

Edgar Filing: Ashlin Development Corp - Form 10QSB

Ashlin Development Corp
Form 10QSB
May 16, 2005

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

FORM 10-QSB
 QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 000-29245

ASHLIN DEVELOPMENT CORPORATION

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

FLORIDA

(State or other jurisdiction of incorporation or organization)

65-0452156

(I.R.S. Employer Identification Number)

4400 NORTH FEDERAL HIGHWAY, SUITE 210, BOCA RATON, FLORIDA 33431

(Address of principal executive offices)

(561) 391-6196

(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 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

There were 4,549,813 shares of common stock, \$0.001 par value, of the registrant outstanding at March 31, 2005.

Transitional Small Business Disclosure Format: Yes No

ASHLIN DEVELOPMENT CORPORATION

INDEX

Edgar Filing: Ashlin Development Corp - Form 10QSB

PAGE

Facing Sheet	Cover Page
Index	ii
Part I - Financial Information	
Item 1. Condensed Financial Statements.....	1
Condensed Balance Sheet as of March 31, 2005 (Unaudited).....	1
Condensed Statements of Operations for the three months ended March 31, 2005 and 2004 (Unaudited).....	2
Condensed Statements of Cash Flows for the three months ended March 31, 2005 and 2004 (Unaudited).....	3
Notes to Condensed Financial Statements.....	4-7
Item 2. Management's Discussion and Analysis or Plan of Operations.....	8
Item 3. Controls and Procedures.....	12
Item 4. Submission of Matters to a Vote of Security Holders.....	12
Part II - Other Information	
Item 1. Legal Proceedings.....	12
Item 6. Exhibits.....	12
Signature.....	13

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

ASHLIN DEVELOPMENT CORPORATION
CONDENSED BALANCE SHEET
(UNAUDITED)

ASSETS

MARCH 31, 2005

Current assets:
Cash

\$ 256,832

Edgar Filing: Ashlin Development Corp - Form 10QSB

Total assets	\$ 256,832 =====
--------------	---------------------

STOCKHOLDERS' EQUITY

Stockholders' deficit:	
Common stock, \$0.001 par value, authorized 30,000,000 shares; 4,549,813 shares issued and outstanding	4,550
Additional paid-in capital	911,892
Accumulated deficit	(659,610)

Total stockholders' deficit	\$ 256,832 =====

See accompanying notes to condensed financial statements.

- 1 -

ASHLIN DEVELOPMENT CORPORATION CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31	
	2005	2004
	-----	-----
Revenue	\$ --	\$ --
Cost of sales	--	--
	-----	-----
Gross profit	--	--
	-----	-----
Operating expense:		
General and administrative expense	167,781	--
	-----	-----
Loss from continuing operations	(167,781)	--
	-----	-----
Loss from discontinued operations	(155,701)	(90,740)
Gain on sale, net of income taxes	1,794,893	
Income (loss) before income taxes	1,471,411	(90,740)
	-----	-----
Benefit (provision) for income taxes	--	--
	-----	-----
Net income (loss)	\$ 1,471,411	\$ (90,740)
	=====	=====

Net loss per share from continuing operations -

Edgar Filing: Ashlin Development Corp - Form 10QSB

basic and diluted	\$ (0.04)	--
Net loss per share from discontinued operations -		
basic and diluted	\$ (0.04)	--
Net income (loss) per share - basic and diluted	\$ (0.37)	\$ (0.02)
	=====	=====
Weighted average number of shares -		
basic and diluted	\$ 3,995,400	\$ 3,832,813
	=====	=====

See accompanying notes to condensed financial statements.

