

CT HOLDINGS ENTERPRISES INC  
Form 10QSB  
May 15, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
**FORM 10-QSB**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 0-18718

**CT HOLDINGS ENTERPRISES, INC.**  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

75-2242792  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

TWO LINCOLN CENTRE, SUITE 1600, 5420 LBJ FREEWAY, DALLAS, TEXAS 75240  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)  
(214) 520-9292  
(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 the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

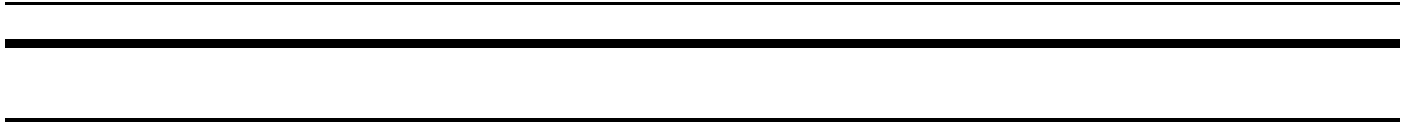
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Class  
Outstanding at May 11, 2007

Common Stock, Par value \$.01 per  
share 2,397,264

Transitional Small Business Disclosure Format Yes  No



CT HOLDINGS ENTERPRISES, INC.  
FORM 10-QSB  
QUARTERLY REPORT  
FOR THE QUARTERLY PERIOD ENDED  
MARCH 31, 2007

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CT HOLDINGS ENTERPRISES, INC.  
UNAUDITED BALANCE SHEETS

|   | MARCH 31,<br>2007   | DECEMBER<br>31,<br>2006 |
|---|---------------------|-------------------------|
| <b><u>ASSETS</u></b>  |                     |                         |
| <b>CURRENT ASSETS</b>   |                     |                         |
| Cash  | \$ 2,797            | \$ 197                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 2,797</b>     | <b>\$ 197</b>           |
| <b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>   |                     |                         |
| <b>CURRENT LIABILITIES</b>  |                     |                         |
| Accounts payable and accrued expenses   | \$ 65,327           | \$ 392,681              |
| Advance payable to officer  | -                   | 46,288                  |
| Note payable to shareholder including accrued interest of \$0 and \$7,801                       | -                   | 16,801                  |
| <b>Total current liabilities</b>  | <b>65,327</b>       | <b>455,770</b>          |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                     |                         |
| <b>PREFERRED STOCK, \$0.01 stated value per share; 1,000,000 shares authorized;</b>             |                     |                         |
| No shares issued or outstanding   | -                   | -                       |
| <b>COMMON STOCK, \$.01 par value per share; 60,000,000 shares authorized;</b>                   |                     |                         |
| 2,397,264 and 836,370 shares issued and outstanding at March 31, 2007 and<br>December 31, 2006. | 23,973              | 8,364                   |
| <b>COMMON STOCK, pending issuance (38,572 shares at December 31, 2006)</b>                      | <b>-</b>            | <b>600,000</b>          |
| <b>COMMITMENT RECEIVABLE FROM OFFICER</b>   | <b>(6,408)</b>      | <b>-</b>                |
| <b>ADDITIONAL PAID-IN CAPITAL</b>   | <b>59,082,536</b>   | <b>58,238,845</b>       |
| <b>ACCUMULATED DEFICIT</b>  | <b>(59,162,631)</b> | <b>(59,302,782)</b>     |
| <b>Total stockholders' deficit</b>  | <b>(62,530)</b>     | <b>(455,573)</b>        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  | <b>\$ 2,797</b>     | <b>\$ 197</b>           |

The accompanying notes are an integral part of these consolidated financial statements.

CT HOLDINGS ENTERPRISES, INC.  
UNAUDITED STATEMENTS OF OPERATIONS

|  | THREE MONTHS<br>ENDED<br>MARCH 31, |           |
|--|------------------------------------|-----------|
|  | 2007                               | 2006      |
| Revenue  | \$ -                               | \$ -      |
| General and administrative                                     | 61,917                             | 73,665    |
| Stock based compensation expense                               | 34,800                             | -         |
| Gain on settlement of liabilities                              | (237,281)                          | -         |
| Interest expense   | 413                                | 243,076   |
| Income (loss) before income taxes                              | 140,151                            | (316,741) |
| Provision for income taxes                                     | -                                  | -         |
| Net income (loss)  | \$ 140,151                         | (316,741) |
| Net income (loss) per share - basic and diluted                | \$ 0.10                            | \$ (0.33) |
| Weighted average common shares outstanding - basic and diluted | 1,415,009                          | 960,656   |

The accompanying notes are an integral part of these consolidated financial statements.

