CATALYST LIGHTING GROUP INC
Form 10QSB
August 22, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended JUNE 30, 2005

[_] 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 333-75044

CATALYST LIGHTING GROUP, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	84-1588927
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
7700 Wyatt Drive Fort Worth, TX	76108
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (817) 738-8181

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 4,190,642 shares of Common Stock, par value $.01 per share, outstanding as of August 15, 2005.

Traditional Small Business Disclosure Format (Check one): Yes [_] No [X].

CATALYST LIGHTING GROUP, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CATALYST LIGHTING GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET

	JUNE 30, 2005 (Unaudited)	SEP
ASSETS		
CURRENT ASSETS:		
Cash	$ 213,669	$
Trade receivables, less allowance for doubtful accounts of $46,133 and $42,822	2,130,948	

Trade receivable - related party	21,720	
Inventories, net of reserve of $113,016 and $18,343	1,543,355	
Prepaid expenses and other	4,224	
Total current assets	3,913,916	
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $113,016 and $95,653	139,019	
OTHER ASSETS:		
Goodwill, net of accumulated amortization of $330,151 and $330,151	2,971,362	
Restricted Cash	950,932	
Deferred Financing Cost	340,454	
Other	15,793	
Total other assets	4,278,541	
TOTAL ASSETS	$ 8,331,476	$

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Revolving note payable	$ 2,496,502	$
Current maturities of long-term debt:		
Related party	250,000	
Convertible Note	438,674	
Other	977,599	
Accounts payable	1,955,454	
Accrued commissions	423,839	
Other accrued liabilities	557,770	
Total current liabilities	7,099,838	
LONG-TERM DEBT, less current maturities:		
Related party	200,000	
Convertible note	1,234,605	
Total long-term debt	1,434,605	
STOCKHOLDERS' EQUITY:		
Preferred stock - $.01 par value; authorized 10,000,000 shares, none issued		
Common stock - $.01 par value; authorized 40,000,000 shares, 4,190,642 and 3,756,051 shares issued and outstanding, respectively	41,907	
Additional paid-in capital	3,817,479	
Accumulated deficit	(4,062,353)	
Total stockholders' equity (deficit)	(202,967)	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,331,476	$

** Derived from the Company's audited consolidated balance sheet at September 30, 2004

The accompanying notes are an integral part of the condensed consolidated financial statements

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CATALYST LIGHTING GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE NI J
	2005	2004	2005
	(Unaudited)	(Unaudited)	(Unaudited)
NET SALES	$ 3,266,155	$ 4,275,000	$ 9,859,4
COST OF SALES	2,225,721	2,884,195	6,892,7
GROSS PROFIT ON SALES	1,040,434	1,390,805	2,966,6
GENERAL, SELLING AND ADMINISTRATIVE EXPENSES	1,203,801	1,456,853	3,971,4
LOSS FROM OPERATIONS	(163,367)	(66,048)	(1,004,8
OTHER EXPENSE:			
Interest expense	583,016	70,837	1,001,9
LOSS BEFORE PROVISION FOR INCOME TAXES	(746,383)	(136,885)	(2,006,7
BENEFIT FROM INCOME TAXES	--	50,142	
NET LOSS	$ (746,383)	$ (86,743)	$ (2,006,7
NET LOSS PER COMMON SHARE:			
Basic	$ (0.18)	$ (0.02)	$ (0.
Diluted	$ (0.18)	$ (0.02)	$ (0.
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic	$ 4,170,012	$ 3,601,809	$ 3,934,8
Diluted	$ 4,170,012	$ 3,601,809	$ 3,934,8

The accompanying notes are an integral part of the condensed consolidated financial statements

CATALYST LIGHTING GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE NINE MONTHS E JUNE 30,	
	2005	2
	(Unaudited)	(Una
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,006,797)	$
Adjustments to reconcile net loss to net cash		
Used in operating activities:		
Amortization of debt discount and deferred financing cost	270,212	
Provision for doubtful accounts	79,779	
Common stock issued for services	30,000	
Common stock issued for unrestricting $400,000 cash	375,000	
Cashless exercise of stock options	58,916	
Depreciation and amortization	34,995	
Change in operating assets and liabilities:		
Trade receivables, related and other	444,058	
Inventories	196,448	
Prepaid expenses and other	52,078	
Deferred taxes		
Accounts payable	(782,673)	
Other accrued liabilities	348,661	
Net cash used in operating activities	(899,323)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,876)	
Restricted Cash	1,000,000	
Net cash provided by (used in) investing activities	989,124	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments from convertible debt	(105,982)	
Payments on revolving note payable	(172,388)	
Payments on long-term notes payable	(134,689)	
Common Stock Issuance	35,498	
Net cash provided by financing activities	(377,561)	
NET CHANGE IN CASH	(287,760)	
CASH, at beginning of period	501,429	
CASH, at end of period	$ 213,669	$

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 384,036	$
SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Common stock issued for payments of accrued interest	36,963	$
Common stock issued for forgiveness of debt	93,386	
Common stock issued for debt payment	$ 3,000	

The accompanying notes are an integral part of the condensed consolidated financial statements

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CATALYST LIGHTING GROUP, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The financial statements included herein have been prepared by Catalyst Lighting Group, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures included herein are effective in making the information presented not misleading. A description of the Company's accounting policies and other financial information is included in the audited consolidated financial statements as filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2004.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2005 and the results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the quarter and nine months ended June 30, 2005 are not necessarily indicative of the results that may be achieved for a full fiscal year and cannot be used to indicate financial performance for the entire year.