- 2 -

ASHLIN DEVELOPMENT CORPORATION CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31	
	2005	2004
	-----	-----
Cash flow from operating activities:		
Net income	\$ 1,471,411	\$ (90,740)
Adjustments to reconcile net earnings to		
net cash from operating activities:		
Gain from sale of operating assets		
and assumption of liabilities	(1,794,893)	--
Common stock issued for services	54,000	--
Decrease in assets and liabilities		
Accounts receivable	138,581	237,895
Prepaid assets	73,124	(34,970)
Depreciation and amortization	--	5,896
Inventory	22,437	158,216
Accounts payable	(124,228)	(25,133)
Accrued expenses	(33,721)	(66,658)
	-----	-----
Net cash provided by operating activities	\$ (193,289)	\$ 184,506
	=====	=====
Cash flows from investing activities:		
Proceeds from sale of assets and liabilities	350,000	--
Purchases of property and equipment	--	--
	-----	-----
Net cash used in investing activities	350,000	--
	-----	-----
Cash flow from financing activities:		
Repayments on notes payable	(27,175)	(133,326)
	-----	-----
Net cash used in financing activities	(27,175)	(133,326)
	-----	-----
Net increase (decrease) in cash	129,536	51,180
Cash, beginning of period	127,296	7,406
	-----	-----

Edgar Filing: Ashlin Development Corp - Form 10QSB

Cash, end of period	\$ 256,832	\$ 58,586
	=====	=====

SUPPLEMENTAL CASH FLOW INFORMATION

Conversion of accounts payable to notes payable	\$ --	\$ 700,000
	=====	=====

See accompanying notes to condensed financial statements.

- 3 -

ASHLIN DEVELOPMENT CORPORATION NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of Ashlin Development Corp. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and Regulation S-B. Accordingly, they do not include all of the information and footnotes required for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results for the interim periods presented have been included.

These results have been determined on the basis of generally accepted accounting principles and practices applied consistently with those used in the preparation of the Company's Annual Financial Statements for the year ended December 31, 2004. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

It is recommended that the accompanying condensed financial statements be read in conjunction with the financial statements and notes for the year ended December 31, 2004, found in the Company's Form 10-KSB.

The Company's financial statements in the three months ended March 2005 are not comparative to the financial statements for the three months ended March 2004. The effective date of the Company's plan of reorganization was January 28, 2005.

On January 25, 2005, pursuant to a plan of reorganization approved by the Bankruptcy Court under Chapter 11 of the Federal Bankruptcy Act, the Company completed a plan to divest its core operations by selling substantially all of its assets. As part of that sale the buyer assumed substantially all of its liabilities. The results of operations and financial position are shown in the accompanying financial statements as discontinued operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original

Edgar Filing: Ashlin Development Corp - Form 10QSB

maturities of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2004 and 2003.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

In connection with the Company's "Discontinued Operations," the company recognized revenue when

- o Persuasive evidence of an arrangement existed
- o Shipment had occurred or price was fixed or determinable, and
- o Collectability was reasonably assured

4

Subject to these criteria, except with respect to customers that purchased our products on "pay on scan terms," we recognized revenue at the time of shipment of the relevant merchandise. "Pay on Scan" sales were treated as consignment sales by the Company. In the case of these consignment sales, we recorded revenues, and removed the items from inventory when the customer reported the sales to the Company. Normally the Company was notified of the customer's sales through periodic sales reports, payments, or when the customer reorders the relevant product.

Basic Earnings Per Share

Basic income per common share is computed by dividing the net income by the weighted average number of shares of common stock outstanding during the year.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilution that could occur if dilutive securities (stock options and stock warrants) to issue common stock were exercised or converted into common stock that then shared in the earnings of the Company.

Stock Compensation

The Company has adopted Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." SFAS 123 encourages the use of a fair-value-based method of accounting for stock-based awards, under which the fair value of stock options is determined on the date of grant and expensed over the vesting period. Under SFAS 123, companies may, however, measure compensation costs for those plans using the method prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees." Companies that apply APB No. 25 are required to include

Edgar Filing: Ashlin Development Corp - Form 10QSB

pro forma disclosures of net earnings and earnings per share as if the fair-value-based method of accounting had been applied. The Company elected to account for such plans under the provisions of APB No. 25. The Company accounts for stock options granted to consultants under SFAS 123.