CT HOLDINGS ENTERPRISES, INC.  
UNAUDITED STATEMENTS OF CASH FLOWS

|  | THREE MONTHS<br>ENDED<br>MARCH 31, |              |
|--|------------------------------------|--------------|
|  | 2007                               | 2006         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                    |              |
| Net income (loss)  | \$ 140,151                         | \$ (316,741) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |                                    |              |
| Amortization of deferred debt discount   | -                                  | 161,646      |
| Accrual for litigation and related interest  | -                                  | 68,607       |
| Gain on settlement of accounts payable   | (237,281)                          | -            |
| Stock compensation expense   | 34,800                             | -            |
| Changes in operating assets and liabilities:   |                                    |              |
| Accounts payable and accrued expenses  | 40,835                             | 76,488       |
| Payable to CDSS Wind Down Inc.   | -                                  | 10,000       |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>(21,495)</b>                    | <b>-</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                    |              |
| Shares issued to officer for cash advance  | 24,095                             | -            |
| Net increase in cash and cash equivalents  | 2,600                              | -            |
| Cash and cash equivalents at the beginning of the period                             | 197                                | 197          |
| Cash and cash equivalents at the end of the period                                   | \$ 2,797                           | \$ 197       |
| <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:</b>                     |                                    |              |
| Common stock issued to related party for legal services                              | \$ 15,000                          | \$ -         |
| Common stock issued to officer to settle advances and notes payable                  | \$ 63,089                          | \$ -         |
| Commitment receivable from an officer for shares of common stock                     | \$ 6,408                           | \$ -         |
| Contribution from CDSS to pay legal expenses   | \$ 109,500                         | \$ -         |

The accompanying notes are an integral part of these consolidated financial statements.

CT HOLDINGS ENTERPRISES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Interim Financial Statements and Basis of Presentation*

These unaudited interim financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States and in the opinion of management, reflect all adjustments (consisting of normal, recurring adjustments) necessary to present fairly, the financial position, results of operations and cash flows of CT Holdings Enterprises, Inc. ("CT Holdings" or the "Company"). On March 13, 2006 the Company changed its name from CT Holdings, Inc. to CT Holdings Enterprises, Inc.

Some information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to rules and regulations promulgated by the Securities and Exchange Commission (the "Commission"). The results of operations for the interim periods shown herein are not necessarily indicative of the results to be expected for any future interim period or for the entire year. These statements should be read together with the audited financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2006 on file with the Commission.

*Description of Business*

CT Holdings provides management expertise including consulting on operations, marketing and strategic planning and a single source of capital to early stage technology companies. The Company was incorporated in Delaware in 1992. The business model is designed to enable the companies with whom the Company acquires or invests to become market leaders in their industries. The strategy over the years has led to the development, acquisition and operation of technology based businesses with compelling valuations and strong business models. The goal is to realize the value of these investments for the Company's shareholders through a subsequent liquidity event such as a sale, merger or initial public offering of the investee companies. However, our business model is constrained by our lack of capital. At March 31, 2007, the Company does not hold any investments and does not have any products or services, customers or revenue, and the Company has no other lines of business.

*Liquidity*

The Company has incurred recurring operating losses and has a stockholders' deficit at March 31, 2007 of \$62,530. At March 31, 2007 there is a cash balance of \$2,797 and current liabilities total \$65,327. The Company has limited access to capital at March 31, 2007, no plans to raise capital, and management has not identified sources of capital at March 31, 2007. Past funding needs of the business have been provided by financings through notes payable, cash advances and additional investments from related parties, including the Company's CEO and CITN Investment Inc ("CII"), an affiliate of the Company's CEO, however there can be no assurance that such funds will be available from these related parties in the future. The Company has been and continues to be dependent upon outside financing to perform its business development activities, make investments in new technology companies and to fund operations.

*Reverse Stock Split*

On February 14, 2007 our shareholders approved a proposal to amend the Company's Certificate of Incorporation to combine shares of the Company's common stock to effect a 1-for-70 reverse stock split. Share amounts have been adjusted to show the affects of the reverse stock split for all periods presented. A 1-for-70 reverse stock split would make available sufficient authorized shares of common stock to settle commitments to issue shares and to potentially

facilitate a corporate transaction such as a merger or financing. Corporate transactions of this nature could improve liquidity, however there can be no assurance that the Company will enter into any corporate transaction to improve liquidity.



The Company will continue to require working capital to fund operating expenses. At March 31, 2007, the Company has not identified sources of capital nor does the Company have any plans to raise sufficient amounts of capital to settle liabilities or to fund business development activities.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### *Net Income (Loss) per Common Share*

Basic net income (loss) per common share is computed by dividing net income (loss) to common shareholders by the weighted average number of shares of common stock outstanding during the period.

