

Friendly Auto Dealers, Inc.  
Form 10-Q  
May 17, 2010

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

Quarterly Report Under Section 13 or 15 (d) of  
Securities Exchange Act of 1934

For the quarterly period ended March 31, 2010

Commission File Number: **333-147560**

**FRIENDLY AUTO DEALERS, INC.**

(Exact Name of Issuer as Specified in Its Charter)

|                        |  |                           |
|------------------------|--|---------------------------|
| <b>Nevada</b>          | <b>7389</b>  | <b>33-1176182</b>         |
| State of Incorporation | Primary Standard Industrial Employer<br>Classification Code Number | I.R.S. Identification No. |

**4132 South Rainbow Road, Suite 514, Las Vegas, Nevada 89103**

(Address of principal executive offices, including zip code)

**(702) 321-6876**

(Registrant's telephone number, including area code)

EastBiz.Com, Inc.

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5348 Vegas Drive

Las Vegas, Nevada 89108

Telephone: (702) 871-8678

(Name, Address, and Telephone Number of Agent)

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 to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

No  . Yes  .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  .

Non-Accelerated Filer  .

(Do not check if a smaller reporting company)

Accelerated Filer  .

Smaller reporting company  .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

No  . Yes  .

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY**

**PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, 15(d) of the Exchange Act after the distribution of the securities under a plan confirmed by a court.

No  . Yes  .

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date. As of May 5, 2010, the Registrant had 18,710,000 outstanding shares of Common Stock with a par value of \$0.001 per share.

Transitional Small Business Disclosure Format (Check one): No  . Yes  .

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PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements (Unaudited)**

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Condensed Financial Statements

March 31, 2010 and 2009



FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Condensed Financial Statements

March 31, 2010 and 2009

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FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Condensed Balance Sheets

|   |    | March 31, 2010<br><i>(Unaudited)</i> |    | December 31, 2009 |
|---|----|--------------------------------------|----|-------------------|
| <b>ASSETS</b>   |    |                                      |    |                   |
| <b>Current assets</b>   |    |                                      |    |                   |
| Cash  | \$ | 1                                    | \$ | 1                 |
| Prepaid expenses  |    | 71,216                               |    | 313,151           |
| <b>Total current assets</b>   |    | 71,217                               |    | 313,152           |
| <b>Total assets</b>   | \$ | 71,217                               | \$ | 313,152           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |    |                                      |    |                   |
| <b>Current liabilities</b>  |    |                                      |    |                   |
| Accounts payable  | \$ | 17,317                               | \$ | 12,897            |
| <b>Total current liabilities</b>  |    | 17,317                               |    | 12,897            |
| <b>Stockholders' Equity</b>   |    |                                      |    |                   |
| Shares held in escrow   |    | -                                    |    | (10,000)          |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized, no shares issued or outstanding  |    | -                                    |    | -                 |
| Common stock, \$0.001 par value; 70,000,000 shares authorized, 18,710,000 and 27,710,000 shares issued; 18,710,000 and 17,710,000 outstanding at March 31, 2010 and December 31, 2009 |    | 18,710                               |    | 27,710            |
| Additional paid in capital  |    | 1,958,048                            |    | 1,929,048         |
| Deficit accumulated during the development stage  |    | (1,922,858)                          |    | (1,646,503)       |
| <b>Total stockholders' equity</b>   |    | 53,900                               |    | 310,255           |
| <b>Total liabilities and stockholders' equity</b>   | \$ | 71,217                               | \$ | 323,152           |

See accompanying notes to financial statements.



FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Condensed Statements of Operations (unaudited)

|  | Three months ended March 31, |                | For the period from                                |
|--|------------------------------|----------------|--|
|  | 2010                         | 2009           | August 6, 2007<br>(inception) to<br>March 31, 2010 |
| <b>Revenue</b>                                 | \$ -                         | \$ -           | \$ -   |
| <b>Expenses</b>                                |                              |                |  |
| Office expenses                                | -                            | 3,200          | 15,940   |
| Travel   | -                            | -              | 30,474   |
| Officer compensation                           | -                            | 170,000        | 170,000  |
| Professional fees                              | 276,355                      | 105,371        | 1,706,444  |
| <b>Total expenses</b>                          | <b>276,355</b>               | <b>278,571</b> | <b>1,922,858</b>                                   |
| <b>Net loss</b>                                | \$ (276,355)                 | \$ (278,571)   | \$ (1,922,858)                                     |
| <b>Basic and diluted loss per common share</b> | \$ (0.02)                    | \$ (0.03)      |  |
| <b>Weighted average shares outstanding</b>     | 17,787,778                   | 9,451,833      |  |

See accompanying notes to financial statements.

FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Condensed Statements of Cash Flows (unaudited)

|  | Three months ended March 31, |              | For the period of                                  |
|--|------------------------------|--------------|--|
|  | 2010                         | 2009         | August 6, 2007<br>(inception) to<br>March 31, 2010 |
| <b>Cash flows from operating activities</b>                                    |                              |              |  |
| Net loss   | \$ (276,355)                 | \$ (278,571) | \$ (1,922,858)                                     |
| Adjustments to reconcile net loss to net cash used in operating activities     |                              |              |  |
| Common stock issued for services   | 30,000                       | 1,687,250    | 1,825,500  |
| Common stock issued for advertising  | -                            | 3,200        | 3,200  |
| Warrants issued for services   | -                            | 23,396       | 34,653   |
| Changes in operating assets and liabilities                                    |                              |              |  |
| Prepaid expenses   | 241,935                      | (1,435,275)  | (71,216)   |
| Accounts payable   | 4,420                        | -            | 17,317   |
| <b>Net cash used in operating activities</b>                                   | -                            | -            | (113,404)  |
| <b>Net cash used in investing activities</b>                                   | -                            | -            | -  |
| <b>Cash flows from financing activities</b>                                    |                              |              |  |
| Proceeds from related party loans  | -                            | -            | 7,225  |
| Forgiveness of related party loans   | -                            | -            | (7,225)  |
| Capital contributed by officer   | -                            | -            | 8,405  |
| Proceeds from sale of<br>stock   | -                            | -            | 105,000  |
| <b>Net cash provided by financing activities</b>                               | -                            | -            | 113,405  |
| <br>   |                              |              |  |
| (Decrease) increase in cash  | -                            | -            | 1  |
| <br>   |                              |              |  |
| Cash at beginning of<br>period   | 1                            | 371          | -  |
| <br>   |                              |              |  |
| Cash at end of period  | \$ 1                         | \$ 371       | \$ 1   |
| <br>   |                              |              |  |
| <b>Supplemental disclosure of non-cash investing and financing activities:</b> |                              |              |  |
| Stock based compensation   | \$ 30,000                    | \$ 1,713,846 | \$ 1,863,353                                       |
| <br>   |                              |              |  |
| <b>Supplemental Cash Flow Information:</b>                                     |                              |              |  |
| Cash paid for interest   | \$ -                         | \$ -         | \$ -   |
| Cash paid for income taxes   | \$ -                         | \$ -         | \$ -   |

See accompanying notes to financial statements.



**FRIENDLY AUTO DEALERS, INC.**

**(A Development Stage Enterprise)**

**Notes to Condensed Financial Statements**

**March 31, 2010 and 2009**

**Note 1 Condensed Financial Statements**

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2010 and 2009 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2009 audited financial statements dated April 13, 2010 as reported in Form 10-K. The results of operations for the period ended March 31, 2010 are not necessarily indicative of the operating results for the full year.

