

Friendly Auto Dealers, Inc.  
Form 10-Q/A  
February 18, 2011

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q/A**

**(Amendment no. 2)**

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

For the quarterly period ended September 30, 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 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)

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EastBiz.Com, Inc.

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  . Accelerated filer  .  
Non-accelerated filer  . (Do not check if a smaller reporting company)  .  
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**

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Indicate the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date. As of November 5, 2010, the Registrant had 28,710,000 outstanding shares of Common Stock with a par value of \$0.001 per share.

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

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Explanatory Note

The Company is filing this Amendment no. 2 on Form 10-Q/A to its quarterly report on Form 10-Q, to amend Exhibit 31.1 to conform with Item 601(b)(31)(i) of Regulation S-K and to check the cover page to state the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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PART I - FINANCIAL INFORMATION

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

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Condensed Financial Statements

September 30, 2010 and 2009



FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Condensed Financial Statements

September 30, 2010 and 2009

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

	September 30, 2010 <i>(Unaudited)</i>	December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1	\$ 1
Prepaid expenses	-	313,151
<b>Total current assets</b>	<b>1</b>	<b>313,152</b>
<b>Total assets</b>	<b>\$ 1</b>	<b>\$ 313,152</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 6,186	\$ 12,897
Related party payable	18,716	-
<b>Total current liabilities</b>	<b>24,902</b>	<b>12,897</b>
<b>Stockholders' (Deficit) Equity</b>		
Shares held in escrow	-	(10,000)
Preferred stock, \$.001 par value; 5,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock, \$.001 par value; 70,000,000 shares authorized; 28,710,000 and 17,710,000 issued and outstanding at September 30, 2010 and December 31, 2009	28,710	27,710
Additional paid in capital	2,048,048	1,929,048
Deficit accumulated during the development stage	(2,101,659)	(1,646,503)
<b>Total stockholders' (deficit) equity</b>	<b>(24,901)</b>	<b>300,255</b>
<b>Total liabilities and stockholders' (deficit) equity</b>	<b>\$ 1</b>	<b>\$ 313,152</b>

See accompanying notes to financial statements



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

	Three months ended September 30,				Nine months ended September 30,		For the period from August 6, 2007 (inception) to September 30, 2010
	2010	2009	2010	2009			
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>							
Office expenses	-	-	-	3,270			15,940
Travel	-	-	2,149	-			32,623
Officer compensation	-	-	-	170,000			170,000
Professional fees	84,539	393,283	455,507	926,302			1,885,596
<b>Total expenses</b>	84,529	393,283	457,656	1,099,572			2,104,159
Other income	2,500	-	2,500	-			2,500
<b>Net loss</b>	\$ (82,029)	\$ (393,283)	\$ (455,156)	\$ (1,099,572)			\$ (2,101,659)
<b>Basic and diluted loss per common share</b>	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.05)			
<b>Weighted average shares outstanding</b>	28,710,000	26,870,000	23,570,806	21,157,418			

See accompanying notes to financial statements

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

	Nine months ended September 30,		For the period of
	2010	2009	August 6, 2007 (inception) to September 30, 2010
<b>Cash flows from operating activities</b>			
Net loss	\$ (455,156)	\$ (1,099,572)	\$ (2,101,659)
Adjustments to reconcile net loss to net cash used in operating activities			
Common stock issued for services	130,000	1,687,250	1,925,500
Common stock issued for advertising	-	3,200	3,200
Warrants issued for services	-	34,653	34,653
Changes in operating assets and liabilities			
Prepaid expenses	313,151	(636,593)	-
Accounts payable	(6,711)	10,692	6,186
<b>Net cash used in operating activities</b>	<b>(18,716)</b>	<b>(370)</b>	<b>(132,120)</b>
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from related party loans	18,716	-	25,941
Forgiveness of related party loans	-	-	(7,225)
Capital contributed by officer	-	-	8,405
Proceeds from sale of stock	-	-	105,000
<b>Net cash provided by financing activities</b>	<b>18,716</b>	<b>-</b>	<b>132,121</b>
(Decrease) increase in cash	-	(370)	1
Cash at beginning of period	1	371	-
Cash at end of period	\$ 1	\$ 1	\$ 1
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Stock based compensation	\$ 130,000	\$ 1,725,103	\$ 1,963,353
<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**

**September 30, 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 September 30, 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 September 30, 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**

**September 30, 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**

**September 30, 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 June 30, 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 were returned for cancellation.