Included in the weighted average number of common shares outstanding for the three months ended March 31, 2006 are 38,571 shares that would have been issued when a shareholder exercised his right to convert a note payable to common stock and 85,714 shares that would have been issued to the Company's CEO when he exercised his right to exchange Parago shares for CT Holdings' shares if the Company had the available authorized shares. These shares have been included in the computation for the date that they would have been issued. The effect of stock options for 41,679 shares of common stock outstanding at March 31, 2006 have been excluded from the weighted average shares computation as they are antidilutive. The Company had no common stock equivalents at March 31, 2007; therefore diluted earnings per share are the same as basic earnings per share.

#### *Income Taxes*

In January 2007, the Company adopted the Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109" (FIN 48). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. FIN 48 requires companies to determine whether it is "more likely than not" that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. The Company did not recognize any adjustments to the financial statements as a result of implementation of FIN 48.

#### **NOTE C – RELATED PARTY TRANSACTIONS**

On March 2, 2007, the CEO exercised a right to acquire 250,000 shares of common stock for providing up to \$100,000 of cash for working capital purposes. At December 31, 2006, the CEO had advanced the Company \$46,288 against the \$100,000 commitment and at March 31, 2007, \$6,408 remained available under his commitment due to the Company. This amount was received by the Company subsequent to March 31, 2007. On March 9, 2007, in recognition of service to the Company, Mr. Economou, a director, was awarded 40,000 shares of common stock, Mr. Rogers, a director, was awarded 40,000 shares of common stock, Mr. Sawallich, a director, was awarded 20,000 shares of common stock, and Mr. Connelly, former Chief Financial Officer, was awarded 10,000 shares of common stock. During the first quarter of 2007, the Company issued 50,000 shares to a law firm in which the CEO's brother-in-law is a partner, in exchange for a reduction in accrued legal expenses of \$15,000. The Company also issued 5,000 shares each to two consultants. The Company recorded stock based compensation expense in the amount of \$34,800 related to these issuances.

Also on March 2, 2007, following the effectiveness of the 1 for 70 reverse stock split, the 85,715 unissued shares related to a previously exercised option were issued to the CEO, 38,572 shares of common stock related to the conversion of a note payable to a shareholder were issued to the shareholder and 1,014,286 shares were issued to CII for an option exercised by CII.

Pursuant to the terms of the transition services agreement with CDSS Wind Down Inc. ("CDSS") until its termination in December 2006, the Company agreed to pay CDSS \$10,000 per quarter (reduced in July 2005 from \$7,500 per month) for the services of its CEO, CFO and accounting and information management staff, as well as office rent and indirect overhead expenses. No amount was owed at March 31, 2007 because all amounts owed under the transition services agreement were released on December 4, 2006 pursuant to an agreement between the Company and CDSS.

During the three months ended March 31, 2007, CDSS paid \$109,500 in legal expenses on behalf of the Company. The \$109,500 has been recorded as a contribution from CDSS.

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

The following discussions should be read in conjunction with our audited financial statements and related notes included in our Annual Report on Form 10-KSB for the year ended December 31, 2006. Our year ends on December 31, and each of our quarters end on the final day of a calendar quarter (March 31, June 30, and September 30). The following discussions contain forward-looking statements. Please see Cautionary Statement Regarding Forward-Looking Statements and Risk Factors for a discussion of uncertainties, risks and assumptions associated with these statements.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-QSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. CT Holdings Enterprises, Inc. ("CT Holdings" or the "Company") bases these forward-looking statements on its expectations and projections about future events, which CT Holdings has derived from the information currently available to it. In addition, from time to time, CT Holdings or its representatives may make forward-looking statements orally or in writing. Furthermore, forward-looking statements may be included in CT Holdings' filings with the Securities and Exchange Commission or press releases or oral statements made by or with the approval of one of CT Holdings' executive officers. For each of these forward-looking statements, CT Holdings' claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to future events or CT Holdings' future performance, including but not limited to:

- possible or assumed future results of operations;
- future revenue and earnings; and
- business and growth strategies.

Forward-looking statements are those that are not historical in nature, particularly those that use terminology such as may, could, will, should, likely, expects, anticipates, contemplates, estimates, believes, plans, projected, predicts, potential or continue or the negative of these or similar terms. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the Company's expectations, beliefs, intentions or strategies regarding the future. Forward-looking statements are subject to certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, but are not limited to, the following important factors with respect to CT Holdings:

- the uncertainty of general business and economic conditions;
- the financial performance of our investments;
- adverse developments, outcomes and expenses in legal proceedings; and
- those described under Risk Factors included in this document.