**Note 2 Significant Accounting Policies**

Share Based Expenses

ASC 718 "*Compensation - Stock Compensation*" codified SFAS No. 123 prescribes accounting and reporting standards for all stock-based payments award to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. , may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if: (a) the option to settle by issuing equity instruments lacks commercial substance or (b) the present obligation is implied because of an entity's past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50 "*Equity - Based Payments to Non-Employees*" which codified SFAS 123 and the Emerging

Issues Task Force consensus in Issue No. 96-18 ("EITF 96-18"), *"Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services"*. Measurement of share-based payment transactions with non-employees shall be based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

**FRIENDLY AUTO DEALERS, INC.**

**(A Development Stage Enterprise)**

**Notes to Condensed Financial Statements**

**March 31, 2010 and 2009**

**Note 2 - Significant Accounting Policies (continued)**

Going concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include (1) obtaining capital from management and significant stockholders sufficient to meet its minimal operating expenses, and (2) as a last resort, seeking out and completing a merger with an existing operating company. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Recently Implemented Standards

ASC 855, *Subsequent Events* ("ASC 855") (formerly Statement of Financial Accounting Standards No. 165, *Subsequent Events*) includes guidance that was issued by the FASB in May 2009, and is consistent with current auditing standards in defining a subsequent event. Additionally, the guidance provides for disclosure regarding the existence and timing of a company's evaluation of its subsequent events. ASC 855 defines two types of subsequent events, "recognized" and "non-recognized". Recognized subsequent events provide additional evidence about



conditions that existed at the date of the balance sheet and are required to be reflected in the financial statements. Non-recognized subsequent events provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date and, therefore; are not required to be reflected in the financial statements. However, certain non-recognized subsequent events may require disclosure to prevent the financial statements from being misleading. This guidance was effective prospectively for interim or annual financial periods ending after June 15, 2009. The Company implemented the guidance included in ASC 855 as of April 1, 2009. The effect of implementing this guidance was not material to the Company's financial position or results of operations.

**FRIENDLY AUTO DEALERS, INC.**

**(A Development Stage Enterprise)**

**Notes to Condensed Financial Statements**

**March 31, 2010 and 2009**

**Note 2 - Significant Accounting Policies (continued)**

Recently Issued Pronouncements (continued)

In February 2010, the FASB issued amended guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended March 31, 2010. The adoption of this guidance did not have a material impact on our financial statements.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance will become effective for the Company with the reporting period beginning July 1, 2011. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

**Note 3 Stockholders' Equity**

Common stock

On March 19, 2009, the Company entered into a Memorandum of Understanding ("Memo") with Excellent Auto Consulting ("Excellent") to purchase all or a majority of the outstanding capital voting stock of Excellent in such a way that allows Excellent to acquire the business of the Company. The Memo outlines that each party negotiate and complete a Material Definitive Agreement ("Agreement"). Pursuant to the Memo, the Company issued 10,000,000 shares of its common stock to be held in trust while negotiating the Agreement. The Agreement was unilaterally terminated March 23, 2010 and the shares in escrow are being returned for cancellation.

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On March 31, 2010 the Company and TMD Courses, Inc., a California company, entered into a non-binding memorandum of understanding to explore business opportunities between the two companies. TMD Courses, Inc. is a research and development firm that owns by license intellectual property including patents and trademarks for proprietary medical devices. Both sides are in confidential due diligence investigations to determine the scope and form of a final business relationship.

On March 25, 2010, the Company issued a total of 1,000,000 common shares at \$0.03 for total consideration of \$30,000 to two separate consultants in consideration of consulting services to be provided.

**FRIENDLY AUTO DEALERS, INC.****(A Development Stage Enterprise)****Notes to Condensed Financial Statements****March 31, 2010 and 2009****Note 3 Stockholders Equity (continued)**Warrants

The fair value of each warrant granted is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on volatilities from the Company's traded common stock since the beginning of free trading stock on June 27, 2008.

