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GLOBAL YACHT SERVICES INC
Form 10QSB
November 14, 2003

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 SEPTEMBER 30, 2003

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: 000-49616

Global Yacht Services, Inc.

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

Nevada

88-0488686

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

7710 Hazard Center Drive, Suite E-415, San Diego, California, 92108

(Address of principal executive offices)

619.990.0976

(Issuer's Telephone Number)

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 practical date. As of November 14, 2003, there were 1,917,277 shares of the issuer's \$.001 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBAL YACHT SERVICES, INC.

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CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 AND 2002

GLOBAL YACHT SERVICES, INC.

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GLOBAL YACHT SERVICES, INC.

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2003

(UNAUDITED)

ASSETS

CURRENT ASSETS

| | |
|--------------------------|-----------|
| Cash | \$ 62,646 |
| Accounts receivable, net | 3,043 |
| | ----- |

| | |
|----------------------|--------|
| Total current assets | 65,689 |
|----------------------|--------|

DEPOSITS

| | |
|--|-------|
| | 2,460 |
| | ----- |

| | |
|--------------|-----------|
| Total assets | \$ 68,149 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

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| | |
|--|--------------------|
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | \$ 4,752 ----- |
| Total current liabilities | 4,752 |
| CONTINGENCIES | |
| STOCKHOLDERS' EQUITY | |
| Common stock, \$.001 par value; | |
| Authorized shares -- 50,000,000 | |
| Issued and outstanding shares-- 1,917,277 | 1,917 |
| Additional paid-in capital | 191,568 |
| Accumulated deficit | (130,088) ----- |
| Total stockholders' equity | 63,397 ----- |
| Total liabilities and stockholders' equity | \$ 68,149 ===== |

See accompanying notes to consolidated financial statements.

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GLOBAL YACHT SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---------------------------|----------------------------------|----------|---------------------------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| REVENUES | | | | |
| Charter services | \$ -- | \$ 9,250 | \$ -- | \$ -- |
| Yacht management fees | 12,606 | 7,491 | 23,386 | 23,386 |
| Sales commissions | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Net revenues | 12,606 | 16,741 | 23,386 | 23,386 |
| COST OF REVENUES | | | | |
| Charter expenses | -- | 1,405 | 3,000 | 3,000 |
| Yacht management expenses | 9,022 | 2,218 | 10,015 | 10,015 |
| | ----- | ----- | ----- | ----- |
| Total cost of revenues | 9,022 | 3,623 | 13,015 | 13,015 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|------------|-------------|-------------|-------|
| GROSS MARGIN | 3,584 | 13,118 | 10,371 | |
| OPERATING EXPENSES | | | | |
| Legal and professional fees | 8,660 | 22,644 | 26,281 | |
| Occupancy | 585 | 585 | 1,755 | |
| Office supplies and expense | 2,460 | 609 | 3,401 | |
| Outside services | -- | 1,500 | 1,500 | |
| Telephone and utilities | 1,341 | 390 | 1,807 | |
| | ----- | ----- | ----- | ----- |
| Total operating expenses | 13,046 | 25,728 | 34,744 | |
| | ----- | ----- | ----- | ----- |
| LOSS FROM OPERATIONS | (9,462) | (12,610) | (24,373) | |
| OTHER INCOME | -- | -- | -- | |
| | ----- | ----- | ----- | ----- |
| LOSS BEFORE PROVISION FOR INCOME TAXES | (9,462) | (12,610) | (24,373) | |
| PROVISION (BENEFIT) FOR INCOME TAXES | -- | -- | 800 | |
| | ----- | ----- | ----- | ----- |
| NET LOSS | \$ (9,462) | \$ (12,610) | \$ (25,173) | \$ |
| | ===== | ===== | ===== | ===== |
| NET LOSS PER COMMON SHARE - BASIC AND DILUTED | \$ -- | \$ (0.01) | \$ (0.01) | \$ |
| | ===== | ===== | ===== | ===== |
| WEIGHTED AVERAGE OF COMMON SHARES - BASIC AND DILUTED | 1,917,277 | 1,917,277 | 1,917,277 | 1, |
| | ===== | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

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GLOBAL YACHT SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)

| | SEPTEMBER 30, | |
|--------------------------------------|---------------|-------|
| | 2003 | 2002 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |

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| | | |
|--|-------------|-------------|
| Net loss | \$ (25,173) | \$ (19,322) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Occupancy costs contributed by officer | 1,755 | 1,755 |
| Changes in operating assets and liabilities | | |
| Increase in accounts receivable | (3,043) | -- |
| Increase in deposits | (2,460) | -- |
| (Decrease) increase in accounts payable and accrued expenses | (5,682) | 1,336 |
| | ----- | ----- |
| Net cash used in operating activities | (34,603) | (16,231) |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in yacht | -- | (25,000) |
| | ----- | ----- |
| Net cash used in investing activities | -- | (25,000) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of common stock | -- | 126,900 |
| | ----- | ----- |
| Net cash provided by financing activities | -- | 126,900 |
| | ----- | ----- |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (34,603) | 85,669 |
| CASH AND CASH EQUIVALENTS, beginning of period | 97,249 | 26,127 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS, end of period | \$ 62,646 | \$ 111,796 |
| | ===== | ===== |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Income taxes paid | \$ 800 | \$ 800 |
| | ===== | ===== |
| Interest paid | \$ -- | \$ -- |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

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GLOBAL YACHT SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

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The accompanying unaudited consolidated financial statements include the accounts of the Global Yacht Services, Inc. and its majority owned subsidiary, Global Yacht Services, Ltd. All significant intercompany transactions have been eliminated, if any. The unaudited consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 301(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2003 and 2002 are not necessarily indicative of the results that may be expected for the years ended December 31, 2003 and 2002. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-KSB.

NOTE 2 - COMMON STOCK

On May 10, 2002, the Company issued 634,500 shares of its common stock at a selling price of \$0.20 per share pursuant to its prospectus as filed with its registration statement on Form SB-2. The net proceeds were \$126,900.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company occupies office space provided by its officer. Accordingly, occupancy costs have been allocated to the Company based on the square foot percentage assumed multiplied by the officer's total monthly costs. These amounts are shown in the accompanying consolidated statement of operations for the three and nine months periods ended September 30, 2003 and 2002, respectively, and are considered additional contributions of capital by the officer and the Company.

NOTE 4 - SUBSEQUENT EVENT

On November 5, 2003, the Company entered into a letter of intent to acquire DeliaTroph Pharmaceuticals, Inc. dba Hyalozyme Therapeutics, Inc. ("Hyalozyme"). The merger is conditional on the negotiation of a definitive merger agreement; the completion of an approximately \$7,000,000 round of financing by the Company; and, the Company and Hyalozyme obtaining all necessary board, shareholder and third party approvals, among other conditions.

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Item 2. Plan of Operation

This following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "will", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty

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is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

Critical Accounting Policy and Estimates. Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors 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. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to the consolidated financial statements included in our Quarterly Report on Form 10-QSB for the period ended September 30, 2003.

We provide a broad range of yacht services in the global marketplace. Our services include yacht rental and charter, yacht sales and yacht services, such as the provision of captain, crew, supplies, maintenance, delivery as well as full-scale contracted care of yachts. Our president, Mitch Keeler, is an experienced captain and possesses a captain certification from the U.S. Coast Guard. Mr. Keeler provides professional advice and consultation for all aspects of yacht lease, purchase and ownership and is available for on site assistance anywhere in the world.

We currently generate revenues from our charter services, which range from day charters to full week charters. We currently offer private yacht charters in San Diego, usually of up to one week in duration as well as corporate charters, which are typically 3 to 5 hours and short range. We have very few charters that are longer than one week, however, they do occur. Our officers act as captain and crew for our charter services, but we often utilize outside businesses for services such as catering and bartending.

We have also generated revenues from our yacht management services and our delivery services. Yacht management services include managing the yacht for the

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owners including routine maintenance, repairs and electronics installation. Regular maintenance includes services such as exterior and interior cleaning, bottom cleaning, waxing and zinc replacement. Delivery services include delivering newly purchased yachts to various locations around the world.

We have also contemplated acquiring a third party, merging with a third party or pursuing a joint venture with a third party in order to support our development. Accordingly, we have been researching potential acquisitions or other suitable business partners which will assist us in realizing our business objectives. In that regard, in November 2003 we entered into a letter of intent with DeliaTroph Pharmaceuticals, Inc., dba Hyalozyme Therapeutics, Inc, ("Hyalozyme") a privately held corporation based in San Diego, California and its stockholders to merge with Hyalozyme. The proposed merger is to be accomplished by forming a wholly-owned merger subsidiary which would then merge with and into Hyalozyme, with Hyalozyme being the survivor. In addition, Hyalozyme's outstanding shares would then be converted into a combination of common shares, as well as options and warrants to purchase our common stock, in addition to shares of preferred stock, to correspond to the capitalization of Hyalozyme.