Forward-looking statements are only predictions as of the date they are made and are not guarantees of performance. All forward-looking statements included in this document are based on information available to CT Holdings on the date of this Report on Form 10-QSB. Readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking events discussed in this Report on Form 10-QSB and other statements made from time to time by CT Holdings or its representatives may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about CT Holdings including without limitation those discussed elsewhere in this Form 10-QSB under the heading Risk Factors as well as those discussed elsewhere in this Form 10-QSB, and the risks discussed in our Securities and Exchange Commission filings. Except for their ongoing obligations to disclose material information as required by the federal securities laws, CT Holdings is not obligated to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report on Form 10-QSB and in other statements made from time-to-time by CT Holdings or its representatives might not occur.

## **RISK FACTORS**

Investing in our common stock involves a high degree of risk. Any of the following risks could materially adversely affect our business, operating results and financial condition and could result in a complete loss of your investment.

In addition to the other information in this Report, the following factors should be considered carefully in evaluating the Company and its business. This disclosure is for the purpose of qualifying for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. It contains factors that could cause results to differ materially from such forward-looking statements. These factors are in addition to any other cautionary statements, written or oral, which may be made or referred to in connection with any such forward-looking statement.

The following matters, among other things, may have a material adverse effect on the business, financial condition, liquidity, or results of operations of the Company. Reference to these factors in the context of a forward-looking statement or statements shall be deemed to be a statement that any one or more of the following factors may cause actual results to differ materially from those in such forward-looking statement or statements. Before you invest in our common stock, you should be aware of various risks, including those described below. Investing in our common stock involves a high degree of risk. You should carefully consider these risk factors, together with all of the other information included in this Report, before you decide whether to purchase shares of our common stock. Our business and results of operations could be seriously harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose part or all of your investment.

## **GENERAL RISKS**

### **WE HAVE RECEIVED A GOING CONCERN REPORT FROM OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, HAVE A HISTORY OF NET LOSSES AND WILL NEED ADDITIONAL FINANCING TO CONTINUE AS A GOING CONCERN.**

We have received a report from our independent registered public accounting firm for our year ended December 31, 2006 containing an explanatory paragraph that describes the uncertainty regarding our ability to continue as a going concern. Although we had a significant gain for the year ended December 31, 2006, we have a history of recurring operating losses and have a significant working capital deficiency at March 31, 2007 of approximately \$62,530. We had a cash balance of \$2,797 at March 31, 2007 and current liabilities total approximately \$65,327. We have limited access to capital, no plans to raise capital, and we have not identified sources of capital at March 31, 2007. Our past funding needs of the business have been provided by financings through short-term notes payable and additional investments from related parties, including our CEO and CII, an entity of which our CEO is an officer, director and

50% shareholder, however there can be no assurance that such funds will be available from these related parties in the future. The Company has been and continues to be dependent upon outside financing to perform its business development activities, make investments in new technology companies and to fund operations.

**OUR CEO AND HIS AFFILIATES CONTROL A MAJORITY OF OUR VOTING SHARES.**

On February 14, 2007 our shareholders approved a proposal to amend the Company's Certificate of Incorporation to combine shares of the Company's common stock to effect a one for 70 reverse stock split. A 1 for 70 reverse stock split would make available sufficient authorized shares of common stock to settle commitments to issue shares and to potentially facilitate a corporate transaction such as a merger or financing. Following the reverse stock split and the issuance of shares that we were previously unable to issue due to the limited number of authorized shares, our CEO and his affiliates control a majority of the voting power of our common stock and may effect corporate transactions even if our other shareholders are opposed to such transactions. Corporate transactions of this nature could improve liquidity, however there can be no assurance that the Company will enter into any corporate transaction to improve liquidity.

**OUR BUSINESS FOCUS IS THE DEVELOPMENT AND ACQUISITION OF EARLY STAGE COMPANIES; HENCE, WE WILL ENCOUNTER NUMEROUS RISKS ASSOCIATED WITH OUR BUSINESS FOCUS AND OUR PRIOR OPERATING HISTORY MAY NOT BE A MEANINGFUL GUIDE TO EVALUATING OUR FUTURE PERFORMANCE.**

Our business model has been designed to enable the companies in whom we invest or acquire to become market leaders in their industries. Our strategy over the years has led to the development, acquisition and operation of technology based businesses with strong business models and compelling valuations. We believe that the anticipated growth in technology creates strong opportunities for us to increase shareholder value by investing in early stage ventures well positioned for growth in their respective marketplaces. Our business strategy seeks to increase the value of each investee by providing management, marketing and financial expertise along with financial capital and then realize this new value through a subsequent liquidity event such as a sale, merger or initial public offering of the investee companies. However, the impact of any advice and expertise may be limited due to a lack of a significant ownership percentage in any of our investees and the lack of available capital.