The expected term of options granted is estimated at half of the contractual term as noted in the individual option agreements and represents the period of time that options granted are expected to be outstanding. The risk-free rate for the periods within the contractual life of the option is based on the U.S. Treasury bond rate in effect at the time of grant for bonds with maturity dates at the estimated term of the options.

|                          |                   |
|--------------------------|-------------------|
|                          | March 31, 2010    |
| Expected volatility      | 136.53% - 276.11% |
| Expected dividends       | 0                 |
| Expected term (in years) | 2 - 4             |
| Risk-free rate           | 1.29% - 1.86%     |

A summary of option activity under the Plan as of March 31, 2010 and changes during the periods then ended are presented below:

| Warrants             | Shares  | Weighted-Average                |                            |    | Aggregate Intrinsic Value |
|----------------------|---------|---------------------------------|----------------------------|----|---------------------------|
|                      |         | Weighted-Average Exercise Price | Remaining Contractual Term |    |                           |
| December 31, 2008    | -       | \$ -                            | -                          | -  | \$ -                      |
| Granted              | 450,000 | 0.78                            | 4.11                       | -  | 34,653                    |
| Exercised            | -       | -                               | -                          | -  | -                         |
| Forfeited or expired | -       | -                               | -                          | -  | -                         |
| December 31, 2009    | 450,000 | \$ 0.78                         | 3.26                       | \$ | 34,653                    |

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|                                  |         |    |      |      |    |        |
|----------------------------------|---------|----|------|------|----|--------|
| Exercisable at<br>March 31, 2010 | 450,000 | \$ | 0.78 | 3.01 | \$ | 34,653 |
|----------------------------------|---------|----|------|------|----|--------|

## **Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations.**

The following discussion should be read in conjunction with the information contained in the financial statements of Friendly Auto Dealers, Inc. and the notes that form an integral part of the financial statements.

The financial statements mentioned above have been prepared in conformity with accounting principles generally accepted in the United States of America and are stated in United States dollars.

Friendly Auto Dealers, Inc. ("FYAD" or "The Company") is a development stage enterprise that was incorporated on August 6, 2007, under the laws of the State of Nevada. Since becoming incorporated, FYAD has not made any significant purchases or sale of assets, nor has it been involved in any mergers, acquisitions or consolidations. FYAD has never declared bankruptcy, it has never been in receivership, and it has never been involved in any legal action or proceedings. Friendly Auto Dealers, Inc. is not a shell company. Our fiscal year end is December 31st.

### **Principal Office**

The principal offices are located at 4132 South Rainbow Boulevard, Suite 514, Las Vegas, Nevada. The telephone number is (702) 321-6876. The fax number is (702) 939-0655. FYAD owns no property.

### **Planned Business**

### **Original Business Plan**

The genesis of Friendly Auto Dealers, Inc.'s business was to enter into and to exploit the promotional branding industry. The Company's original business plan focused on acquiring, either outright or by license, the legal copyrights and trademarks of corporate clients specifically dealing with the world's automobile manufacturers. The next step of the business plan included taking the acquired intellectual property and then entering into manufacturing joint ventures to produce a variety of products for sale either by wholesale to corporate entities for gifting or promotional purposes, or retail through established retail outlets, and adding value to the manufactured products with the inclusion of the corporate logos, copyrights or trademarks. FYAD's original plans focused on concentrating its efforts in the People's Republic of China and its retail automotive industry. FYAD has certain trade secret affiliations and network connections in the People's Republic of China, and specifically in the automobile marketing and merchandising industry, that were the primary focal point of marketing the Company's services. The Company's initial focus has been

to identify a range of casual apparel and consumer products that can be manufactured and resold for high mark-ups with the product endorsement of corporate logos, and then seek out large to mid-size companies, who are using logo bearing apparel, essential office products, and leisure products for their employees as well as for gifts for customers and sale outright in the retail chain of commerce.

## **DEVELOPMENT EFFORTS PAST AND PRESENT**

On May 27, 2009 the Company announced that due to the worldwide economic downturn it decided to begin dedicated exploration of new business opportunities using its existing contacts with the People's Republic of China. In a letter to the shareholders dated May 28, 2009, Mr. Tony H. Lam characterized the Company's development efforts as a restructuring of the Company's business. On September 8, 2009 the Company announced its entry into negotiations and a non-binding memorandum of understanding with the Chinese automobile syndicate Excellent Auto Dealers, Inc., a corporation formed and operating in good standing in the British West Indies whose principal place of business is in the Peoples Republic of China and more particularly in the Province of Guangzhou. The Company's efforts focused on a possible merger with Excellent Auto Dealers, Inc.'s business that consisted of the ownership and operation of a cluster of automobile dealerships in the Province of Guangzhou. The non-binding memorandum of understanding required both Excellent Auto Dealers, Inc. and the Company to enter into due diligence disclosures and investigations necessary for each entity to adequately assess the advisability and propriety of entering into a material definitive agreement.

