

Edgar Filing: PAWFECT FOODS INC - Form 10-Q

PAWFECT FOODS INC

Form 10-Q

May 15, 2008

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 333-131722

PAWFECT FOODS, INC.

-----

(Exact name of Registrant as specified in its charter)

FLORIDA

20-3823853

-----

(State or other jurisdiction of  
incorporation or organization)

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

31-51 STEINWAY STREET, LONG ISLAND CITY, NEW YORK

11103

-----

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (718) 545-6406

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 (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.

Yes ☒ No ☐

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  
definition of "large accelerated filer", "accelerated filer", "non accelerated  
filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-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). Yes ☐ No ☒

As of May 9, 2008, the latest practicable date, there were 2,181,000 shares of  
common stock, \$.0001 par value, outstanding.

=====

# Edgar Filing: PAWFECT FOODS INC - Form 10-Q

PAWFECT FOODS, INC.  
FORM 10-Q  
QUARTERLY REPORT  
MARCH 31, 2008

## TABLE OF CONTENTS

	Page
	----
PART I - FINANCIAL INFORMATION	3
ITEM 1. Financial Statements	3
Condensed Financial Statements (Unaudited):	3
Condensed Balance Sheets	3
Condensed Statements of Operations	4
Condensed Statements of Cash Flows	5
Notes to Unaudited Condensed Financial Statements	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	11
ITEM 4T. Controls and Procedures	11
PART II - OTHER INFORMATION	13
ITEM 6. Exhibits	13
Signatures	14

2

## PART I - FINANCIAL INFORMATION

### ITEM 1: FINANCIAL STATEMENTS (UNAUDITED)

PAWFECT FOODS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED BALANCE SHEETS

	ASSETS		
		March 31, 2008	December 31, 2007
		-----	-----
		(unaudited)	
Current Assets			
Cash		\$ 1,519	\$ 1,807
Accounts Receivable		12	--
		-----	-----

# Edgar Filing: PAWFECT FOODS INC - Form 10-Q

Total Current Assets	1,531	1,807
Property and Equipment - Net	2,489	2,658
Total Assets	\$ 4,020	\$ 4,465

## LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Current Liabilities		
Accounts payable and accrued expenses	\$ 12,594	\$ 11,233
Loans payable- related parties	9,569	4,500
Total Current Liabilities	22,163	15,733
Total Liabilities	22,163	15,733
Commitments and contingencies	--	--
Stockholders' (Deficit):		
Common stock, \$0.001 par value, 50,000,000 shares authorized; 2,181,000 shares issued and outstanding	2,181	2,181
Additional paid-in capital	26,812	26,812
Deficit accumulated during the development stage	(47,136)	(40,261)
Total Stockholders' (Deficiency)	(18,143)	(11,268)
Total Liabilities and Stockholders' (Deficiency)	\$ 4,020	\$ 4,465

See accompanying notes to financial statements

3

## PAWFECT FOODS, INC. (A DEVELOPMENT STAGE COMPANY) STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 AND CUMULATIVELY FROM NOVEMBER 15, 2005 (INCEPTION) MARCH 31, 2008 (UNAUDITED)

	Cumulative From Inception (Nov. 15, 2005) To March 31, 2008	For the Three Months Ended March 31, 2008	For the Three Months Ended March 31, 2007
REVENUES	\$ 12	\$ 12	\$ --
Cost of Sales	19	19	--
Gross Profit	(7)	(7)	--
OPERATING EXPENSES	47,128	6,867	3,118

Edgar Filing: PAWFECT FOODS INC - Form 10-Q

	-----	-----	-----
Operating (Loss) Before Interest Expense	(47,135)	(6,874)	(3,118)
Other Income/(Expenses)	--	--	--
	-----	-----	-----
(Loss) Before Provision for Income Taxes	(47,135)	(6,874)	(3,118)
Income Taxes	--	--	--
	-----	-----	-----
Net (Loss)	\$ (47,135)	\$ (6,874)	\$ (3,118)
	=====	=====	=====
Net (Loss) Per Common Share - Basis and Diluted	\$ (0.02)	\$ (0.00)	\$ (0.00)
	=====	=====	=====
Weighted Average Shares of Common Stock Outstanding	2,181,000	2,181,000	2,181,000
	=====	=====	=====