The Company accounts for stock options using the intrinsic value method wherein compensation expense is recognized on stock options granted only for the excess of the market price of our common stock over the option exercise price on the date of grant. All options of the Company are granted at amounts equal to or higher than the fair-value of our stock so no compensation expense is recorded.

Some companies also recognize compensation expense for the fair value of the option right itself. The Company has elected not to adopt this accounting method because it requires the use of subjective valuation models which the Company believes are not representative of the real value of the option to

either the Company or the optionees. However, we are required to disclose the pro forma effect of accounting for stock options using such a valuation for all options granted. The fair value of the options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	Nine Months Ended June 30, 2005
Risk-free interest rate	4.74%
Expected dividend yield	0%
Expected lives	10 years
Expected volatility	34.47%

The total fair value of options granted was computed to be approximately $0 and $48,300 for the nine months ended June 30, 2005 and 2004, respectively. These amounts are amortized ratably over the vesting periods of the options or recognized at the date of grant if no vesting period is required. Pro forma stock-based compensation was $4,025, $4,025, $12,075 and $5,367 for the quarters ended June 30, 2005 and 2004 and the nine months ended June 30, 2005 and 2004, respectively.

If the Company had accounted for its stock-based compensation plans in accordance with SFAS No. 123, the Company's net income and net income per common share would have been reported as follows:

	2005	2004	
Net loss, as reported	$ (746,383)	$ (86,743)	$
Stock based compensation included in net loss	--	--	
Fair value of stock based compensation	4,025	4,025	
Pro forma net loss	$ (742,358)	$ (82,718)	$
Net loss per common share, basic:			
As reported	$ (0.18)	$ (0.02)	$
Stock based compensation included in net loss	--	--	
Fair value of stock based compensation	--	(0.01)	
Pro forma net loss per common share	$ (0.18)	$ (0.03)	$
Net loss per common share, diluted:			
As reported	$ (0.18)	$ (0.02)	$
Stock based compensation included in net loss	--	--	
Fair value of stock based compensation	--	(0.01)	
Pro forma net loss per common share	$ (0.18)	$ (0.03)	$

For the three and nine months ended June 30, 2005 net loss and proforma net loss differs by the fair value of stock bases compensation.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment," which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) is effective for public companies interim or for annual periods beginning after June 15, 2005, supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. The new standard will be effective for the company, beginning January 1, 2006. The company has not yet completed their evaluation but expects the adoption to have an effect on the financial statements similar to the pro-forma effects reported above.

In November 2004, the FASB issued SFAS 151, "Inventory Costs", which revised ARB 43, relating to inventory costs. This revision is to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This Statement requires that these items be recognized as a current period charge regardless of whether they meet the criterion specified in ARB 43. In addition, this Statement requires the allocation of fixed production overheads to the costs of conversion be based on normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of SFAS 151 will have a material impact on the Company's financial statements.

The FASB issued SFAS 153, Exchanges of Nonmonetary Assets, which changes the guidance in APB Opinion 29, Accounting for Nonmonetary Transactions. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected

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to change significantly as a result of the exchange. SFAS 153 is effective during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of SFAS 153 will have a material impact on the Company's financial statements.

2. RELATED PARTY TRANSACTIONS:

During the three months ended June 30, 2005 and 2004, and for the nine months ended June 30, 2005 and 2004 the Company paid $0, $3,600, $0, and $19,315, respectively, for accounting and administrative services to an entity related through common ownership.

During the three months ended June 30, 2005 and 2004, and for the nine months ended June 30, 2005 and 2004, the Company had sales of $18,860, $65,238, $83,682, and $80,151, respectively, to an entity whose principal owner is the brother of an employee of the Company. Accounts receivable from this related entity were $21,720 at June 30, 2005 and $ 0 at September 30, 2004.

3. LONG-TERM DEBT

On September 30, 2004, the Company entered into a financing arrangement with

Laurus Master Fund, Ltd. ("Laurus") which included (1) a Secured Convertible Term Note in the principal amount of two million dollars ($2,000,000, balance of $1,894,018 at June 30, 2005), (the "Term Note") and (2) a Secured Revolving Note (the "Revolving Note") and a Secured Convertible Minimum Borrowing Note (together with the Revolving Note, the "AR Notes") in the aggregate principal amount of up to three million dollars ($3,000,000, balance of $2,827,612 at June 30, 2005). As of June 30, 2005 the Term Note and the AR Notes have a discount related to the warrants and a beneficial conversion feature of $220,739 and $331,110, respectively. The Company's customers are required to remit payments directly to a lock box and amounts received are applied to reduce the AR Note outstanding. The Term Note and AR Notes are convertible into the Company's common stock at an initial fixed conversion price of $2.66 per share. In connection with the Term Note and AR Notes, the Company issued Laurus a Common Stock Purchase Warrant for the purchase of up to 472,000 shares of our common stock, exercisable until September 30, 2009 at a price of $3.00 per share (the "Warrant"). On December 3, 2004, the terms of the Term Note and AR Notes were amended such that Catalyst received an advance on $600,000 of the funds agreed to be advanced in exchange for lowering the fixed conversion price of the Term Note and AR Notes from $2.66 per share to $1.50 per share (the fair value of the Company's stock on that date). Additionally, Laurus also acquired an additional Common Stock Purchase Warrant (together with the Warrant, the "Warrants") for the purchase of up to 100,000 shares of Common Stock, exercisable until December 3, 2009 at a price of $3.00 per share. The fair value of these warrants was stated at approximately $27,000 using the Black-Scholes pricing model.