The Company began its disclosures and requested certain audited financial information from Excellent Auto Dealers, Inc. This information was not forthcoming. The Company continued efforts at cooperative communications with Excellent Auto Dealers, Inc. but concluded that the requisite information from Excellent was not going to be forthcoming and so the Company announced on March 23, 2010 that decided to terminate due diligence and dissolve the non-binding memorandum of understanding based upon non-cooperation of Excellent Auto Dealers, Inc.

Prior to announcing the efforts concerning Excellent Auto Dealers, Inc., the Company communicated with other possible business concerns that offered possible synergy with the Company. One such entity was TMD Courses, Inc., a California corporation. When it became clear to the Company that significant intractable obstacles existed in conducting effective due diligence with Excellent Auto Dealers, Inc., it sought to capture some of its previous opportunities, one of which was TMD Courses, Inc.

It became apparent that TMD Courses, Inc. was still interested in a possible business combination with the Company, and on March 31, 2010 the Company and TMD Courses, Inc. entered into a non-binding memorandum of understanding to explore business opportunities between the two companies. TMD Courses, Inc. is a research and development firm that owns by license intellectual property including patents and trademarks for proprietary medical devices. Both sides are in confidential due diligence investigations to determine the scope and form of a final business relationship.

## **Liquidity**

### **Operating Activities**

Net cash used by operating activities totaled \$0 for the three months ended March 31, 2010, which is consistent with the net cash provided by operating activities, which totaled \$0 for the same period of 2009. This no change in net cash provided by operating activities was primarily attributable to the Company's use of stock based compensation for operating expenses and its focused plans on prudently developing its current business while conducting due diligence on the possible acquisition of Excellent Auto Dealers, Inc. The Company issued several shares of its common stock as compensation for services provided.

### **Investing Activities**

Net cash used in investing activities totaled \$0 for the three months ended March 31, 2010, as compared to the net cash used in investing activities of \$0 for three months ended March 31, 2009.

### **Financing Activities**

Net cash used in financing activities totaled \$0 for three months ended March 31, 2010, as compared to \$0 provided by financing activities for the three months ended March 31, 2009.

The Company knows of no trend or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.



The Company has not generated any revenue. Management has determined that it must obtain funding for the continuation of its business. There can be no guarantee or assurance that management will be successful in accomplishing obtaining additional funds. Investors must be aware that failure to do so would result in a complete loss of any investment made into the Company

## **Capital Resources**

Presently, the Company has no material commitments for capital expenditures as of the end of the three months ending March 31, 2010. The Company historically sought and continues to seek financing from private sources to move its present business plan forward as well as devote adequate resources to conducting its due diligence on the potential acquisition of Excellent Auto Dealers, Inc. In order to satisfy the financial commitments necessary, the Company relies upon private party financing that has inherent risks in terms of availability and adequacy of funding.

As of March 31, 2010, we have \$1 of cash available. We have current liabilities of \$17,317. From the date of inception (August 6, 2007) to March 31, 2010, the Company has recorded a net loss of \$1,922,858. As of March 31, 2010, we had 18,710,000 shares issued and outstanding. We will require additional capital investments or borrowed funds to meet cash flow projections and carry forward our business objectives. There can be no guarantee or assurance that we can raise adequate capital from outside sources to fund the proposed business.

On March 26, 2010 the Company's stock was deleted from trading on the Over-the-Counter Bulletin Board (OTCBB) where it has traded since its inception as a public company. The reason for the deletion was the absence of an OTCBB market maker making a market for the Company's common stock pursuant to FINRA Rule 6540. The Company is presently working with an OTCBB market maker to submit the proper filings to return to OTCBB trading on the Over-the-Counter Bulletin Board.