See accompanying notes to financial statements

4

PAWFECT FOODS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 AND 2006 AND CUMULATIVELY  
FROM NOVEMBER 15, 2005 (INCEPTION) TO MARCH 31, 2008  
(UNAUDITED)

	Cumulative From Inception (Nov. 15, 2005) to March 31, 2008 -----	For Three Mon ----- March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	\$ (47,135)	\$ (6,874)
Adjustments to reconcile net loss to net cash used in operating activities:		
Decrease (increase) in accounts receivable	(12)	(12)
Depreciation	896	168
Changes in operating assets and liabilities:		
Increase in accrued liabilities and accounts payable	12,594	1,360
Increase in loans payable - related parties	9,569	5,069
	-----	-----
Net cash used in operating activities	(24,088)	(289)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,386)	--
	-----	-----
Net cash used in investing activities	(3,386)	--
	-----	-----

# Edgar Filing: PAWFECT FOODS INC - Form 10-Q

## CASH FLOWS FROM FINANCING ACTIVITIES:

Sale of Common Stock	18,100	--
Additional Capital Contribution by Shareholders	8,892	--
Proceeds from sale of common stock to founder	2,000	--
	-----	-----
Net cash provided by financing activities	28,992	--
	-----	-----
Net increase (decrease) in cash	1,518	(289)
Cash and equivalents, beginning of period	--	1,807
	-----	-----
Cash and equivalents, end of period	\$ 1,518	\$ 1,518
	=====	=====

See accompanying notes to financial statements

5

PAWFECT FOODS, INC.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### Organization and Operations

-----

The Company was organized under the laws of the State of Florida on November 15, 2005.

The Company is in the development stage. The Company plans to develop a distribution channel in the pet food industry selling a comprehensive supply of products utilizing the World Wide Web. The Company currently has no operations.

### Current Operations

-----

The Company is in its development stage. The Company, since it's inception (November 15, 2005) has not commenced its full operations, nor has generated sufficient working capital to pursue its business objectives. The accumulated deficit during its development stage is \$47,135 at March 31, 2008.

### Basis of Accounting

-----

The Company's policy is to prepare its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles. The Company has retained December 31 as its annual year-end.

## Edgar Filing: PAWFECT FOODS INC - Form 10-Q

### 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Equivalent

-----

Cash and cash equivalent include cash and cash in banks. The company maintains cash and cash equivalent balances at a financial institution that is insured by the federal deposit Insurance

6

Corporations up to \$100,000. At March 31, 2008, there is no concentration of credit risk form uninsured bank balances.

### Fixed Assets

-----

Fixed assets are recorded at cost. Depreciation is computed on the straight-line method, based on the estimated useful lives of the assets of generally five or ten years. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation expense was \$672 for the year ended December 31, 2007 and \$56 for year ended December 31, 2006.

### Recent Accounting Pronouncements

-----

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements, SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes: An interpretation of FASB Statement No. 109 ("FIN No. 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109. FIN No. 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. As of March 31, 2008, the Company does not have any financial liabilities. No gains or losses resulting from the fair value measurement of financial assets were included in the Company's earnings. The adoption of SFAS No. 157 has not impacted the Company's results of operations and financial position.

In February 2007, the FASB issued SFAS No., 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment to FASB Statements No. 115 ("SFAS No. 159"), SFAS No. 159 permits entities to choose to measure many financial instruments, and certain other items, at fair value that are not currently required to be measured at fair value, SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company has elected not to measure any eligible items at fair value. Accordingly, the adoption of SFAS No. 159 has not impacted the

## Edgar Filing: PAWFECT FOODS INC - Form 10-Q

Company's results of operations and financial position.

### NOTE 2: INCOME TAXES

In February 1992, the Financial Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under SFAS No. 109, deferred assets and liabilities are recognized for the estimated future tax consequences between the financial statement carrying amounts of the existing assets and their respective basis.

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which temporary differences are expected to be recorded or settled. Under SFAS No. 109 the effect on

7

deferred assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

As of March 31, 2008, the Company had net operating losses (NOL's) of approximately \$47,135 that expire in 15 years commencing in 2007.

Statutory federal income taxes	34%
Valuation allowance	(34)
Effective tax rate	0%

No tax benefit is being accrued due to no current expectation of profits.

