10QSB/A 1 entech10qsba2-123107.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB/A
Amendment No. 2

(MARK ONE)

o **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT**
For the transition period from September 30, 2007 to December 31, 2007

ENTECH ENVIRONMENTAL, INC.
(Exact Name of Registrant as specified in its charter)

Florida	**77-0616120**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
3233 Grand Avenue, Suite N-353, Chino Hills, CA	**91709-1489**
(Address of principal executive offices)	(Zip Code)

(909) 623-2502
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: as of February 13, 2008, the issuer had 76,781,218 shares of its common stock issued and outstanding.

Transitional small business disclosure format (check one): Yes x No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes x No o

EXPLANATORY NOTE

This Amended Quarterly Report on Form 10-QSB/A is being filed for the purpose of correcting the cover page to conform that the Company is filing a Transitional small business disclosure format as the Company changed its year end from September 30 to December 31. In all other material respects this Amended Quarterly Report on Form 10-QSB/A is unchanged from the Quarterly Report on Form 10-QSB filed by the Company on February 14, 2008.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
BALANCE SHEETS
(UNAUDITED)

	December 31 2007	September 30 2007
ASSETS		
Current assets:		
Cash	$ 26,661	$ 271
Related party receivable	-	120,000
Total current assets	26,661	120,271
Property and equipment, net	-	245
Total assets	$ 26,661	$ 120,516
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 152,460	$ 198,284
Accrued interest and other	716,103	547,884
Purchase price payable	29,209	29,209
Due to affiliated entities	272,371	272,371
Current portion of notes payable	3,336,347	2,743,039
Total current liabilities	4,506,490	3,790,787
Notes payable, net of current portion	551,500	453,335
Commitments and contingencies	-	-
Deficiency in stockholders' equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.001 par value; 100,000,000 shares authorized; 32,976,340 and 34,530,840 shares issued and outstanding, respectively	32,977	34,531
Additional paid-in capital	17,635,811	17,699,585
Common stock subscribed, 3,500 and 3,500 shares, respectively	597	597
Accumulated deficit	(22,700,715)	(21,858,319)
Total deficiency in stockholders' equity	(5,031,330)	(4,123,606)
Total liabilities and deficiency in stockholders' equity	$ 26,661	$ 120,516

See accompanying notes to the consolidated financial statements.

Table of Contents

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended December 31	
	2007	**2006**
Revenues, net	$ -	$ -
Operating expenses:		
Selling, general, and administrative expenses	30,753	23,284
Depreciation and amortization	245	1,205
Total operating expenses	30,998	24,489
Loss from operations	(30,998)	(24,489)
Other income	21,724	-
Interest expense	(833,122)	(670,734)
Loss before provision for income taxes and discontinued operations	(842,396)	(695,223)
Provision for income taxes	-	-
Loss from continuing operations	(842,396)	(695,223)
Loss from discontinued operations, net of taxes	-	(110,038)
Net loss	$ (842,396)	$ (805,261)
Net loss per share - basic and fully diluted	$ (0.02)	$ (0.02)
Net loss per share - continuing operations	$ (0.02)	$ (0.02)
Net loss per share - discontinued operations	$ -	$ -
Basic and diluted weighted average number of shares outstanding	34,347,449	33,630,840

See accompanying notes to the consolidated financial statements.

Table of Contents

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended December 31, 2007	For the three months ended December 31, 2006
Net loss	$ (842,396)	$ (805,261)
Cash flows from continuing operating activities:		
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	245	1,205
Common stock issued for settlements	7,900	-
Settlement of accounts payable	22,724	-
Amortization of note discount	158,094	115,878
Changes in:		
Other assets	-	18,844
Accounts payable and accrued expenses	651,927	434,248
Net cash used in continuing operating activities	(46,954)	(235,086)
Net cash provided discontinued operations from continuing operations	-	182,795
Net cash used in operating activities	(46,954)	(52,291)
Cash flows from investing activities:		
Net cash used in continuing investing activities	-	-
Net cash provided by discontinued operations from investing activities	-	19,000
Net cash provided by investing activities	-	19,000
Cash flows from financing activities:		
Net proceeds from notes payable	73,344	15,000
Net cash provided by continuing financing activities	73,344	15,000
Net cash used by discontinued operations from financing activities	-	(6,766)
Net cash provided by financing activities	73,344	8,234
Net increase (decrease) in cash	26,390	(25,057)
Cash at beginning of period	271	83,315
Cash at end of period	$ 26,661	$ 58,258
Supplemental Disclosures of Cash Flow Information :		
Cash paid during the period for interest	$ -	$ 10,742
Common stock issued to consultants for services	$ -	$ 5,000
Common stock issued for accounts payable	$ 1,000	$ 127,935
Common stock issued for legal settlements	$ 6,900	$ -

Beneficial conversion feature of convertible note payable	$ 46,772	$ 504,523
Related Party Receivable	$ 120,000	$ -
Cancelation of Common Stock	$ (120,000)	$ -

See accompanying notes to the consolidated financial statements.