On April 19, 2005, Laurus agreed to the early release to the Company of $400,000 (less any accrued but unpaid interest) under the Term Note, and in connection therewith, the Company has agreed to issue to Laurus 250,000 shares of common stock of the Company at an estimated fair market value of $1.50 per share. The released amount is payable on demand and is, therefore, classified as a current liability. The associated fair market value of the 250,000 shares of common stock ($375,000) has been expensed.

The Term Note and AR Notes (collectively, the "Notes") mature on September 30, 2007 and are collateralized by a first priority lien on inventory, accounts receivable, raw materials and all of its ownership interests in Whitco. Payments on advances against the Term Note are due in monthly installments beginning January 1, 2005. Approximately, $33,162 is payable in monthly installments. The Notes accrue interest at a rate per annum equal to the "prime rate" published in The Wall Street Journal from time to time, plus two percent (2%), but shall in no event be less than six percent (6%) per annum. The Company also granted registration rights with respect to all shares of Common Stock underlying the Notes and Warrants.

The Term Note was placed into an escrow account solely controlled by Laurus (the "Escrow Account"). The Company may request that Laurus release all or any portion of the amounts contained in the Escrow Account following, or in connection with, the consummation of an acquisition, joint venture or capital investment (a "Transaction") by the Company. Such a release is subject to Laurus' evaluation of all factors it considers, in its sole discretion, relevant at the time of such requested release. Laurus is under no obligation to release any amounts and the release of such amounts is in Laurus' sole and absolute discretion.

On August 6, 2003, the Company received a bridge loan of $250,000 from Keating Reverse Merger Fund ("Lender"). In consideration for the note, the Company agreed to issue warrants for the purchase of up to 125,000 shares (the "Warrant

Shares") of the common stock of the Company upon consummation of the merger consummated in August 2003 by and between the Company and Whitco, LP. at a price of $2.00 per Warrant Share. On August 22, 2004, in consideration for extending the due date on the note to December 31, 2004, we issued an additional 40,000 warrants for the purchase of our common stock at a price of $4.00 per share. On December 29, 2004 in consideration for extending the due date on the note to December 31, 2005, we issued 20,000 shares of our common stock valued at $1.50 per share. The Company also issued an additional 24,642 shares of our common stock as payment for accrued interest on the original note. The total value of the accrued interest was $36,963.

On July 26, 2000, the Company made a promissory note payable to Robert D. Brown, Jr. in the amount of $700,000. On November 7, 2000, the note was subordinated to a bank and it was transferred to A. M. Rhyne LP on December 27, 2001. The note matures July 31, 2005. Effective July 29, 2005, the Company and A.M. Rhyne LP executed a Note Extension Agreement whereas the Subordinate Promissory Note was extended to December 1, 2005.

4. STOCKHOLDER'S EQUITY

On October 12, 2004, the Company commenced a private placement offering of up to 2,666,667 units at $1.50 per unit, each unit consisting of one share of Catalyst common stock and one five year warrant to purchase Catalyst common stock at an exercise price of $3.00 per share. This offering terminated on January 24, 2005, having sold units worth $50,000.

On April 19, 2005, $400,000 of the Term Note funds held in the escrow account were released by Laurus. Laurus received 250,000 shares of the Company's common stock valued at $375,000 which was expensed immediately as interest expense as a result of the note being due on demand.

5. RESTATED YEAR-END BALANCE SHEET

The Company filed a restated balance sheet as of September 30th, 2004, which was included in the Company's Form 10-KSB. This restatement relates to the reclassification of $3,000,000 debt to a short term liability which was previously recorded as long term. Even though the note is due September 30th, 2007 and the Company does not believe the note holder will call the note, the fact that the note has a "lock box" arrangements whereby customer remittances are deposited directly into the lock box, and utilized by the bank to reduce the AR Notes. Generally accepted accounting principles require such notes to be reflected as short term.

6. SUBSEQUENT EVENTS

On July 6, 2005 the Company and Laurus executed Amendment No. 3, whereby Laurus agreed to release to the Company $950,392 from the Restricted Account, provided that $832,453 of such released amount was applied by the Company to repay the excess funding on the A/R Notes and no less than $53,138 of such released amount was applied to repay accrued and unpaid interest on the Term Loan. The remaining $64,801 was to be used by the Company solely for working capital.

Effective July 29, 2005, the Company and A.M. Rhyne LP executed a Note Extension Agreement whereby the Subordinate Promissory Note totaling $700,000 and expiring on July 31, 2005 was extended to December 1, 2005.

On August 15, 2005, the Company and Laurus executed Amendment No. 4 whereby Laurus agreed to postpone amortizing payments of the aggregate principal amount of the Term Note until December 1, 2005 at which time the Company

shall make monthly payments to Laurus on each repayment date, each such payment in the amount of $86,091 together with any accrued and unpaid interest on such portion of the principal amount plus any and all other unpaid amounts which are then owing under the Term Note and related documents.

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

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-QSB contains forward looking statements. Forward looking statements are statements not based on historical information and that relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by us or on our behalf. We disclaim any obligation to update forward looking statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and the related disclosures. A description of the Company's accounting policies and other financial information is included in the audited consolidated financial statements as filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2004. The estimates used by management are based upon their historical experiences combined with management's understanding of current facts and circumstances. Certain of our accounting policies are considered critical as they are both important to the portrayal of our financial condition and the results of our operations and require significant judgments on the part of management. Management believes the following represent the critical accounting policies of Whitco as described in Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," which was issued by the Securities and Exchange Commission: inventory, goodwill, allowance for doubtful accounts, and warranty policy.

The Company states inventory at the lower of cost or market, determined under the first-in, first-out method. We maintain a significant amount of raw material inventory to serve future order demand of customers. While management believes its processes for ordering and controlling inventory are effective, changes in economic or industry conditions may require us to hold inventory longer than expected or write outdated inventory off as the result of obsolescence.