### NOTE 3: CAPITAL TRANSACTIONS

At inception November 15, 2005, 2,000,000 shares of common stock were sold to the founder for \$2,000 cash. In December 2005, the Company offered 181,000 shares of their common stock under Rule 504 of Regulation D and section 4 (2) of the Securities Act. The Common shares were offered at a per share price of \$.10 for the aggregate sum of \$18,100. All of the thirty-two (32) investors were of non-accredited status

### NOTE 4: RELATED PARTY LOANS

The Company's former President, Treasurer, Secretary and principal shareholder loaned the Company an aggregate of \$8,253 by paying third party expenses on the Company's behalf. The advances were unsecured obligations due on demand. On August 15, 2007, effective as of July 17, 2007 Mr. Monahan released the Company from any obligation to pay back advances made by him to pay third party expenses incurred by the Company in the aggregate amount of \$8,992.

The Company is leasing approximately 70 square feet of office space on a month-to-month basis from Steinway Group, LLC in L.I.C., New York. This facility serves as the Company's principal executive and administrative office. Rental for the facility is approximately \$2,400 per annum payable in equal monthly installments. Mr. Gattini is the Managing Member of Steinway Group, LLC with a 78% ownership interest.

In November 2007 the Company's principal shareholder loaned the Company \$4,500 to pay accounting, legal and other fees. The loan was documented in a gird promissory note in March, 2008. The note provides for 3% annual interest due at maturity and is due the earlier of: (i) April 1, 2009; (ii) when the company has raised gross proceeds of \$500,000 (not including securities of the Company

## Edgar Filing: PAWFECT FOODS INC - Form 10-Q

purchased by the principal shareholder, additional advances pursuant to the note or other loans from principal shareholder to the Company), (iii) upon a change in the ownership of a majority of the outstanding voting stock of the Company; or (iv) the date that the entire principal amount and interest on the Note becomes due and payable by reason of acceleration due to the occurrence of an Event of Default (as defined in the note).

In February 2008, the Company's sole executive officer and director loaned the Company \$5,000 to pay accounting fees and other operating expenses. The loan was documented in a grid promissory note in March, 2008. The note provides for 3% annual interest due at maturity and is due the earlier of: (i) April 1, 2009; (ii) when the Company has raised gross proceeds of

8

\$500,000 (not including securities of the Company purchased by the principal shareholder, additional advances pursuant to the note or other loans from principal shareholder to the Company), (iii) upon a change in the ownership of a majority of the outstanding voting stock of the Company; or (iv) the date that the entire principal amount and interest on the Note becomes due and payable by reason of acceleration due to the occurrence of an Event of Default (as defined in the note). An additional advance of \$5,000 on this note was made to the Company in May 2008.

### NOTE 5: EXECUTIVE COMPENSATION

The Company has retained Mr. Pietro Gattini as the Company's President, Chairman and Chief Executive Officer and is currently the only Director, Officer and Employee. Compensation is being accrued at the rate of \$500 per month and is to be paid at the earlier of the Company receiving more than \$500,000 of financing or a change of the ownership of a majority of the Company's outstanding shares.

### NOTE 6: COMMITMENTS AND LEASES

The Company is leasing approximately 70 square feet of office space on a month-to-month basis from Steinway Group, LLC in L.I.C., New York. This facility serves as the Company's principal executive and administrative office. Rental for the facility is approximately \$2,400 per annum payable in equal monthly installments. Rent is being accrued and will be payable upon the termination of the lease.

### NOTE 7: SUBSEQUENT EVENT

In May 2008, the Company's sole executive officer and director loaned the Company an additional \$5,000 to pay accounting fees and other operating expenses. The loan was documented by an endorsement to the grid promissory note the Company executed in March 2008, described above. As a result of the advance the principal balance of the note due to the Company's sole executive officer and director is \$10,000 as of May 7, 2008.