Until then, our common stock is quoted on the OTCQB Market (Pink Sheets) under the ticker symbol FYAD. The stock trades are limited and sporadically; there is no established public trading market for our common stock. Failure to raise additional capital for the Company will result in business failure and a complete loss of any investment made into the Company's common stock.

## **Results of Operations**

No unusual or infrequent events or transactions or any significant economic changes occurred during this quarter that materially affected the amount of reported income from continuing operations.



## **Trends; Competition**

As it presently stands, the promotional apparel and products industry is mature and has many levels of competition. The industry in general is very fragmented - although many large, well-capitalized companies exist on a national level, most of our continued competition will come from companies focused within their local or regional market. Examples of large competitors include *Allied Specialty Company*, of Davie, Florida, which has been operating for over fifty years and does business throughout the United States while also exporting to Canada, Latin America and Western Europe, as well as *Bernco Specialty Advertising* of Bethpage, New York, in business since 1947. Many companies are regionally focused firms in terms of distribution. There can be no assurance that Friendly Auto Dealers will ever be able to compete with any of the competitors described herein. In addition, there may be other competitors the company is unaware of at this time that would also impede or prevent the company's success.

The Company's ability to compete, in connection with its original business plan, is conditioned on its ability to deal with the worldwide economic downturn amongst possible new clients, while trying to raise sufficient capital to effectively put into place its original business plan. The Company is, while engaged in due diligence with Excellent Auto Dealers, Inc. and overall investigations in to restructuring as mentioned above, still very much seeking to expand and develop the option of contained in its original business plans.

The Company acknowledges that the worldwide economic downturn resulted in significant recessionary effects in the United States. The recession has had a material effect on the Company's ability to raise money sufficient to implement its business plans, since the Company's intermittent funding from private sources has been restricted thus far to United States sources. Unfortunately, the sufficiency and availability of private funding in the United States is contingent on a number of factors, with the overall recession having a continuing negative impact.

Given the start up or development stage nature of the Company, the impact of inflation and changing prices on the registrant's net sales and revenues and on income from continuing operations is not a factor at this time.

## **Off-Balance Sheet Arrangements**

As of the date of this Quarterly Report, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the Company is a party, under which the Company has (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

## **Governmental Regulation**

We currently are not aware of any governmental approval required to conduct our business.

## **Investment Policies**

FYAD does not have an investment policy at this time. Any excess funds it has on hand will be deposited in interest bearing notes such as term deposits or short-term money instruments. There are no restrictions on what the director is able to invest or additional funds held by FYAD. Presently FYAD does not have any excess funds to invest.

Since we have had minimal business activity, it is the opinion of management that the most meaningful financial information relates primarily to current liquidity and solvency. The Company will require cash injections of approximately \$40,000 to enable the Company to meet its anticipated expenses over the next twelve months. Unless we raise additional funds immediately, we will be faced with a working capital deficiency that may result in the failure of our business, resulting in a complete loss of any investment made into the Company. Our future financial success will be dependent on the success of obtaining capital.

Our financial statements contained herein have been prepared on a going concern basis, which assumes that we will be able to realize our assets and discharge our obligations in the normal course of business. We incurred a net loss for the period from the inception of our business on August 6, 2007 to March 31, 2010, of \$1,922,858. We did not earn any revenues during the aforementioned period.

**Critical Accounting Policies.** Our discussion and analysis of the Company's financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments. The going concern basis of presentation assumes we will continue in operation throughout the next fiscal year and into the foreseeable future and will be able to realize our assets and discharge our liabilities and commitments in the normal course of business. Certain conditions, discussed below, currently exist which raise substantial doubt upon the validity of this assumption. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

Our intended business activities are dependent upon our ability to obtain third party financing in the form of debt and equity and ultimately to generate future profitable business activity. As of March 31, 2010, we have not generated revenues, and have experienced negative cash flow from minimal business activities. We may look to secure additional funds through future debt or equity financings. Such financings may not be available or may not be available on FYAD terms.

### **Product Research and Development**

The Company does not anticipate any costs or expenses to be incurred for product research and development within the next twelve months.