Had the compensation expense for the stock option plan been determined based on the fair value of the options at the grant date consistent with the methodology prescribed under Statement of Financial Standards No. 123, "Accounting for Stock Based Compensation," at March 31, 2005 the Company's net income and earnings per share would not have been effected, as indicated below:

	MARCH 31, 2005

Net income	
As reported	\$ 1,471,411
	=====
Pro forma	\$ 1,471,411
	=====
Earnings per share	
As reported	\$ 0.37
	=====
Pro forma	\$ 0.37
	=====

All but 55,000 options expired 30 days after January 27, 2005, the date of the sale of substantially all of the operating assets and liabilities.

5

NOTE 3 - GOING CONCERN

The Company's condensed financial statements have been prepared assuming that the Company will continue as a going concern. The Company has ceased its Health and Nutrition business effective January 26th, 2005. The Company is currently exploring its options which may include acquiring or otherwise entering into a new business or merging with an as yet unidentified company or companies.

On October 15, 2004 the Company filed for protection under Chapter 11 of the United States Bankruptcy Code. The Company has operated under the Chapter 11 guidelines since October 15, 2004 and under a plan of reorganization filed by the Company. The effective date of the company's plan of reorganization was January 28, 2005.

There remains substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 4 - EQUITY

During the three months ended March 31, 2005, 300,000 shares of common stock were issued to the Company's chief executive officer as per his employment agreement. These shares were valued at \$0.04 per share of common stock and the Company recorded compensation expense of \$12,000.

On March 3, 2005, the Company issued 320,000 shares of common stock to the

Edgar Filing: Ashlin Development Corp - Form 10QSB

Company's chief executive officer in recognition of performance. These shares were valued at \$0.10 per share and the Company recorded compensation expense of \$32,000.

On March 3, 2005, the Company entered into a consulting contract with a consultant and issued 100,000 shares of common stock as part of this contract. These shares were valued at \$0.10 per share of common stock and \$10,000 was recorded as compensation expense.

NOTE 5 - INCOME TAXES

The Company's evaluation of the tax benefit of its net operating loss carry forward is presented in the following table. At March 31, 2005 and December 31, 2004, the tax amounts have been calculated using the 34% federal and 5.5% state income tax rates.

Reconciliation of the Federal statutory income tax rate to the Company's effective tax rate is as follows:

	MARCH 31, 2005	DECEMBER 31, 2004
Income tax (benefit) consists of:		
Current	\$ --	\$ --
Deferred	--	--
	-----	-----
Provision (benefit) for income taxes	\$ --	\$ --
	=====	=====

	MARCH 31, 2005	DECEMBER 31, 2004
Taxes computed at combined federal and state tax rate	\$ 425,000	\$ (412,937)
Non-deductible expenses	1,190	12,203
State income taxes, net of federal income tax benefit	45,502	(42,784)
(Increase) Decrease in deferred tax asset valuation allowance	(471,692)	(443,518)
	-----	-----
Provision (benefit) for income taxes	\$ --	\$ --
	=====	=====

6

The components of the deferred tax asset were as follows at March 31, 2005 and December 31, 2004:

	MARCH 31, 2005	DECEMBER 31, 2004
Deferred tax asset:		
Net operating loss carryforward	\$ 183,345	\$ 566,933
Allowance for receivables	--	24,743
Allowance for inventory	--	45,019
Stock based compensation	20,320	--

Edgar Filing: Ashlin Development Corp - Form 10QSB

Gain on sale of assets	17,884	--
Accrued compensation	--	39,108
	-----	-----
Total deferred tax assets	221,549	675,803
	-----	-----
Deferred tax liabilities		
Depreciation	(2,837)	
Accrued compensation	(14,603)	--
	-----	-----
Net deferred tax assets	204,109	675,803
	-----	-----
Valuation allowance:		
Beginning of year	(675,803)	(232,285)
(Increase) Decrease during the year	471,694	(443,518)
Ending balance	(204,109)	(675,803)
	-----	-----
Net deferred taxes	\$ --	\$ --
	=====	=====

As of March 31, 2005, the Company had an unused net operating loss carryforward of approximately \$487,231 available for use on its future corporate income tax returns. This net operating loss carryforward begins to expire in December 2022. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of any of the Company's net operation loss and credit carry forwards may be limited if cumulative changes in ownership of more than 50% occur during any three year period.