Prior to closing of the merger, we will have no more than \$100,000 in liabilities and have no more than 3,900,000 shares of our common stock issued and outstanding. Under the terms of the proposed merger, we will have approximately 35,500,000 shares issued and outstanding at closing, in addition to convertible preferred stock, warrants and options, which will be issued to the historical shareholders of Hyalozyme. Prior to closing, Hyalozyme may also grant additional options to its current senior management. Also under the terms of the proposed merger, and following closing, we will change our name to DeliaTroph Pharmaceuticals, Inc. or a similar name. Prior to closing, Hyalozyme must complete a financing of no more than \$7,112,142. Hyalozyme anticipates raising those funds through equity financings, although there is no guarantee that it will be able to do so.

We hope to conclude this transaction during January 2004, though we cannot guarantee that this will occur. We believe that this transaction will increase the value of our common stock to our shareholders, however, we cannot guaranty that we will be able to consummate this transaction or that we will be able to acquire any such entity, or that in the event that we acquire another entity, this acquisition will increase the value of our common stock. We intend to continue providing our yacht maintenance, charter and delivery services until such time as we consummate such an agreement.

Liquidity and Capital Resources. Our total assets were \$68,149 as of September 30, 2003. Of those assets, we had cash of \$62,646 and accounts receivable of \$3,043 as of September 30, 2003. Therefore, our total current assets were \$65,689 as of September 30, 2003. We also had \$2,460 in deposits. We believe that our available cash is sufficient to pay our day-to-day expenditures.

Our current liabilities were \$4,752 as of September 30, 2003, and were represented solely by accounts payable and accrued expenses. We had no other liabilities and no long term commitments or contingencies as of September 30, 2003.

For the three months ended September 30, 2003.

Results of Operations.

Revenue. For the three months ended September 30, 2003, we realized revenues of \$12,606 from yacht management fees, compared to revenues of \$16,741 generated for the three months ended September 30, 2002, which resulted from receiving \$9,250 in charter services and \$7,491 in yacht management fees. The difference in our revenues is accounted for the by fact that we had different sources of revenues during the three months ended September 30, 2003. Our cost of revenues

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was \$9,022 for the three months ended September 30, 2003, which was represented solely by yacht management expenses. This is compared to cost of revenues of \$3,623 for the same period ended September 30, 2002, which was represented by \$1,405 in charter expenses and \$2,218 in yacht management expenses. Therefore, our gross margin for the three months ended September 30, 2003 was \$3,584, compared to \$13,118 for three months ended September 30, 2002. We hope to generate more revenues as we expand our customer base.

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Operating Expenses. For the three months ended September 30, 2003, our total operating expenses were approximately \$13,046, compared to \$25,728 for the three months ended September 30, 2002. For the three months ended September 30, 2003, the majority of our total operating expenses were represented by legal and professional fees of \$8,660. We also had occupancy expenses of \$585, office supplies and expense of \$2,460 and \$1,341 for telephone and utilities. Our operating expenses for the three month period ending September 30, 2002 totaled \$25,728, most of which were represented by legal and professional fees of \$22,644. We also had occupancy expenses of \$585, office supplies and expense of \$609, outside services expenses of \$1,500, and \$390 for telephone and utilities. Our operating expenses were lower because we incurred fewer professional and legal fees during the three month period ending September 30, 2003 as compared to the three months ending September 30, 2002, because during 2002 we were preparing a registration statement.

For the three months ended September 30, 2003, we experienced a net loss of approximately \$9,462, compared to a net loss of \$12,610 for the three months ended September 30, 2002, because we incurred lower operating expenses during the three months ended September 30, 2003. We anticipate that we will continue to incur significant general and administrative expenses, but hope to continue generating income as we expand our operations.

For the nine months ended September 30, 2003.

Results of Operations.