We have a limited history in executing our business strategy. As a consequence, our prior operating history may not provide a meaningful guide to our prospects in emerging markets. Moreover, our business model and prospects must be considered in light of the risk, expense and difficulties frequently encountered by companies in early stages of development, particularly companies in new and rapidly evolving markets. We may be unable to execute our strategy of developing our business due to numerous risks, including the following:

- We may be unable to identify or develop relationships with emerging companies.
- Any companies that we are able to attract may not succeed and the value of our assets and the price of our common stock could consequently decline.
  - Our business model is unproven and depends on the willingness of companies to participate in our business development model and collaborate with each other and us.
  - Our expenses may increase as we build the infrastructure necessary to implement this model.
- We face competition from other incubators, some of which are publicly- traded companies, venture capital companies and large corporations; many of these competitors have greater financial resources and brand name recognition than we do, which may make it difficult for us to effectively compete.
- We will require additional capital resources in order to implement our business model and we may not be able to obtain these resources on attractive terms, if at all.





**CT HOLDINGS HAS BEEN UNABLE TO OPERATE PROFITABLY.**

Historically, businesses and technologies in which we have invested were not controlled by us and as such we have been unable to rely on the investee company businesses for a source of cash flow, earnings, assets or capital. There can be no assurance that CT Holdings will be able to successfully put in place the financial, administrative and managerial structure necessary to continue to operate as an independent public company, or that the development of such structure will not require a significant amount of management's time and other resources.

**WE MAY INCUR SIGNIFICANT COSTS TO AVOID INVESTMENT COMPANY STATUS AND MAY SUFFER OTHER ADVERSE CONSEQUENCES IF WE ARE DEEMED TO BE AN INVESTMENT COMPANY.**

We may incur significant costs to avoid investment company status and may suffer other adverse consequences if we are deemed to be an investment company under the Investment Company Act of 1940. Some of our contemplated equity investments in other businesses may constitute investment securities under the 1940 Act. A company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of its total assets, subject to certain exclusions. Investment companies are subject to registration under, and compliance with, the 1940 Act unless a particular exclusion or Securities and Exchange Commission safe harbor applies. If we were to be deemed an investment company, we would become subject to the requirements of the 1940 Act. As a consequence, we would be prohibited from engaging in some businesses or issuing our securities and might be subject to civil and criminal penalties for noncompliance. In addition, certain of our contracts might be voided, and a court-appointed receiver could take control of us and liquidate our business. Following the dividend distribution of our ownership in Citadel Security Software Inc. in May 2002, we may be deemed to be an investment company unless we qualify for a safe harbor within the time permitted under the 1940 Act.

Unless an exclusion or safe harbor was available to us, we would have to attempt to reduce our investment securities as a percentage of our total assets. This reduction could be accomplished in a number of ways, including the disposition of investment securities and the acquisition of non-investment security assets. If we were required to sell investment securities, we may sell them sooner than we may otherwise have preferred. These sales may be at depressed prices and we might never realize anticipated benefits from, and may incur losses on, these investments. Some investments may not be sold due to contractual or legal restrictions or the inability to locate a suitable buyer. Moreover, we may incur tax liabilities when we sell assets. We may also be unable to purchase additional investment securities that may be important to our operating strategy. If we decide to acquire non-investment security assets, we may not be able to identify and acquire suitable assets and businesses.

**OUR STOCK IS TRADED IN THE OVER THE COUNTER MARKET.**

Our common stock trades on the OTC Bulletin Board. The OTC Bulletin Board is generally considered to be a less efficient market, and our stock price, as well as the liquidity of our common stock, may be adversely impacted as a result. The OTC Bulletin Board requires that listed companies remain current in their filings with the Securities and Exchange Commission. If we are unable to remain current in our SEC filings, due to lack of funds or personnel or otherwise, we could be delisted from the OTC Bulletin Board, and our stock would trade, if at all, on the pink sheets.

**MEMBERS OF OUR BOARD OF DIRECTORS MAY HAVE INTERCOMPANY CONFLICTS OF INTEREST AFTER OUR SPIN-OFF.**

Members of the board of directors and management of CT Holdings own shares of both CDSS Wind Down Inc. ("CDSS"), formerly known as Citadel Security Software Inc., and CT Holdings common stock. Following the spin-off, three of the four directors of CT Holdings became directors of CDSS, and the Chief Executive Officer and Chief Financial Officer of CT Holdings also serve as Chief Executive Officer and Chief Financial Officer of

CDSS. The assets of CDSS were sold in December 2006 and since the sale CDSS has been in the process of settling liabilities and winding down its remaining operations prior to its liquidation. These relationships could create, or appear to create, potential conflicts of interest when our directors and executives are faced with decisions that could have different implications for CDSS and CT Holdings. The appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of CT Holdings.