During fiscal 2001, we amortized goodwill using a fifteen-year life. Beginning January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 (SFAS 142) "Goodwill and Other Intangible Assets," and as a result ceased amortizing goodwill. We test goodwill for impairment annually or on an interim basis if an event or circumstance occurs between the annual tests that may indicate impairment of goodwill. Impairment of goodwill will be recognized in operating results in the period it is identified.

We utilize our best estimate for allowance for doubtful accounts based on past history and accruing the expense as a percentage of sales. We grant credit to

distributors of sports and area lighting poles located throughout the United States of America. Collateral is generally not required for trade receivables. While we consider our process to effectively quantify its exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require an adjustment of the allowance for doubtful accounts.

Our customers receive a one year product warranty for defects in material and workmanship, providing repair or replacement or refund of the purchase price. We provide an accrual as a reserve for potential warranty costs based on historical experience and accruing as a percentage of sales. While management considers our process to be effective to quantify exposure to warranty claims based on historical performance, changes in warranty claims on a specific or cumulative basis may require us to adjust our reserve for potential warranty costs.

Impact of Recently Issued Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment," which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) is effective for public companies for interim or annual periods beginning after June 15, 2005, supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. The new standard will be effective for the company, beginning January 1, 2006. The company has not yet completed their evaluation but expects the adoption to have an effect on the financial statements similar to the pro-forma effects reported above.

In November 2004, the FASB issued SFAS 151, Inventory Costs, which revised ARB 43, relating to inventory costs. This revision is to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This Statement requires that these items be recognized as a current period charge regardless of whether they meet the criterion specified in ARB 43. In addition, this Statement requires the allocation of fixed production overheads to the costs of conversion be based on normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of SFAS 151 will have a material impact on the Company's financial statements.

The FASB issued SFAS 153, Exchanges of Nonmonetary Assets, which changes the guidance in APB Opinion 29, Accounting for Nonmonetary Transactions. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of SFAS 153 will have a material impact on the Company's financial statements.

OVERVIEW

We are now at a critical inflection point in our business development. First, we are poised to benefit from the investments we have made in our organic business. Secondly, we now have publicly traded stock, which we hope to use to partially fund a series of acquisitions in order to realize our final primary strategic objective. Because of the significant investments we have made in our distribution network, we believe we can now leverage that network by acquiring

small niche-technology structures, fixture and accessory businesses and introducing those products into our existing distribution channel. This would be expected to benefit the Company immediately in two ways. First, we will be able to increase sales of new products by virtue of the fact that we believe our distribution network appears to be better developed (both in scale as well as technology) than the ones used by the companies we seek to acquire. Secondly, the added product offerings may help us gain additional consideration with our lighting agency and OEM customers. We believe having specialty products on our Web site and catalogue not only differentiates us from competitors, but also increases the likelihood that customers will place additional orders for more commodity product at the time of purchase of the specialty product.

We have been reviewing business acquisition and alliance opportunities, which are intended to be our primary vehicle for creating long-term growth for investors. Our "opportunistic" growth strategy is targeted to specific candidates in the outdoor lighting (primarily fixtures and accessories) or pole structure industry. More specifically, we intend to focus initially on small, privately owned companies with positive earnings on a stand alone basis or with the ability to be positive immediately after acquisition through operating efficiencies. Further, we continue to discuss various alliance opportunities with manufacturers of alternative materials that can create structures and with different component manufacturers in need of a vertical structure to deliver a solution to customers. Examples of these alliances include composite pole manufacturers as well as camera and antenna manufacturers for security and wireless technology solutions. Without significant incremental expenditure, it is anticipated that annual revenue of the target companies can be increased in the near future by introducing the new products into our existing distribution channels. Further, our strategy has been expanded by considering other strategic alternatives with companies or investors with the capability to aggressively expand our distribution network and profitability through consolidation or acquisitions.

We believe we have benefited from initiating our own manufacturing operations beginning in December 2004. We have been able to control our production deliveries and quality more closely.

Our strategy has been further enhanced by the $2 million restricted cash investment by Laurus Master Fund Ltd., less advances described herein. Laurus has also provided an additional $3 million revolving line of credit at a floor rate of 6%.

On September 30, 2004, the Company entered into a financing arrangement with Laurus which included (1) a Secured Convertible Term Note in the principal amount of two million dollars ($2,000,000), (the "Term Note") and (2) a Secured Revolving Note (the "Revolving Note") and a Secured Convertible Minimum Borrowing Note (together with the Revolving Note, the "AR Notes") in the aggregate principal amount of up to three million dollars ($3,000,000). The Term Note and AR Notes are convertible into the Company's common stock at an initial fixed conversion price of $2.66 per share. In connection with the Term Note and AR Notes, the Company issued Laurus a Common Stock Purchase Warrant for the purchase of up to 472,000 shares of our common stock,

exercisable until September 30, 2009 at a price of $3.00 per share (the "Warrant"). On December 3, 2004, the terms of the Term Note and AR Notes were amended such that Catalyst received an advance on $600,000 of the funds agreed to be advanced in exchange for lowering the fixed conversion price of the Term Note and AR Notes from $2.66 per share to $1.50 per share. Additionally, Laurus also acquired an additional Common Stock Purchase Warrant (together with the Warrant, the "Warrants") for the purchase of up to 100,000 shares of Common

Stock, exercisable until December 3, 2009 at a price of $3.00 per share.