NOTE 6 - LEGAL MATTERS

We were involved in litigation with J.C. Herbert Bryant, III, a former officer, director and one of our shareholders, and KMS-Thin Tab 100, Inc., which was settled in September 2002. As part of the settlement, we entered into a distribution agreement with Mr. Bryant, beginning on September 26, 2002 and ending on September 25, 2007, permitting Mr. Bryant to purchase certain products from us and to exclusively distribute those products in Florida from Orlando south. In October 2003, we terminated the distribution agreement with KMS based on KMS's breach of material terms of the agreement. On December 1, 2003, we filed suit against KMS-Thin Tab 100, Inc. in the Palm Beach County Circuit Court (Case No. 2003CA012757XXCDAN) for breach of contract, trademark infringement and for a declaration of rights that the distribution agreement is terminated and of no further force and effect. KMS answered the complaint and filed its own counterclaim for fraud in the inducement, trademark infringement, dilution and fraudulent misrepresentation; the fraud-based counterclaims were dismissed with prejudice by the Court on summary judgment. KMS subsequently amended its counterclaim to allege a breach of contract under the distribution agreement. In January 2005, the State Court in Florida ruled that neither party should prevail, and rejected a request for attorney's fees by KMS-Thin Tab 100 Inc., thus adjudicating the matter. KMS-Thin Tab 100 Inc. subsequently filed a notice of appeal.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This quarterly report on Form 10-QSB contains forward-looking statements. Any statements that are not statements of historical fact should be regarded as forward-looking statements. For example, the words "intends," "believes,"

Edgar Filing: Ashlin Development Corp - Form 10QSB

"anticipates," "plans," and "expects" are intended to identify forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated by such forward-looking statements. These factors include without limitation those factors contained in our Form 10-KSB filed with the Securities and Exchange Commission. We do not undertake any obligation to update any such factors or to publicly announce the result of any revision to any of the forward looking statements contained herein to reflect future events or developments.

The following discussion of our results of operations and financial condition should be read together with our unaudited Financial Statements contained in Part I, Item 1 and the related Notes in this Form 10-QSB and our audited Financial Statements and the related Notes contained in our Form 10-KSB filed with the Securities and Exchange Commission.

Critical Accounting Estimates

Financial Reporting Release No. 60, which was released by the U.S. Securities and Exchange Commission, encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Our financial statements include a summary of the significant accounting policies and methods used in the preparation of our financial statements.

Management believes the following critical accounting policies affect the probable returns, significant judgments and estimates used in the preparation of the financial statements. These policies relate specifically to discontinued operations, as the Company closed on the sale of substantially all of its assets and liabilities on January 25, 2005. Since our current business plan is to acquire or otherwise enter into a new business or merge with an as yet unidentified company or companies, each of the following policies are subject to change.

Revenue Recognition

As it relates to revenues recorded with respect to operations discontinued on January 25, 2005, the Company recognized revenue when:

- o Persuasive evidence of an arrangement existed
- o Shipment had occurred
- o Price was fixed or determinable, and
- o Collectability was reasonably assured

Subject to these criteria, except with respect to customers that purchased our products on "pay on scan terms," we recognized revenue at the time of shipment of the relevant merchandise. "Pay on scan" sales were treated as consignment sales by us. In the case of these consignment sales, we recorded revenues, and removed the items from inventory when the customer reported the sales to us. Normally we were notified of the customer's sales through periodic sales reports, payments or when the customer recorded the relevant product.

Use of Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of

Edgar Filing: Ashlin Development Corp - Form 10QSB

America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis,

8

management evaluates these estimates, including those related to valuation allowance for the deferred tax asset, estimated useful life of fixed assets and the carrying value of long-lived assets, intangible assets and allowances for sales returns, doubtful accounts, and obsolete and slow moving inventory and reserve for customer liabilities. Management bases these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Recent Developments

On October 15, 2004, the Company filed in the southern district of Florida a plan of reorganization under Chapter 11 of the United States bankruptcy code. This culminated a lengthy effort by management and the Board of Directors to find alternatives to enhance shareholder value in the face of deteriorating operating performance. The Court confirmed the Company's plan of reorganization on January 10, 2005 and the plan was declared effective on January 28, 2005. We formally emerged from bankruptcy protection on April 29, 2005.