**OUR EARNINGS AND STOCK PRICE ARE SUBJECT TO SIGNIFICANT FLUCTUATIONS.**

Due to the factors noted in this Report, our earnings and stock price have been and may continue to be subject to significant volatility, particularly on a quarterly basis. We have experienced no revenue or earnings which have had an immediate and significant adverse effect on the trading price of our common stock. This may occur again in the future.

**CHANGES IN TAX LAWS OR UNANTICIPATED TAX ASSESSMENTS COULD AFFECT OUR FUTURE FINANCIAL RESULTS.**

Future changes in tax laws or their interpretation and application, tax rates or the results of tax examinations could favorably or unfavorably affect the valuation of our deferred tax assets and liabilities. In addition, we are subject to the examination of our income, franchise, sales and use, property and other tax returns by federal, state and local tax authorities. We routinely assess the likelihood of adverse outcomes that may result from an examination of our tax returns to determine the adequacy of any provisions for taxes and the valuation of our deferred tax assets and liabilities. There can be no assurance that the outcomes from any future examinations by taxing jurisdictions will not have an adverse effect on our operating results, cash flow and financial condition of the Company.

**CANCELLATION OF CERTAIN AGREEMENTS WITH CDSS AS A RESULT OF THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF CDSS IN DECEMBER 2006 COULD REQUIRE US TO INCUR HIGHER COSTS AND CASH OUTLAYS.**

In May 2002, we entered into several agreements with CDSS to define our ongoing relationship after the spin-off distribution and to allocate tax and other specified liabilities and obligations arising from periods prior to the distribution date. We entered into these agreements prior to the distribution while CDSS was a wholly owned subsidiary of CT Holdings. As a condition of the sale of the assets of CDSS in December 2006 these agreements were terminated.

CT Holdings and CDSS had entered into a transition services agreement with CT Holdings. This agreement provides that CT Holdings and CDSS will provide each other services in such areas as information management and technology, sharing of office space, personnel and indirect overhead expenses, employee benefits administration, payroll, financial accounting and reporting, claims administration and reporting, and other areas where CT Holdings and CDSS may need transitional assistance and support. The cancellation of this agreement means that CT Holdings will need to obtain other sources of these services for which the cost of such services may be greater than the \$10,000 per quarter fee that CT Holdings was charged by CDSS. In addition due to the lack of access to cash CT Holdings may not be able to obtain these services.

In addition, CT Holdings and CDSS entered into a tax disaffiliation agreement which set out each party's rights and obligations with respect to deficiencies and refunds, if any, of federal, state, local or foreign taxes for periods before and after the Distribution Date and related matters such as the filing of tax returns and the conduct of Internal Revenue Service and other audits. Under the tax disaffiliation agreement, CDSS would have indemnified CT Holdings for all taxes and liabilities incurred as a result of CDSS's or an affiliate's post-distribution action or omission contributing to an Internal Revenue Service determination that the distribution was not tax-free. CT Holdings would have indemnified CDSS for all taxes and liabilities incurred solely because CT Holdings or an affiliate's post-distribution action or omission contributes to an Internal Revenue Service determination that the distribution was not tax-free. If the Internal Revenue Service determined that the distribution was not tax-free for any other reason, CT Holdings and CDSS would have indemnified each other against all taxes and liabilities pro rata based on relative values as of the distribution date. Also, CDSS would have indemnified CT Holdings against any taxes resulting from any internal realignment undertaken to facilitate the distribution on or before the distribution date. Upon cancellation of the tax affiliation agreement the cross indemnification provisions of this agreement were cancelled and should any of these

actions arise, CT Holdings would be required to settle any tax liabilities resulting from such actions.

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**IF WE LOSE THE SERVICES OF ANY OF OUR KEY PERSONNEL, INCLUDING OUR CHIEF EXECUTIVE OFFICER, OR OUR DIRECTORS, OUR BUSINESS MAY SUFFER.**

We are dependent on our key officers, including Steven B. Solomon, our Chairman and Chief Executive Officer, and acting Chief Financial Officer, and our directors. Our business could be negatively impacted if we were to lose the services of one or more of these persons.