9

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

The Pawfect Foods, Inc.'s business is to become actively engaged in providing an online marketplace for premium and holistic pet food, via the Internet. We



## Edgar Filing: PAWFECT FOODS INC - Form 10-Q

maintain a domain name called [www.Pawfectfoods.com](http://www.Pawfectfoods.com). We have also obtained a web hosting provider, to provide us with the necessary disk space capacity for our website and email capability for the next 12 months. We have also posted our nearly completed e-commerce website, to introduce ourselves to potential customers with a modest array of introductory products. Although we had set up a merchant payment gateway, in 2006, we suspended the account in December 2006 pending our gauging consumer demand and developing reliable sources of supply. Our new management is considering our current business plan and we determine if paying the nominal fee to reactivate the account in the near term is advisable. During the quarter ended March 31, 2008 management reactivated the merchant payment gateway and has received a nominal sale of \$12 and also discovered that payment gateway was not operating properly and it is currently in the process of making the necessary adjustments. During the next twelve months we plan to satisfy our cash requirements with loans from our principal shareholder and management,

### CHANGE IN CONTROL

On July 16, 2007, Charles Monahan, our former President, Treasurer, Secretary and principal shareholder entered into a Capital Stock Purchase Agreement (the "Stock Purchase Agreement") with Biotech Initiative of Chelsea, Ltd., a private investment fund based in London, England. All conditions to the closing were fulfilled and funds released to Mr. Monahan on July 17, 2007.

Under the Stock Purchase Agreement:

- o Biotech Initiative purchased an aggregate of 2,000,000 restricted shares of our common stock from Mr. Monahan for approximately \$624,000
- o Mr. Monahan resigned as an officer and director of the Company.

Biotech Initiative, acting in its capacity as our principal shareholder, appointed Pietro Gattini to serve as sole director, filling the vacancy created by the resignation of Mr. Monahan. Mr. Gattini also became our President, Secretary and Treasurer.

The 2,000,000 shares represent approximately 89% of our outstanding shares. The source of funds for Biotech Initiative's purchase was from its own capital resources and no funds were borrowed.

We filed a Form 8-K Report reporting this transaction on July 20, 2007.

Mr. Gattini is evaluating our current business plan, prospectus and financial requirements. He may also consider the acquisition of one or more companies in either skilled fields of endeavor unrelated activities for potential acquisitions or merger. There are no agreements or understandings regarding any such acquisitions. If we enter into any such agreement we will promptly disclose the terms of the agreement and other information concerning the company by filing a Report on Form 8-K, including a copy of the agreement as an exhibit. Such an

10

acquisition will require the issuance of a substantial number of shares of our common stock and financing.

### CRITICAL ACCOUNTING POLICIES

Our accounting policies are described in Note 1 of the consolidated financial statements included in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2008. The financial statements are prepared in accordance with

## Edgar Filing: PAWFECT FOODS INC - Form 10-Q

accounting principles generally accepted in the United States of America, which 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Since we are in the development stage and have had only limited expenditures and no estimates we do not consider any accounting policy to be critical to the understanding of our business.

### RESULTS OF OPERATIONS

Our financial statements, which are set forth in Item 1 of this report, reflect our operating results from November 15, 2005 (inception) to March 31, 2008. During the period from inception to we had no revenue and our expenses totaled \$47,135 incurred in for the development and administration of our website based pet food business and

### LIQUIDITY AND CAPITAL RESOURCES

Our operating expenses have been financed with loans from our principal shareholder, and management. We intend to seek such additional funding through private financings. There can be no assurance that additional financing will be available, or, if available, that such additional financing will be available on terms acceptable to us. If additional funds are raised by issuing debt, we will incur fixed payment obligations, which could delay the time, if any, when we may achieve profitability. If adequate funds are not available, we may be required to curtail our operations.

In the event our management determines that our business plan is not financeable or viable, we may seek to make an acquisition which will require significant financing.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

### ITEM 4T. CONTROLS AND PROCEDURES

#### DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. As

11

of March 31, 2008, the end of the period covered by this quarterly report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended March 31, 2008, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under

## Edgar Filing: PAWFECT FOODS INC - Form 10-Q

the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

12

### PART II - OTHER INFORMATION

#### ITEM 6: EXHIBITS

EXHIBIT NUMBER	DOCUMENT DESCRIPTION
31.1	Certificate of Chief Executive Officer and Financial Officer pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 15, 2008

PAWFECT FOODS, INC.

By: /s/ Pietro Gattini

-----  
Pietro Gattini, President (Principal  
Executive And Financial Officer)