453

The accompanying notes are an integral part of these statements.

SKYE INTERNATIONAL, INC. AND SUBSIDIARIES  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009 (restated)
<b>REVENUES</b>				
Product Sales	\$ 22,030	\$ 20,324	\$ 67,309	\$ 147,965
Other Income	1	826	174	2,021
<b>Total Revenues</b>	<b>22,031</b>	<b>21,150</b>	<b>67,483</b>	<b>149,986</b>
Cost of Goods Sold	23,945	16,536	65,789	128,278
<b>Gross Profit (Loss)</b>	<b>(1,914 )</b>	<b>4,614</b>	<b>1,694</b>	<b>21,708</b>
<b>OPERATING EXPENSES</b>				
Legal and Professional	32,785	109,870	154,177	382,812
General and Administrative	161,058	240,144	526,674	1,380,980
Research and Development	25,239	7,871	128,477	26,991
Advertising and Marketing	33,339	30,647	122,700	90,731
Depreciation	5,570	6,088	16,028	18,228
<b>Total Operating Expenses</b>	<b>257,991</b>	<b>394,620</b>	<b>948,056</b>	<b>1,899,742</b>
<b>Net Loss from Operations</b>	<b>(259,905 )</b>	<b>(390,006 )</b>	<b>(946,362 )</b>	<b>(1,878,034 )</b>
<b>OTHER INCOME (EXPENSE)</b>				
Gain on Extinguishment of Debt	-	-	-	75,000
Reorganization Costs	(28,896 )	-	(135,738 )	-
Interest Expense	(122,473 )	(38,467 )	(353,226 )	(119,267 )
<b>Total Other Income (Expense)</b>	<b>(151,369 )</b>	<b>(38,467 )</b>	<b>(488,964 )</b>	<b>(44,267 )</b>
<b>Net Loss before Income Taxes</b>	<b>(411,274 )</b>	<b>(428,473 )</b>	<b>(1,435,326 )</b>	<b>(1,922,301 )</b>
Income Tax Expense	-	-	-	-
<b>NET LOSS</b>	<b>\$ (411,274 )</b>	<b>\$ (428,473 )</b>	<b>\$ (1,435,326 )</b>	<b>\$ (1,922,301 )</b>
<b>Basic and diluted income (loss) per share</b>	<b>\$ (0.03 )</b>	<b>\$ (0.03 )</b>	<b>\$ (0.09 )</b>	<b>\$ (0.13 )</b>



Weighted Average Number  
of Common

Shares Outstanding	16,173,898	14,466,320	16,071,609	14,932,074
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The accompanying notes are an integral part of these statements.

SKYE INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Nine Months Ended September 30,	
	2010	2009 (restated)
Cash Flows from Operating Activities		
Net Loss	\$ (1,435,326 )	\$ (1,922,301 )
Adjustments to reconcile net loss to cash used in operating activities:		
Gain on Extinguishment of Debt	-	(75,000 )
Depreciation Expense	16,028	18,228
Amortization of Discount on Notes Payable	82,208	54,000
Amortization of Patents	520	-
Amortization of Financing Costs	5,569	22,277
Shares and Options Issued for Services Rendered	130,000	814,964
Changes in assets and liabilities:		
Inventory		