**OUR BUSINESS**

CT Holdings Enterprises, Inc. provides management expertise and sources of capital to early stage companies. We were incorporated in Delaware in 1992. On March 13, 2006 the Company changed its name to CT Holdings Enterprises, Inc. Our business model is designed to enable the companies in which we invest or acquire to become market leaders in their industries. Our strategy is expected to lead to the development, acquisition and operation of technology based businesses with compelling valuations and strong business models. We believe that the anticipated growth in technology creates strong opportunities for us to increase shareholder value by investing in well-positioned early stage ventures. Our goal is to realize the value of our investments for our shareholders through a subsequent liquidity event such as a spin-off, sale, merger or initial public offering of the investee companies.

At March 31, 2007 our lack of available capital has limited our ability to raise sufficient capital to invest in additional companies and technologies that could offer us and our shareholders a reasonable rate of return on their investment in the foreseeable future. We expect that if and when capital becomes available to us, we may continue our business development and investment activities, however there can be no assurance that any capital will be available to us. Until such time as capital becomes available the Company's business activities will be limited to reviewing investment opportunities and filing of compliance documents.

**RESULTS OF OPERATIONS FOR THREE MONTHS ENDED MARCH 31, 2007 AS COMPARED WITH THE YEAR ENDED MARCH 31, 2006**

Our operations consist of costs and expenses for the activities to identify additional technologies companies in which we might invest, as well as costs associated with SEC reporting. We do not generate any revenue.

**GENERAL AND ADMINISTRATIVE EXPENSES**

During the three months ended March 31, 2007 general and administrative expenses were \$61,917. The Company also had \$34,800 of stock compensation expense. General and administrative expenses declined \$11,748 or 16% versus the \$73,665 of total general and administrative expenses recorded for the three months ended March 31, 2006. The decrease is primarily due to lower legal and other professional fees. The Company also realized a \$237,281 gain on settlement of accounts payable.

**INTEREST EXPENSE**

Interest expense for the three months ended March 31, 2007 and 2006 was \$413 and \$243,076, respectively. Interest expense during the first quarter of 2007 was not significant because the litigation accrual, advances and notes payable to officers and shareholders, the demand note payable to CDSS and the convertible note payable to CITN Investment Inc. ("CII") which, collectively, generated interest expense in the first quarter of 2006 were no longer outstanding during the three months ending March 31, 2007.

## **LIQUIDITY AND CAPITAL RESOURCES**

We received a report from our independent registered public accounting firm for our year ended December 31, 2006 containing an explanatory paragraph that describes the uncertainty regarding our ability to continue as a going concern due to our recurring operating losses and our significant working capital deficiency. Historically, we have incurred recurring operating losses and have a significant stockholders' deficit at March 31, 2007 of approximately \$62,530. We had a cash balance of \$2,797 at March 31, 2007 and current liabilities total approximately \$65,327. We have limited access to capital, no plans to raise capital and we have not identified sources of capital at March 31, 2007. Our past funding needs of the business have been provided by financings through short-term notes payable and additional investments from related parties, including our CEO, and CII however there can be no assurance that such funds will be available from these related parties in the future. The Company has been and continues to be dependent upon outside financing to perform its business development activities, make investments in new technology companies and to fund operations.

Our plans to continue to support and expand our business development activities are limited due to a lack of identification and availability of near term capital. As a result, it is unlikely that the implementation of the Company's business strategy will generate positive cash flow in the foreseeable future. Achieving positive cash flow is currently highly dependent upon obtaining liquidity from our investments in unconsolidated affiliates. We have no plans at March 31, 2007 to raise additional capital to invest in new business opportunities.

There can be no assurance that management's plans will be successful or what other actions may become necessary. There can be no assurance that the Company will ever achieve liquidity for its investments. Until we are able to create liquidity from an additional inflow of new capital or from our investments through sale to a strategic investor, an initial public offering or some other liquidity transaction, we will continue to require external sources of working capital to fund our operating expenses. Our inability to raise capital could have a material adverse effect on our business and operations that could be material to our results of operations.

### *Cash Used in Operating Activities*

The net cash used in operating activities was approximately \$21,000 for the three months ended March 31, 2007 resulting from a net profit of approximately \$140,000 offset by non-cash charges of approximately \$202,000, plus a net change in operating liabilities of approximately \$41,000.

### *Cash Provided by Financing Activities*

Net cash provided by financing activities was approximately \$24,000 consisting primarily of shares issued to the CEO for an advance made to the Company.

## **CONTRACTUAL OBLIGATIONS**

There are no notes payable, other long-term debt obligations, capital lease obligations, operating lease obligations or long-term capital purchase commitments at March 31, 2007.