To borrow money from Laurus pursuant to the AR Notes, once Catalyst is entitled to payment from the sale of goods, it submits a copy of such receivable to Laurus, and, if such receivable falls within Laurus' definition of an "eligible" accounts receivable, Laurus will advance Catalyst up to 90% of the net face amount of such eligible account receivable. The account debtor is notified to make payment to a lockbox controlled, and periodically swept, by Laurus. Once payment is received into this lockbox pursuant to an eligible account receivable, such proceeds are used to repay sums advanced against, and interest earned on, such eligible account receivable. The remainder of the payment from such account debtor is, in Laurus' discretion, either remitted to the Company or credited against other costs, fees and expenses then outstanding under the AR Notes.

The specific change reclassifies certain debt associated with Laurus to Current Liabilities from Long Term Debt, in accordance with the accounting pronouncements guiding the change. Although $2,570,457 of debt was reclassified, this adjustment did not affect Total Assets, Total Liabilities or Stockholders Equity on the Balance Sheet, nor create any change on the Consolidated Statement of Operations. The change also did not affect our borrowing ability with Laurus. Management believes this reclassification could possibly impact the Company by impairing our ability to secure future third party financing, but management also believes this is the only impact on the Company as a result of the reclassification itself.

In accordance with generally accepted accounting principles, such an arrangement requires classification as current debt instead of the long term debt classification as it was originally recorded in the Company's Form 10-KSB financial statements. Accordingly, on February 17, 2005, we filed an amended Form 10-KSB for the fiscal year ended September 30, 2004.

On April 19, 2005, Laurus agreed to the early release to the Company of $400,000 (less any accrued but unpaid interest) under the Term Note, and in connection therewith, the Company has agreed to issue to Laurus 250,000 shares of common stock of the Company.

On July 6, 2005 the Company and Laurus executed Amendment No. 3, whereby Laurus agreed to release to the Company $950,392 from the Restricted Account, provided that $832,453 of such released amount was applied by the Company to repay the excess funding on the A/R Notes and no less than $53,138 of such released amount was applied to repay accrued and unpaid interest on the Term Loan. The remaining $64,801 was to be used by the Company solely for working capital.

Effective July 29, 2005, the Company and A.M. Rhyne LP executed a Note Extension Agreement whereas the Subordinate Promissory Note totaling $700,000 and expiring on July 30, 2005 was extended to December 1, 2005.

On August 15, 2005, the Company and Laurus executed Amendment No. 4 whereby Laurus agreed to postpone amortizing payments of the aggregate principal amount of the Term Note until December 1, 2005 at which time the Company shall make monthly payments to Laurus on each Repayment Date, each such payment in the amount of $86,091 together with any accrued and unpaid interest on such portion of the Principal Amount plus any and all other unpaid amounts which are then owing under the Term Note, the purchase agreement pursuant to which the Term Note was entered into and/or any other related agreement.

The Company's Chief Financial Officer, Brady Basil, resigned on June 14, 2005 but remained with the Company in a consulting role through the end of June 2005 for transition purposes. Dennis Depenbusch, the Company's Chairman, President and Chief Executive Officer, has been serving as principal financial officer since Mr. Basil's departure.

Despite the positive developments for our business and finance, cash flow and lack of profitability remain significant challenges. We are seeking to increase both cash flow and profitability by growing sales internally as well as through acquisitions or other strategic alternatives. If we do not raise additional equity capital sufficient to provide for positive working capital and are unable to return in the near term to profitability, we may be required to curtail future operations and/or liquidate assets or enter into credit arrangements on less than favorable terms than would normally be expected, to provide for future liquidity. The Company will examine all options available to it if these acquisitions and/or additional equity or other strategic alternatives are not available.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2005 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2004

Revenue. Revenues decreased for the three months ended June 30, 2005 by $1,088,845 or 24% compared to the corresponding prior period. The decrease was due to slower spot sales compared to the corresponding prior period, a decline in steel area lighting pole sales and a decline in sales to one of our OEM customers. Excluding commissions from sales (See table below), the decrease in revenue can be attributed to a $583,904 (53%) decrease in sales to an OEM customer, a $350,295 (22%) decrease in sports lighting pole sales, and a $156,840 (93%) decrease in sales to an OEM customer who previously held a lighting contract with Wal-Mart that expired in March 2004.

Cost of Goods Sold. Cost of goods sold decreased for the three months ended June 30, 2005 by $658,474 or 23% compared to the corresponding prior period. Gross margins of 32% for the quarter compared to 33% in the corresponding prior period were fairly constant between the two reporting periods.

Gross Margin. The decrease in gross margin is due to product mix, raw material cost, pricing demands in the market, freight, and manufacturing inefficiencies. Cost of goods sold for the three months ended June 30, 2005 was $2,225,721, which generated a gross margin of 32%, compared to 33% for corresponding prior period.

Our agents have the ability to sell our products at or above the base price of our products, and our commission structure pays agents 100% of the overage above our base price. The table below itemizes commission revenue generated from the 100% overage and revenue generated from our base price.

	2005	2004
Base Price Revenue	$ 2,610,525	$ 3,471,283
Commission Revenue	655,630	803,717
Gross Sales	$ 3,266,155	$ 4,275,000

General, selling, and administrative expense (GSA expense). GSA decreased $253,052 or 17% for the three months ended June 30, 2005. The GSA decrease was the result of a decrease of expenses paid related to commissions of $148,017 and

reductions in salary, wages and benefits of $74,267.

Interest Expense. Interest expense increased $512,179 for the quarter ended June 30, 2005 compared to the corresponding prior period. The increase was due to an increase in interest expense of $61,261 and an increase in non-cash charges of warrant expense and debt discounts of $450,918.