Table of Contents

NOTE 1 – BUSINESS, BASIS OF PRESENTATION and GOING CONCERN ISSUES

Entech Environmental Technologies, Inc. ("Entech" or the "Company"), formerly Cyber Public Relations, Inc., was formed in June, 1998 under the laws of the State of Florida. The Company, through its H.B. Covey subsidiary, provided construction and maintenance services to petroleum service stations in the southwestern part of the United States of America, and provides installation services for consumer home products in Southern California.

The Company was formed for the purpose of engaging in the environmental services business. The Company had been unable to execute its business plan, and exited the environmental services business. The Company is now considered a shell corporation under applicable rules of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended.

Up until July 2007, our Company was organized to provide construction and maintenance services to petroleum service stations in the southwestern part of the United States of America, and provides installation services for consumer home products in Southern California. We operated our business through our wholly-owned subsidiary, H.B. Covey Inc.

In June 2007, we determined to dispose of all of the assets of the HB Covey, Inc, and entered into discussions with a prospective purchaser.

During July 2007, we entered into an agreement to sell those assets for an aggregate selling price of $100,000 in cash and 1.9 million in shares of Company stock from current CEO and CFO, Burr Northrop. Under the terms of the sale, HB Covey, Inc. assumed certain liabilities. We completed the sale during July 2007. Subsequent to the sale the company has no operations and no income.

At this time, we have no operations, our assets consist primarily of cash, and our liabilities consist exclusively of payables, accrued expenses and debt. Since July 2007, our operations have consisted solely of identifying and completing a business combination with an operating company and compliance with our reporting obligations under federal securities laws.

Due to the lack of growth in this business segment, we have been simultaneously seeking alternate business opportunities in other industries. Depending upon the business opportunity, we may acquire assets or technologies to develop our own business or we may seek out business opportunities with established business entities for the merger of a target business with our Company. Management is looking to raise debt and equity to finance its acquisition of technologies and assets.

The Company is now considered a shell corporation under applicable rules of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended. Having been unable to execute our business plan, we have exited this business and are, therefore, considered a shell corporation under applicable rules of the Securities and Exchange Commission (the “SEC”) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In that regard, we are actively seeking to complete a business combination with an operating company

These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report for the fiscal year ended September 30, 2007 in Form 10-KSB filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ended September 30, 2007.

For comparability purposes, certain figures for the prior periods have been reclassified where appropriate to conform to the financial statement presentation used in current reporting period. These reclassifications had no effect on reported net loss.

The consolidated financial statements included the accounts of the Company; the results of operations of its wholly-owned subsidiary, H.B. Covey, Inc. are included in discontinued operations. The balance sheets of CPI and Advanced Fuel have been de-consolidated as of September 30, 2004, and are not included in the balance sheet, consolidated statements of operations and consolidated statements of cash flows of the Company for the periods ended December 31, 2007 and December 31, 2006.

Going Concern Issues

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements during the quarters ended December 31, 2007 and December 31, 2006, the Company incurred losses from continuing operations of $842,000 and $695,000, respectively. As of December 31, 2007, the Company has negative working capital of $4.479 million, an accumulated deficit of $22.7 million, current portion of notes payable of $3,336,000 after full amortization of the note discount, and accounts payable and accrued expenses of $869,000.

Other than cash received from the collection of accounts receivable for construction, maintenance and consumer services, the Company's cash resources are generally limited to borrowings under the Note Purchase Agreement as discussed in Note 2. To date, the Company has borrowed $1.2 million under the agreement, which provides for total aggregate borrowings of $1.5 million. The Note Purchase Agreement provides certain restrictions on the Company's ability to raise funds from other resources. As a result of these restrictions and the Company having no current operations, payments to vendors, lenders and employees may be delayed.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's existence is dependent upon management's ability to develop profitable operations and to resolve its liquidity problems. Management anticipates the Company will attain profitable status and improve its liquidity through a business combination and/or an acquisition of a profitable operating company.