As part of the plan:

(1) TeeZee, Inc., a company formed by our former Chief Executive Officer, Christopher Tisi, purchased substantially all of the assets of the Company, including the rights to the name "Health & Nutrition Systems International, Inc." in exchange for \$350,000 in cash and assumption of approximately \$1,841,000 in liabilities. Although allowed for under the plan no other bids were submitted.

(2) The Company entered into an employment agreement with Mr. James Brown, which provides for:

- o Salary of \$9,200 per month until May 29, 2005, and thereafter at a rate of \$7,000 per month; and
- o The issuance by the Company to Mr. Brown of 300,000 shares of its Common Stock, which are shares subject to repurchase by the Company if Mr. Brown terminates his employment with the Company for any reason at any time prior to the first anniversary of the agreement, or his employment with the Company is terminated by the Company for cause;

(3) TeeZee, Inc. assumed the secured claim of Garden State Nutritionals (GSN), a division of Vitaquest International, Inc.; GSN retained its pre-existing lien on substantially all of the transferred assets;

(4) TeeZee, Inc. assumed the secured claim of SunTrust Bank on the Company's 2004 Honda Element on the effective date; SunTrust retained its pre-existing lien on the vehicle;

(5) TeeZee, Inc. assumed most unsecured claims, including those of trade and employee creditors, together with any unsecured deficiency claims of

Edgar Filing: Ashlin Development Corp - Form 10QSB

GSN and SunTrust. The unassumed unsecured claims of the Company were paid, pro rata, from a fund which did not exceed \$50,000;

(6) A permanent injunction was issued barring the Company and the purchaser from violating Window Rock Enterprises, Inc.'s trademarks for "CortiSlim" and the Company agreed not to challenge Window Rock's trademark for this product; and

(7) All holders of the Company's common stock retained their shares.

Since the effective date of the Plan, the Company has continued to exist as a separate incorporated entity. The present directors of the Company have continued as directors of the Company, and Mr.

9

Brown has continued to serve as Chief Executive Officer and Chairman of the Board of Directors. He is the sole officer of the Company.

The Company has been engaged in the business of seeking suitable commercial activities or a strategic alliance with an operating entity.

From inception through the effective date of our Plan of Reorganization, we developed, marketed and sold weight management, energy and sport nutrition products to national and regional, food, drug, health, pharmacy, mass-market accounts, and independent health and pharmacy accounts. Our product formulations were not proprietary.

OVERVIEW

The Company, effective January 28, 2005, completed the sale of the assets and liabilities to TeeZee, Inc. The Company had operating activities in January that have been reported as discontinued operations in the Statement of Operations for the three months ended March 31, 2005. The discontinued operations produced a loss of \$155,701.

There was no revenue for the three months ended March 31, 2005, not attributable to discontinued operations; this compared to revenue for the three months ended March 31, 2004 of \$1,489,377, all attributable to discontinued operations.

Total operating expenses from continuing operations for the three months ended March 31, 2005 were \$167,781 which primarily consisted of general and administrative expenses. Total operating expenses from discontinued operations for the three months ended March 31, 2005 were \$155,701 which primarily consisted of general and administrative expenses. Operating expenses for the three months ended March 31, 2004 were \$930,182.

The loss from operations for the three months ended March 31, 2005 attributable to continued operations was \$167,781. The loss from operations for the three months ended March 31, 2005 attributable to discontinued operations was \$155,701. These losses represent the full amount of our operating expenses for the period. This compared to a net loss for the three months ended March 31, 2004 of \$90,740.

During the three months ended March 31, 2005, we recorded a one-time gain of \$1,794,893 on the sale of substantially all of our assets and the assumption by the buyer of substantially all of our liabilities.

For the three months ended March 31, 2004, we recorded an expense for interest of \$9,999.