## **ITEM 3. CONTROLS AND PROCEDURES**

The Company's management, including the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13(a) - 15(e) and 15(d) - 15(e) under the Securities Exchange Act of 1934) as of the three months ended March 31, 2007, the period covered by the Form 10-QSB. Based upon that evaluation, the Company's principal executive officer and principal financial officer have concluded that the disclosure controls and procedures were effective as of March 31, 2007 to

provide reasonable assurance that material information relating to the Company is made known to management including the CEO and CFO.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **INHERENT LIMITATION ON THE EFFECTIVENESS OF INTERNAL CONTROLS**

The effectiveness of any system of internal control over financial reporting, including CT Holdings', is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including CT Holdings', can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Following approval by our stockholders of the reverse split referred to in Item 4 below, we had sufficient authorized shares of our common stock to permit us to issue shares in fulfillment of prior obligations, including the following:

Steven B. Solomon, our CEO, had the right to receive 6,000,000 shares of our common stock that were issuable in February 2004 when Mr. Solomon exercised his right to exchange 5,000,000 (pre 1:1,000 reverse stock split) shares of Parago common stock. Prior to the reverse split, the issuance of all 6,000,000 shares would have caused the number of shares outstanding to exceed our authorized shares of 60,000,000, and Mr. Solomon had previously waived his right to receive these shares until such time as the shares were available. Following the reverse split, Mr. Solomon received 85,714 shares of our common stock as a result of this transaction.

CITN Investment Inc. (which is owned 50% by each of Mr. Solomon, our CEO, and Lawrence Lacerte, a 5% stockholder) owned fully vested options to purchase 51% of the shares of our common stock (approximately 71,000,000 pre-reverse split shares) at an exercise price equal to the par value of the shares. This option was granted in connection with the settlement of a demand note that was in default, and the option would expire on the earlier of (a) 60 days after the approval of the reverse split or an increase in our authorized capital that would permit the exercise of the option or (b) May 18, 2011. Following the reverse split, CII would own an option to purchase 51% of the fully diluted shares of our common stock (approximately 1,014,285 shares) at an exercise price equal to the par value per share. Following the reverse split, this option was exercised.

We had agreed to issue 2,700,000 shares of common stock to Mr. Thomas Oxley, a 5% stockholder, at such time as they became authorized or additional capital stock was available, whether by means of an increase to our authorized common stock or by the reverse stock split. During the first quarter of 2003, Mr. Oxley converted a \$600,000 note convertible note payable into 2,700,000 shares of our common stock. Since the issuance of all 2,700,000 shares would have caused the number of shares outstanding to exceed our authorized number of shares (60,000,000), Mr. Oxley had waived his right to these shares until such time as the shares were available. Following the reverse split, Mr. Oxley received 38,571 shares of our Common Stock as a result of this transaction.

On March 2, 2007, Mr. Solomon exercised a right to acquire 250,000 shares of common stock for providing up to \$100,000 of cash for working capital purposes.



On March 9, 2007, in recognition of their service to the Company, Mr. Economou, a director, was awarded 40,000 shares of common stock, Mr. Rogers, a director, was awarded 40,000 shares of common stock, Mr. Sawallich, a director, was awarded 20,000 shares of common stock, Mr. Connelly, former Chief Financial Officer, was awarded 10,000 shares of common stock, and an employee was awarded 5,000 shares of common stock.

The shares were not registered under the Securities Act of 1933, as amended (the "Securities Act") by virtue of the exemption provided in Section 4(2) of the Securities Act or Rule 701 under the Securities Act for the issuance to the employee. The issuances did not involve a public offering and the purchasers were accredited investors (other than the issuance to the employee).

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

A Special Meeting of shareholders was held on February 14, 2007 to vote on a proposal to effect a reverse stock split on a one for seventy basis. The following table presents the results of the shareholder vote

|   | Voted<br>For | Number of Shares<br>Voted<br>Against | Abstain | Broker<br>Non-Votes |
|---|--------------|--------------------------------------|---------|---------------------|
| PROPOSAL 1 - Authorization of an amendment of the company's certificate of incorporation to combine shares of the company's common stock to effect a one-for-seventy reverse stock split, which is to be effected if finally approved by the board. | 49,784,721   | 1,137,079                            | 125,115 | None                |

**ITEM 6. EXHIBITS**

| <b>EXHIBIT<br/>NUMBER</b> | <b>DESCRIPTION</b>   |
|---------------------------|--|
| <u>31.1</u>               | Certification of Principal Executive Officer and Principal Financial Officer, filed herewith.  |
| <u>32</u>                 | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-QSB to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2007

CT HOLDINGS ENTERPRISES, INC.

By:/s/ STEVEN B. SOLOMON  
Steven B. Solomon, President and Chief  
Executive Officer  
(Duly Authorized Signatory and Principal  
Executive Officer)

By:/s/ STEVEN B. SOLOMON  
Steven B. Solomon, Acting Chief Financial  
Officer  
(Duly Authorized Signatory and Principal  
Accounting and Financial Officer)