Table of Contents

NOTE 2 – NOTE PURCHASE AGREEMENTS AND LIQUIDATED DAMAGES

In September 2004, the Company entered into a Note Purchase Agreement ("NPA #1") whereby the Company would borrow a minimum of $100,000 and a maximum of $1,500,000 pursuant to a secured convertible note or convertible notes. Through September 30, 2006, the Company has borrowed $1.1 million under NPA #1, and this amount was due on September 30, 2006. The notes are currently in default. The note bears interest at 8% per year, is due on demand. The notes are convertible into 42.5 million common shares, and the Company issued warrants to purchase 15.9 million common shares to the note holder pursuant to NPA #1. The shares underlying the convertible notes and warrants have registration rights. The registration rights agreement for NPA #1 provides for liquidated damages equal to 36% per annum of the note principal in the event that a registration statement to register the underlying shares is not filed timely or declared effective timely. The Company filed a registration statement to register the shares underlying the convertible note payable and warrants on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In December 2005, the Company executed a Note Purchase Agreement ("NPA #2") to provide for repayment of the advance by Burr Northrop that was used to pay the initial purchase price in the acquisition of Pacific Coast Testing. NPA #2 provides for funding of $100,000 pursuant to a convertible note payable, and the funding did not occur until January 2006. Accordingly, the transaction was recorded in January 2006. The note bears interest at 8% per year, is due December 30, 2007. The note is convertible into 4.0 million shares of common stock. The Company issued warrants to purchase 4.0 million common shares to the note holder in December 2005. The value of the note proceeds were allocated to the beneficial conversion feature and the warrants, resulting in a discount equal to the face value of the note. The note discount is being amortized to interest expense beginning on the funding date. The shares underlying the convertible note and warrants have registration rights. The registration rights agreement for NPA #2 provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable and warrants on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In January 2006, the Company executed a Note Purchase Agreement ("NPA #3") to convert $236,680 of accrued liquidated damages on NPA #1 into a note payable. The note bears interest at 8%, is due December 30, 2007 and is convertible into approximately 9.5 million shares of common stock based on a conversion rate of one common share for every $.025 of note principal. The value of the note proceeds were allocated to the beneficial conversion feature, resulting in a discount equal to the face value of the note. The note discount is being amortized to interest expense beginning on the funding date. The shares underlying the convertible note have registration rights. The registration rights agreement for NPA #3 provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In April 2006, the Company executed a Note Purchase Agreement ("NPA #4) to convert $167,843 of accrued liquidated damages on NPA #1, NPA #2 and NPA #3 into a note payable. The note bears interest at 8%, is due April 30, 2008, and is convertible into approximately 6.7 million shares of common stock based on a conversion rate of one common share for every $.025 of note principal. The value of the note proceeds were allocated to the beneficial conversion feature, resulting in a discount equal to the face value of the note. The note discount is being amortized to interest expense beginning on the funding date. The shares underlying the convertible note have registration rights. The registration rights agreement for NPA #4 provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In October, 2006 the Company executed a Note purchase Agreement to convert $848,313 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on October 17, 2008, and is convertible into approximately 34 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In December 2006, the Company executed a Note purchase Agreement to borrow $15,000 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on December 11, 2008, and is convertible into approximately 600,000 shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 225,000 common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In December, 2006 the Company executed a Note purchase Agreement to convert $333,791 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on August 15, 2009, and is convertible into approximately 13 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In June, 2007, the Company executed a Note purchase Agreement to convert $784,512 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on June 20, 2009, and is convertible into approximately 31 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In August 2007, the Company executed a Note purchase Agreement to borrow $20,795 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on August 15, 2009, and is convertible into approximately 831,000 shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 831,000 common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In August, 2007, the Company executed a Note purchase Agreement to convert $192,083 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on August 15, 2009, and is convertible into approximately 7.7 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In October 2007, the Company executed a Note purchase Agreement to borrow $12,000 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on October 24, 2009, and is convertible into approximately 480,000 shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 480,000 common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In November 2007, the Company executed a Note purchase Agreement to borrow $10,820 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on November 13, 2009, and is convertible into approximately 432,000 shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 432,000 common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In November, 2007, the Company executed a Note purchase Agreement to convert $506,807 of accrued liquidated damages into a note payable. The note bears interest at 8%, is due on November 30, 2009, and is convertible into approximately 20 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable. The shares underlying the convertible note have registration rights. The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

In December 2007, the Company executed a Note purchase Agreement to borrow $50,525 pursuant to a secured convertible note or convertible note. The note bears interest at 8%, is due on December 18, 2009, and is convertible into approximately 2 million shares of common stock based on a conversion rate of one common share for every $.025 of note payable and the Company issued warrants to purchase 2 million common shares to the note holder. The shares underlying the convertible note have registration rights. . The registration rights agreement provides for liquidated damages equal to 36% of the note principal in the event that a registration statement to register the underlying shares is not declared effective. The Company filed a registration statement to register the shares underlying the convertible note payable on June 8, 2006. The registration statement has not been declared effective by the Securities and Exchange Commission, and the Company will incur liquidated damages until the registration statement is declared effective.