### **Employees**

There are no employees of the Company, excluding the current President and Director, Ming R. Cheung, of the corporation.

### **Other Information**

FYAD has 18,710,000 shares of common stock, \$0.001 par value, issued and 18,710,000 shares of common stock outstanding at March 31, 2010.

In March 2009, the Company adopted a 2009 Stock Incentive Plan (the Plan). Pursuant to the Plan, the Company may grant stock awards to employees and contractors as compensation for services rendered on behalf of the Company.

The stock award value shall be no less than 85 percent of the fair market value of the common stock on the date of issuance. The maximum number of shares that can be issued pursuant to the Plan are 10,000,000 shares. The Company filed an S-8 to register these shares on March 13, 2009.

On various dates in March 2009, the Company issued shares of its common stock pursuant to the Plan to various consultants as compensation for services to be rendered in assisting the Company with its business plan.

The consultants each agreed to provide services for the term of one year in consideration of the common stock received. The stock awards were valued at the fair market value of the stock on the date of the award in accordance with the Company's 2009 Stock Incentive Plan.

FYAD is responsible for filing various forms with the United States Securities and Exchange Commission (the SEC) such as Form 10K and Form 10Qs. The shareholders may read and copy any material filed by FYAD with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. The shareholders may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information which GPNT has filed electronically with the SEC by accessing the website using the following address: <http://www.sec.gov>.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words expect, estimate, anticipate, predict, believe, and similar expressions and variations thereof are intended to identify forward-looking statements. Such forward-looking statements include statements regarding, among other things, (a) our estimates of business projections, (b) our projected sales and profitability, (c) our growth strategies, (d) anticipated trends in our industry, (e) our future financing plans, (f) our anticipated needs for working capital and (g) the benefits related to ownership of our common stock. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements for the reasons, among others, described within the various sections of this Form 10-Q, specifically the section entitled Risk Factors . In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Form 10-Q will in fact occur as projected. We undertake no obligation to release publicly any updated information about forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

We believe that there have been no significant changes in our market risk exposures for the three months ended March 31, 2010.

### Item 4. Controls and Procedures

#### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the Securities and Exchange Commission, and that such information is accumulated and communicated to management, including the President/Secretary, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our officers concluded that, as of the end of the period covered by this report, the Company has been implementing control procedures to mitigate our internal control issues which could have a material impact on our financial reporting

procedures. As of the current annual filing, the Company feels that it is working towards clear disclosures and implementing proper internal controls over financial reporting.

*Changes in Internal Control over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a- 15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

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pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of our financial statements;

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provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and

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provide reasonable assurance that transactions pertaining to stock issuances are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP, and that the stock issuances are being made only in accordance with authorizations of management and the Board of Directors.





Under the supervision and with the participation of our management, our Chief Executive Officer, and Principal Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting and preparation of our reviewed financial statements as of March 31, 2010 and believe that we had a material weakness in our financial reporting of internal controls specific to the Control Activities section of the COSO framework and specifically effecting a proper close. The Company has implemented controls as a result of the documentation surrounding the material weakness by analyzing our financials, reviewing disclosure requirements by the SEC and providing for management, detailed schedules and documentation which will mitigate our risk in the area of our internal controls over financial reporting. Our controls have since been updated in order to prevent the issues surrounding our material weakness and management feels that, moving forward, our controls over financial reporting will reduce the potential impact of material misstatements.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

No director, officer, or affiliate of the Company and no owner of record or beneficial owner of more than 5.0% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

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

None.

### **Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits and Reports on Form 8-K**

No reports on Form 8-K.

3.1 Articles of Incorporation\*

3.2 By-Laws\*

31.1 Rule 13(a)-14(a)/15(d)-14(a) Certification of Chief Executive Officer and Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

\*Filed previously as an exhibit to the Company's registration statement with the Commission on November 21, 2007.

**Signature**

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

Friendly Auto Dealers, Inc.

Dated: May 14, 2010

*/s/ Ming R. Cheung*  
Ming R. Cheung  
Chief Executive Officer and  
Chief Financial Officer