Revenue. For the nine months ended September 30, 2003, we realized revenues of \$23,386 from yacht management fees, compared to revenues of \$53,436 generated for the nine months ended September 30, 2002, which resulted from receiving \$11,930 in charter services, \$16,506 in yacht management fees and \$25,000 we received from sales commissions. The difference in our revenues is accounted for primarily by the fact that we had no revenues from sales commissions or charter services during the nine months ended September 30, 2003. Our cost of revenues was \$13,015 for the nine months ended September 30, 2003, which was represented by \$3,000 in charter expenses and \$10,015 in yacht management expenses. This is compared to \$13,890 for the same period ended September 30, 2002, which was represented by \$5,472 in charter expenses and \$8,418 in yacht management expenses. Therefore, our gross margin for the nine months ended September 30, 2003 was \$10,371, compared to a gross margin of \$39,546 for nine months ended September 30, 2002. We hope to generate more revenues as we expand our customer base.

Operating Expenses. For the nine months ended September 30, 2003, our total operating expenses were \$34,744 compared to \$58,072 for the nine months ended September 30, 2002. For the nine months ended September 30, 2003, the majority of our total operating expenses were represented by legal and professional fees of \$26,281. We also had occupancy expenses of \$1,755, office supplies and expense of \$3,401, outside services expenses of \$1,500, and \$1,807 for telephone and utilities. Our operating expenses for the nine month period ending September

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30, 2002 totaled \$58,072, most of which were represented by legal and professional fees of \$48,185. We also had occupancy expenses of \$1,755, office supplies and expense of \$2,365, outside services expenses of \$4,500, and \$1,267 for telephone and utilities. Our operating expenses were lower because we incurred fewer professional and legal fees during the nine month period ending September 30, 2003 as compared to the nine months ending September 30, 2002, because during 2002 we were preparing a registration statement.

For the nine months ended September 30, 2003, we experienced a net loss of approximately \$24,373, compared to a loss from operations of \$18,526, plus \$4 in other income for a net lost of \$18,522 for the nine months ended September 30, 2002, because we generated lower revenues during the nine months ended September 30, 2003, despite the fact that our expenses were lower during the nine months ended September 30, 2003 as compared to the same period ended September 30, 2002. We anticipate that we will continue to incur significant general and administrative expenses, but hope to continue generating income as we expand our operations.

Our Plan of Operation for the Next Twelve Months. In our management's opinion, to effectuate our business plan in the next twelve months, the following events should occur or we should reach the following milestones in order for us to become profitable:

1. We must conduct marketing activities to promote our services and obtain additional customers to increase our customer base. We currently market our business primarily through referrals and our website. Our president, Mitch Keeler, had a large foundation of business and a strong reputation in the industry, which we believe has been transferred to us. We believe that referrals comprise approximately 70% of our business and business generated from our website is approximately 30% of our business. Future marketing will include articles and advertisements in industry publications, such as: Yachting, Motor Boating, and Sea. We hope to continue to increase our customer base.
2. We must continue to develop relationships with various parties including yacht owners, sellers, brokers, lessors, charter agents, maintenance suppliers, industry professionals and specialists, captains, crew, engineers, designers, insurance agents, legal advisors, and government agents. We believe that these parties will help supply some of our services and they may become sources of referrals. We hope to continue to develop relationships with several of those parties who provide some of the services that we offer as well as be sources of referrals.
3. We must develop our website so that it will function as a means for global clients to access our range of services and communicate with us for support services as well as for use as a marketing tool to inform and persuade customers to engage our services. We intend to develop our website so that we utilize a database set up on the backend, which will capture customer information and allow us to process information concerning our clients and potential clients. One objective for our website is to interact with clients in "real time" so that they feel that their needs are being taken care of

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professionally and on a personal level. Within six to twelve months, we should have developed our website to provide those services.

We have cash of \$62,646 as of September 30, 2003. In the opinion of management, available funds will satisfy our working capital requirements for the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could differ as a result of a number of factors.

We hope to conclude the transaction with Hyalozyme as described above during the next three months, as described above, though we cannot guarantee that this will occur. We intend to continue providing our yacht maintenance, charter and delivery services until such time as we consummate the transaction with Hyalozyme.

We are not currently conducting any research and development activities, other than the development of our website. We do not anticipate conducting such activities in the near future. In the event that we expand our customer base, then we may need to hire additional employees or independent contractors as well as purchase or lease additional equipment.

Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed as of September 30, 2003, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were adequate.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to Vote of Security Holders

None.

Item 5. Other Information

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None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

31. Rule 13a-14(a)/15d-14(a) Certifications.

32. Section 1350 Certifications.

(b) Reports on Form 8-K

None.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Global Yacht Services, Inc.,
a Nevada corporation

November 14, 2003

By: /s/ Mitch Keeler

Mitch Keeler

Its: president, principal executive
officer, director

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