The notes referenced above are secured by the Company's assets. Conversion of the convertible notes and exercise of the warrants issued pursuant to the notes payable are limited such that the note holder can not convert notes or exercise warrants that would result in beneficial ownership by the holder or its affiliates of more than 4.9% of the outstanding common shares on the conversion or exercise date.

For income tax purposes the entire amount of the proceeds received at issuance of the debt is treated as the tax basis of the convertible debt security.

NOTE 3 – CAPITAL STOCK

Issued and outstanding

As part of a settlement with former chairman and chief executive officer, Steven Rosenthal, the Company issued 300,000 restricted common shares during December 2007.

As part of a settlement with former registered accounting firm, RBSM, the Company issued 45,500 of restricted common shares of Company stock during December 2007.

As part of the sale of HB Covey, the Company canceled 1,900,000 of restricted common shares of Company stock returned to the Company by CEO, Burr Northrop during December 2007.

As of December 31, 2007, the Company has outstanding convertible notes that are convertible into 173 million common shares and has outstanding warrants that are exercisable for 24 million common shares. Conversion of the convertible notes and exercise of the warrants for 24 million common shares are limited such that the note holder can not convert notes or exercise warrants that would result in beneficial ownership by the holder or its affiliates of more than 4.9% of the outstanding common shares on the conversion or exercise date.

NOTE 4- DISCONTINUED OPERATIONS

HB Covey, Inc.

In July 2007, the Company entered in to an agreement to sell its wholly owned subsidiary, HB Covey, Inc. Accordingly, HB Covey, Inc.

has been presented as a discontinued operation within the consolidated financial statements in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. HB Covey was acquired in 2004 and is a fueling station diagnostic and maintenance company with petroleum construction experience in building and maintaining service stations.

NOTE 5- SUBSEQUENT EVENT

The Company elected on February 13, 2008 to change its year end from September 30 to December 31.

Table of Contents

Item 2. Management's Discussion and Analysis or Plan of Operations

FORWARD-LOOKING INFORMATION

Much of the discussion in this Item is "forward looking" as that term is used in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Actual operations and results may materially differ from present plans and projections due to changes in economic conditions, new business opportunities, changed business conditions, and other developments. Other factors that could cause results to differ materially are described in our filings with the Securities and Exchange Commission.

There are several factors that could cause actual results or events to differ materially from those anticipated, and include, but are not limited to general economic, financial and business conditions, changes in and compliance with governmental laws and regulations, including various state and federal environmental regulations, our ability to obtain additional financing from outside investors and/or bank and mezzanine lenders and our ability to generate sufficient revenues to cover operating losses and position us to achieve positive cash flow.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. We believe the information contained in this Form 10-QSB to be accurate as of the date hereof. Changes may occur after that date. We will not update that information except as required by law in the normal course of its public disclosure practices.

Additionally, the following discussion regarding our financial condition and results of operations should be read in conjunction with the financial statements and related notes contained in Item 1 of Part I of this Form 10-QSB, as well as the financial statements in Item 7 of Part II of our Form 10-KSB for the fiscal year ended September 30, 2007.

PLAN OF OPERATION

Overview and Recent Transactions

Up until June 2007, our Company was organized to provide construction and maintenance services to petroleum service stations in the southwestern part of the United States of America, and provides installation services for consumer home products in Southern California. We operated our business through our wholly-owned subsidiary, H.B. Covey Inc. Having been unable to execute our business plan, we have exited this business, and are, therefore, considered a shell corporation under applicable rules of the SEC. In that regard, we are actively seeking to complete a business combination with an operating company.

Due to the lack of growth in this business segment, we have been simultaneously seeking alternate business opportunities in other industries. Depending upon the business opportunity, we may acquire assets or technologies to develop our own business or we may seek out business opportunities with established business entities for the merger of a target business with our Company. Management is looking to raise debt and equity to finance its acquisition of technologies and assets.

Table of Contents

Plan to Acquire an Operating Company

Our current business plan consists solely of identifying and acquiring a suitable operating company to acquire and maintain compliance with our reporting obligations under federal securities laws.