NINE MONTHS ENDED JUNE 30, 2005 COMPARED TO THE NINE MONTHS ENDED JUNE 30, 2004

Revenue. Revenues decreased for the nine months ended June 30, 2005 by $2,581,105 or 21% compared to the corresponding prior period. The decrease was due to a decline in sales to one OEM customer, slower sports sales compared to the corresponding prior period, less steel area lighting pole sales and less commission revenue. Excluding commissions from sales (See table below), the decrease in revenue can be attributed to a $1,345,924 (97%) decrease in sales to an OEM customer, a $1,111,372 (38%) decrease in sports lighting pole sales, and a $577,225 (14%) decrease in steel area lighting poles. The OEM customer referred to herein previously held a lighting contract with Wal-Mart that expired in March 2004.

Cost of Goods Sold. Cost of goods sold decreased for the nine months ended June 30, 2005 by $1,618,933 or 19% compared to the corresponding prior period. Gross margins of 30% for the nine months ended June 30, 2005 compared to 32% in the corresponding prior period were fairly constant between the two reporting periods. The decrease was mainly due to product mix, raw material cost and pricing demands in the market.

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Gross Margin. The decrease in gross margin is due to product mix, raw material cost, pricing demands in the market, freight, and manufacturing inefficiencies. Cost of goods sold for the nine months ended June 30, 2005 was $6,892,788, which generated a gross margin of 30%, compared to 32% for corresponding prior period.

Our agents have the ability to sell our products at or above the base price of our products, and our commission structure pays agents 100% of the overage above our base price. The table below itemizes commission revenue generated from the 100% overage and revenue generated from our base price.

	2005	2004
Base Price Revenue	$ 7,960,881	$ 10,067,015
Commission Revenue	1,898,551	2,373,522
Gross Sales	$ 9,859,432	$ 12,440,537

General, selling, and administrative expense (GSA expense). GSA decreased $401,437 or 9% for the nine months ended June 30, 2005 compared to the corresponding prior period. The GSA decrease was the result of a decrease of expenses paid related to commissions of $474,500 and reductions in salary, wages and benefits of $94,569. These savings were off-set by increases in property taxes of $56,475, legal fees of $49,114, and accounting fees of $33,320.

Interest Expense. Interest expense increased $749,082 for the nine months ended June 30, 2005 compared to the corresponding prior period. The increase was due to an increase in interest expense of $131,137 and in increase in non-cash

charges of warrant expense and debt discount of $617,945.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, we had a working capital deficit of $3,185,922. We also incurred a net loss for both the three month and nine month periods ending June 30, 2005 of $(746,383) and $(2,006,797), respectively. We believe the loss is due to the decline in the sports and area lighting pole business, the decrease in gross margin, and the impact of the loss of Wal-Mart business through an OEM customer.

We are also seeking to increase both cash flow and profitability by growing sales internally as well as through acquisitions or other strategic alternatives. If we do not raise additional equity capital sufficient to provide for positive working capital and are unable to return in the near term to profitability, we may be required to curtail future operations and/or liquidate assets or enter into credit arrangements on less than favorable terms than would normally be expected, to provide for future liquidity. The Company will examine all options available to it if these acquisitions and/or additional equity or other strategic alternatives are not available.

Cash used in operations for the nine months ended June 30, 2005 and 2004 was $(899,323) and $(126,080), respectively. The June 30, 2005 increase in the use of cash compared to the prior period resulted primarily from an increased loss of $1,563,618.

Cash provided by (used in) investing activities for nine months ended June 30, 2005 and 2004, was $989,124 and $(58,290), respectively. This was primarily a result of the increase of $1,000,000 of restricted cash from the Term Note during the nine months ended June 30, 2005.

Cash provided by (used in) financing activities for the nine months ended June 30, 2005 and 2004 was $(377,561) and $168,414, respectively. For the nine months ended June 30, 2005 cash flows from financing activities decreased primarily due to a decrease in common stock issuance.

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Material cash requirements for the next twelve months not in the ordinary course of business relate to the soliciting and closing of possible acquisition targets or other strategic opportunities. Regarding repayment of debt, over the next 12 months our current maturities of long term debt as of June 30, 2005 is $1,666,273, consisting of subordinated debt and repayment of the release of restricted cash by Laurus Master Fund, Ltd from the Term Note. For the next 12 months, one $250,000 payment is due on December 31, 2005, and one $700,000 payment plus accrured interest is due on December 1, 2005. On August 15, 2005, the Company and Laurus executed Amendment No. 4 whereby Laurus agreed to postpone amortizing payments of the aggregate principal amount of the Term Note until December 1, 2005 at which time the Company shall make monthly payments to Laurus on each repayment date, each such payment in the amount of $86,091 together with any accrued and unpaid interest on such portion of the principal amount plus any and all other unpaid amounts which are then owing under the Term Note, the purchase agreement pursuant to which the Term Note and related documents. Any remaining payments are spread evenly over the entire year.

We intend to fund future payments on these obligations through operational cash flow, further utilization of our existing credit facility with Laurus, conversion of the AR Notes into Common Stock, and adding additional subordinated debt. We also believe future capital raises or other strategic alliances, mergers, or sales are possible to fund growth, operations, and other business opportunities. However, we cannot assure that any of these sources is available

to us.

On September 30, 2004, the Company entered into the financing arrangements with Laurus, as set forth above, in the aggregate principal amount of up to three million dollars ($3,000,000). Laurus also received a common stock purchase warrant to purchase up to 472,000 shares of Common Stock at an exercise price of $3.00 per share.

On December 3, 2004, the terms of the Notes were amended such that Catalyst received an advance on $600,000 of the funds agreed to be advanced pursuant to the Term Note in exchange for lowering the fixed conversion price of the Notes from $2.66 per share to $1.50 per share. Laurus also acquired an additional Common Stock Purchase Warrant for the purchase of up to 100,000 shares of Common Stock, exercisable until December 3, 2009 at a price of $3.00 per share.