Edgar Filing: Ashlin Development Corp - Form 10QSB

Net income for the three months ended March 31, 2005 was \$1,471,411, attributable to the gain from the sale of substantially all of our assets and the assumption by the buyer of substantially all of our liabilities less the loss from our continued operations and from our discontinued operations during such period, compared to a loss of \$90,740 for the three months ended March 31, 2004, representing the loss from our continued operations during such period.

Employees

As of March 31, 2005, the Company had one employee, Mr. Brown, our Chairman, Chief Executive Officer and Secretary. Since all other employees employment was terminated at the closing all except 55,000 stock options granted to the directors of the Company were cancelled 30 days after January 27, 2005.

Liquidity and Capital Resources

At March 31, 2005, the Company had working capital of \$256,832, compared to a working capital deficit of \$55,701 at March 31, 2004.

10

Net cash provided by operating activities for the three months ended March 31, 2005, was (\$193,289) compared to \$184,505 for the three months ended March 31, 2004. The improvement in working capital and net cash is based on the sale of substantially all of our assets and the assumption by the buyer of substantially all of our liabilities.

Going Concern Qualification

Because of uncertainties as to our future ability to secure capital, our independent auditors' report on our financial statements for the year ended December 31, 2004 contains an explanatory paragraph about our ability to continue as a going concern.

There is substantial doubt about the Company's ability to continue as a going concern. We currently have no business operations or revenues, as our current business plan is to acquire or merge with an unidentified company or companies. The financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

ITEM 3. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done by our President, our sole executive officer and employee. Based upon that evaluation, he concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing, and disclosing information needed to satisfy our disclosure obligations under the Exchange Act.

Change in Internal Controls

Edgar Filing: Ashlin Development Corp - Form 10QSB

There were no changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Our plan of reorganization was submitted to a vote of our securityholders on January 3, 2005. All of our creditors entitled to vote on the plan of reorganization voted in favor of the plan, other than Window Rock Enterprises, Inc., which did not file a ballot. Shareholders holding a total of 1,674,103 shares, representing 98% of the shares voted in respect of the plan, voted in favor of the plan. Two shareholders holding a total of 35,600 shares, representing 2% of the shares voted in respect of the plan, voted against the plan.

The plan was declared effective by the Bankruptcy Court on January 28, 2005.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We were involved in litigation with J.C. Herbert Bryant, III, a former officer, director and one of our shareholders, and KMS-Thin Tab 100, Inc., which was settled in September 2002. As part of the settlement, we entered into a distribution agreement with Mr. Bryant, beginning on September 26, 2002 and ending on September 25, 2007, permitting Mr. Bryant to purchase certain products from us and to exclusively distribute those products in Florida from Orlando south. In October 2003, we terminated the distribution agreement with KMS based on KMS's breach of material terms of the agreement. On December 1, 2003, we filed suit against KMS-Thin Tab 100, Inc. in the Palm Beach County Circuit Court (Case No. 2003CA012757XXCDAN) for breach of contract, trademark infringement and for a declaration of rights that the distribution agreement is terminated and of no further force and effect. KMS answered the complaint and filed its own counterclaim for fraud in the inducement, trademark infringement, dilution and fraudulent misrepresentation; the fraud-based counterclaims were dismissed with prejudice by the Court on summary judgment. KMS subsequently amended its counterclaim to allege a breach of contract under the distribution agreement. In January 2005, the State Court in Florida ruled that neither party should prevail, and rejected a request for attorney's fees by KMS-Thin Tab 100 Inc., thus adjudicating the matter. KMS-Thin Tab 100 Inc. subsequently filed a notice of appeal.

The disclosure set forth under "Item 2. Management's Discussion and Analysis or Plan of Operation - Recent Developments" is incorporated herein by reference.

11

ITEM 6. EXHIBITS.

Exhibit 31.1 Certification Pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-B).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 16, 2005

ASHLIN DEVELOPMENT CORPORATION

By: /s/James A. Brown

James A. Brown
Chief Executive Officer,
President, and Secretary
(Principal executive officer
and duly authorized officer)

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification Pursuant to Item 601(b)(31) of Regulation S-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-B).