We anticipate that the selection of a business combination will be complex and subject to substantial risk. Based on general economic conditions, technological advances being made in some industries and shortages of available capital, we believe that there are numerous firms seeking access to the capital markets and/or the perceived benefits of becoming a publicly traded corporation. Such perceived benefits include, among other things, facilitating or improving the terms on which additional equity financing may be obtained, providing liquidity for the principals of and investors in a business, creating a means for providing incentive stock options or similar benefits to incentivize key employees, and offering greater flexibility in structuring acquisitions, joint ventures and the like through the issuance of stock. Potentially available business combinations may occur in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex. Unless we acquire an operating company, we do not expect to retain any additional personnel, incur any capital expenditures, or incur any research and development expenses. Our ability to generate future revenue and earnings is dependent on identifying and acquiring an operating company. Although we have evaluated potential acquisition targets and engaged in general discussions and due diligence activities regarding the acquisition of an operating company, we have not entered into any agreement to acquire an operating company. There can be no assurance that we will be able to identify an acceptable operating company, complete an acquisition, or that any business we acquire will generate profits or increase the value of the Company.

DISCONTINUED OPERATIONS

In July 2007, the Company entered in to an agreement to sell its wholly owned subsidiary, HB Covey, Inc. Accordingly, HB Covey, Inc. has been presented as a discontinued operation within the consolidated financial statements in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. HB Covey was acquired in 2004 and is a fueling station diagnostic and maintenance company with petroleum construction experience in building and maintaining service stations. The net loss from discontinued operations for the three months ended December 31, 2007 and 2006 was $0 and $110,000 respectively.

SUBSEQUENT EVENT

The Company elected on February 13, 2008 to change its year end from September 30 to December 31.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended December 31, 2007 and 2006 we incurred net losses from Continuing operations of $842,000 and $695,000, respectively. During the three months ended December 31, 2007 our continuing operations used $47,000 of cash and received net proceeds from financing activities of $73,000.

At December 31, 2007, we have negative working capital of $4.472 million, and we have outstanding obligations to Barron Partners of an aggregate of $4.3 million excluding discounts consisting of $1.4 million due on demand and another $2.3 million that comes due at various dates during 2008. We filed a registration statement to register the shares underlying the convertible notes payable on June 2, 2006, and will continue to incur liquidated damages at the rate of 36% per year on the outstanding balance of the notes payable until such registration statement is effective. We requested for withdrawal of the registration statement on May 2, 2007.

In order to execute our business plan, we will need to acquire additional debt or equity financing. Our independent certified public accountants have stated in their report, included in our Form 10-KSB for the year ended September 30, 2006, and in Note 1 of this Form 10-QSB that due to our net loss and negative cash flows from operations, in addition to a lack of operational history, there is a substantial doubt about our ability to continue as a going concern. In the absence of significant revenue and profits, we will be completely dependent on additional debt and equity financing arrangements. There is no assurance that any financing will be sufficient to fund our capital expenditures, working capital and other cash requirements for the fiscal year ending September 30, 2006. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to execute our business plan, develop or enhance existing services, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as further reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations.

Table of Contents

ACCOUNTING POLICIES INVOLVING MANAGEMENT ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our senior management has discussed the development and selection of the critical accounting estimates, and related disclosures, with the Audit Committee of our Board of Directors.

Financial Reporting Release No. 60, which was released by the Securities and Exchange Commission, or SEC, in December 2001, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. The Notes to Consolidated Financial Statements included in our Annual Report on Form 10-KSB for the year ended September 30, 2006 includes a summary of our significant accounting policies and methods used in the preparation of our financial statements. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Item 3. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure and Controls and Procedures. As of the end of the period covered by this Quarterly Report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in Internal Controls Over Financial Reporting. There have not been any changes in the our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not engaged in any other litigation, and is unaware of any claims or complaints that could result in future litigation. All known proceedings against the Company have been settled

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

As part of a settlement with former chairman and chief executive officer, Steven Rosenthal, the Company issued 300,000 restricted common shares during December 2007.

As part of a settlement with former registered accounting firm, RBSM, the Company issued 45,500 of restricted common shares of Company stock during December 2007.

As part of the sale of HB Covey, the Company canceled 1,900,000 of restricted common shares of Company stock returned to the Company by CEO, Burr Northrop during December 2007.

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

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the small business issuer's caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENTECH ENVIRONMENTAL TECHNOLOGIES, INC.

Date: February 20, 2008

By: /s/ Burr D Northrop
Burr D Northrop
Chief Executive Officer
and Chief Financial Officer

Table of Contents