Pursuant to our registration statement filed on Form SB-2 on March 24, 2005 (the "Registration Statement") which became effective April 11, 2005, we registered the Common Stock issuable to Laurus underlying the AR Notes, assuming conversion of the maximum amounts thereunder and conversion of all Warrants, plus an additional 250,000 shares of Common Stock to cover any future anti-dilution protection Laurus may receive pursuant to the AR Notes and Warrants. None of the Common Stock underlying the Term Note was registered in the Registration Statement.

On April 19, 2005, $400,000 of the Term Note funds held in the escrow account was released by Laurus. Laurus received 250,000 shares of the Company's Common Stock as consideration for the advance.

The Notes currently bear interest at "prime" (currently 5.25%) plus 2%, or a current aggregate of 7.50%. Laurus is prohibited from converting money owed under the Notes, in the aggregate, into more than 4.99% percent of the Common Stock. The Term Note and the Borrowing Note also each prohibit conversion into Common Stock until (a) money has been advanced pursuant to any of such notes and (b) the shares of Common Stock underlying the respective Notes have been registered for re-sale or are exempt from the registration requirements. Since the Common Stock underlying the Term Note is not being registered in the Registration Statement, the Term Note cannot currently be converted. However, sums advanced pursuant to the AR Notes may be converted into shares of Common Stock being registered hereunder at $1.50 per share.

As of June 30, 2005, $2,827,612 has been advanced pursuant to the AR Notes and $1,894,018 (including the $600,000 and the $400,000 referenced above) has been advanced pursuant to the Term Note. Catalyst has the option of prepaying the Term Note and Borrowing Note by paying 120% of all amounts then due and owing to Laurus. The AR Notes, aggregating $3,000,000, are for accounts receivable financing provided by Laurus and, once received, there is no restriction on the use of such funds. The Term Note provides up to $2,000,000 for acquisitions and/or general working capital, with its use subject to the approval of Laurus. The Securities Purchase Agreement pursuant to which the Term Note was issued (the "SPA") also contains restrictions for so long as at least 25% of the Term Note is still outstanding. During such time, Catalyst is prohibited from, among other things, (i) declaring or paying any dividends, (ii) issuing any preferred stock that is mandatorily redeemable prior to payment in full of all indebtedness and liabilities of the Company to Laurus, (iii) redeeming any of its preferred stock or other equity interests, (iv) liquidating, dissolving or effecting a material reorganization (it being understood that in no event shall the Company dissolve, liquidate or merge with any other person or entity unless the Company is the surviving entity) and (v) materially altering or changing the scope of the business of the Company.

The existence of the AR and Term Notes could impact our ability to obtain future financing, as Laurus holds a $5,000,000 first priority security interest in all of our accounts receivable and other assets. Additionally, until the Term Note is paid in full, Laurus holds a right of first refusal to provide any additional debt or equity financing the Company may seek. The further leveraging of our balance sheet and dilution of our Common Stock could prevent future financing arrangements for the Company.

On July 6, 2005 the Company and Laurus executed Amendment No. 3, whereby Laurus agreed to release to the Company $950,392 from the Restricted Account, provided that $832,453 of such released amount was applied by the Company to repay the excess funding on the A/R Notes and no less than $53,138 of such released amount was applied to repay accrued and unpaid interest on the Term Loan. The remaining $64,801 was to be used by the Company solely for working capital.

On August 15, 2005, the Company and Laurus executed Amendment No. 4 whereby Laurus agreed to postpone amortizing payments of the aggregate principal amount of the Term Note until December 1, 2005 at which time the Company shall make monthly payments to Laurus on each repayment date, each such payment in the amount of $86,091 together with any accrued and unpaid interest on such portion of the principal amount plus any and all other unpaid amounts which are then owing under the Term Note and related documents.

If (i) Catalyst shall have registered all Common Stock underlying the Notes and Warrants and (ii) the market price of the Common Stock for the five trading days immediately preceding the last day of the most recent month exceeds the then applicable fixed conversion price by at least twenty five percent (25%), the interest rate for the succeeding calendar month shall automatically be reduced by 200 basis points, or 2%, for each incremental twenty five percent (25%) increase in the market price of the Common Stock above the then applicable fixed conversion price. If (i) the Company shall not have registered the shares of Common Stock underlying the Notes and Warrants and (ii) the market price of the Common Stock as reported by Bloomberg, L.P. on the principal market for the five trading days immediately preceding the last day of the most recent month exceeds the then applicable fixed conversion price by at least twenty five percent (25%), the interest rate for the succeeding calendar month shall automatically be decreased by 100 basis points, or 1%, for each incremental twenty five percent (25%) increase in the market price of the Common Stock above the then applicable fixed conversion price. As the Common Stock underlying the Term Note is not being registered pursuant to the Registration Statement, we anticipate that we may only be able to reduce the interest rate under the Notes at the 1% rate set forth in the immediately preceding sentence. Failure to decrease the interest rate by 2%, as set forth above, is not expected to affect the Company in a material way as the aggregate annual difference, even if all $5,000,000 under the Notes were currently outstanding, is only $50,000. Currently, there is only $4,622,629 outstanding under all Notes, $2,827,611 having been advanced pursuant to the AR Notes and $1,894,018 (including the $600,000 and $400,000 referenced above) having been advanced pursuant to the Term Note. Interest under the Notes is not payable in shares of Common Stock.

The AR Notes, aggregating $3,000,000, are for accounts receivable financing provided by Laurus and there is no restriction on the use of such funds. However, the Term Note was to provide up to $2,000,000 for acquisitions approved by Laurus and general working capital purposes only.

The Security Agreement pursuant to which the AR Notes were issued contains restrictions requiring Laurus' consent in order to (i) create, incur, assume or suffer to exist any indebtedness (exclusive of trade debt) whether secured or unsecured, (ii) cancel any debt owing to it in excess of $50,000 in the aggregate during any 12 month period, (iii) assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any

obligations of any other Person, except for transactions in the ordinary course of business, (iv) directly or indirectly declare, pay or make any dividend or distribution on any class of its stock or assets, (v) purchase, redeem or retire any Company stock, (vi) directly or indirectly prepay any indebtedness (other than to Laurus and in the ordinary course of business), or repurchase, redeem, retire or otherwise acquire any indebtedness (other than to Laurus and in the ordinary course of business) except to make scheduled payments of principal and interest thereof, (vii) enter into any merger, consolidation or other reorganization with or into any other person or acquire all or a portion of the assets or stock of any person or permit any other person to consolidate or merge with it, unless (1) Company is the surviving entity of such merger or consolidation, (2) no event of default shall exist immediately prior to and after giving effect to such merger or consolidation, (3) Company shall have provided Laurus copies of all documentation relating to such merger or consolidation and (4) Company shall have provided Laurus with at least thirty (30) days' prior written notice of such merger or consolidation, (viii) materially change the nature of the business in which it is presently engaged, (ix) change its fiscal year or make any changes in accounting treatment and reporting practices, except as required by GAAP or in the tax reporting treatment or except as required by law or (x) enter into any transaction with any employee, director or affiliate of Catalyst, except in the ordinary course on arms-length terms.

ITEM 3. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Our chief executive officer, who is also currently our chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of a date (the "Evaluation Date") as of the end of the period covered by this quarterly report, has concluded that, as of the Evaluation Date, disclosure controls and procedures were effective and designed to ensure that material information relating to consolidated subsidiaries would be made known to them by others within those entities.

INTERNAL CONTROL OVER FINANCIAL REPORTING. Under Rules 13a-15 and 15d-15 of the Exchange Act, companies are required to maintain internal control over financial reporting, as defined, and company management is required to evaluate and report on internal control over financial reporting. Under an extended compliance period for these rules, the Company must begin to comply with the evaluation and disclosure requirements with its annual report for the fiscal year ending September 30, 2006, and the Company must begin to comply with a requirement to perform a quarterly evaluation of changes to internal control over financial reporting that occur thereafter.

We are in the process of performing a detailed assessment of our internal controls as required by the Sarbanes-Oxley Act of 2002. We are in the scoping phase and have identified potential control deficiencies in our system of internal controls and will implement policies and procedures to remediate these deficiencies during the testing and remediation phase. To ensure that we address these issues thoroughly, effectively and timely, we have supplemented our internal project team with the services of an outside specialist.

(b) CHANGES IN INTERNAL CONTROLS. There were no changes in internal controls or to our knowledge, in any other factors that could materially affect,

or would be reasonably likely to materially affect, disclosure controls and procedures, or internal control over financial reporting, subsequent to June 30, 2005.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On April 28, 2004, FWT, Inc. sued the Company for breach of contract and attorney's fees. The lawsuit relates to an unpaid purchase order in the amount of $30,609 which is disputed by the Company. The Company filed an answer on June 8, 2004 and in addition to denying liability to FWT, the Company asserted claims for breach of contract and negligence against a third party, Double R Transport and Farms, Inc. The Company has reached an agreement in principle to settle its claims against Double R and it intends to vigorously defend itself against FWT's claims if that settlement is not finalized.

An Application for Mechanic's and Materialman's Lien; Demand for Payment; Notice of Mechanic's and Materialman's Lien and Demand for Payment was filed in the Circuit Court of the Third Circuit, State of Hawaii filed June 4, 2004 (the "Application"). This application was filed by GE Sports Lighting Systems, LLP ("GE") against Whitco and Kamehameha Schools/Bernice Pauahi Bishop Estate (the "Estate"), Hawaiian Dredging/Kajima and Does 1-50. GE is a contractor of a project to build sports complexes at two different schools on property owned by the Estate and hired us to provide lighting poles for the project. GE claims it is owed $313,385. Although it is not expressly stated in the Application, based on subsequent discussions with all parties, it appears the Estate withheld payment from GE due to the installation of the lighting poles using bolts that were different from those originally ordered. We proposed a fix which was approved in writing by both GE and the Estate. We then implemented this fix and have received verbal approval of such fix from all parties, including an independent architect hired by the Estate. On February 16, 2005 GE dismissed the Application.

On September 27, 2004, the Trustee for the Warren Electric Group, Ltd. bankruptcy estate sued the Company for recovery of $17,250 allegedly paid to the Company in the 90 days prior to Warren Electric's bankruptcy. The Company reached a settlement on December 20, 2004 by which it paid the Warren Liquidating Trust $8,625 and the suit was dismissed.

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ITEM 2. CHANGES IN SECURITIES.
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 AND REPORTS ON FORM 8-K.

(a) Exhibits

31.1 Certification of Principal Executive Officer pursuant to Section 302 of

the Sarbanes- Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2005.

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2005.

(b) Reports on Form 8-K.
Form 8-K filed April 20, 2005
Form 8-K filed June 20, 2005

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.

Registrant: CATALYST LIGHTING GROUP, INC.

Date: August 22, 2005

/s/ Dennis H. Depenbusch

Dennis H. Depenbusch
Chief Executive Officer,
Chairman of the Board of Directors,
Chief Financial Officer and Secretary