On March 25, 2010, the Company issued a total of 1,000,000 common shares at \$.03 for total consideration of \$30,000 to two separate consultants in consideration of consulting services provided.

On May 13, 2010, the Company issued a total of 10,000,000 common shares at \$.01 for total consideration of \$100,000 to two separate consultants in consideration of services provided.

**FRIENDLY AUTO DEALERS, INC.****(A Development Stage Enterprise)****Notes to Condensed Financial Statements****September 30, 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.

	September 30, 2010
Expected volatility	136.53% - 217.26%
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 June 30, 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	Contractual	
December 31, 2008	-	\$ -	-	-	\$ -
Granted	450,000	0.78	2.51	-	34,653
Exercised	-	-	-	-	-
Forfeited or expired	-	-	-	-	-
September 30, 2010	450,000	\$ 0.78	2.51	\$	34,653

Exercisable at September 30, 2010	450,000	\$	0.78	2.51	\$	34,653
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**Note 4 Related Party Transactions**

The Company received a total of \$18,716 from a shareholder to fund operations during the nine months ended September 30, 2010. The loan bears no interest and is due on demand and as such is included in current liabilities. Imputed interest has been considered but was determined to be immaterial to the financial statements as a whole and not included herein.

During the nine months ended September 30, 2010, the company issued a total of 11,000,000 shares of its common stock valued at a total of \$130,000 to two existing shareholders for services provided, one of which is our president and director.

**Note 5 Subsequent Events**

The Company has evaluated subsequent events through the date of this filing and determined there are no events to disclose.

## **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.

On July 31, 2010 the Company terminated the Material Definitive Agreement with TMD Courses, Inc. The Company entered into the Material Definitive Agreement with TMD Courses, Inc. on May 17, 2010. The agreement required a number of conditions be jointly satisfied prior to the closing date of July 31, 2010. The transaction could not be completed in accordance with the terms of the agreement, the Company determined to let the agreement lapse.

The Company will continue to focus its attention to new directions and new opportunities that will be in the best interests of the shareholders.

### **Liquidity**

### **Operating Activities**

Net cash used in operating activities totaled \$188,716 for the nine months ended September 30, 2010, compared to net cash used in operating activities of \$370 for the same period in 2009.

### **Investing Activities**

Net cash used in investing activities totaled \$0 for the nine months ended September 30, 2010, as compared to the net cash used in investing activities of \$0 for nine months ended September 30, 2009. The Company has not engaged in investing activities since its inception.

### **Financing Activities**

Net cash provided by financing activities totaled \$18,716 for nine months ended September 30, 2010, as compared to \$0 provided by financing activities for the nine months ended September 30, 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 nine months ending September 30, 2010. The Company historically sought and continues to seek financing from private sources to move its present business plan forward. 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 September 30, 2010, we have \$1 of cash available. We have current liabilities of \$24,902. From the date of inception (August 6, 2007) to September 30, 2010, the Company has recorded a net loss of \$2,101,659. As of September 30, 2010, we had 28,710,000 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

Professional fees for the three months ended September 30, 2010 was \$84,529 as compared to \$393,283 for the period ended September 30, 2009, a decrease of \$308,754. Professional fees for the nine months ended September 30, 2010 were \$455,507 as compared to \$926,302 at September 30, 2009, a decrease of \$470,795. These decreases were attributed to the Company's 2009 international efforts to research, evaluate, draft documents, and meet and confer regarding the Excellent Auto Dealers transaction that was first announced in August 2009. The Company incurred legal fees and expenses related to: (i) the drafting and execution of the memorandum of understanding; (ii) conducting of international due diligence; and (iii) efforts to resolve due diligence issues including obtaining and reviewing audited financials for Excellent Auto Dealers, Inc. Additional 2009 legal fees were incurred as the result of the termination of the memorandum of understanding with Excellent Auto Dealers, Inc.

Net loss for the three months ended September 30, 2010 was \$82,029 as compared to \$393,283 for the three months ended September 30, 2009 a decrease of \$311,254. Net loss for the nine months ended September 30, 2010 was \$455,156 as compared with \$1,099,572 for the nine months ended September 30, 2009 a decrease of \$644,416. The reduction of loss for the periods was mainly due to decrease of professional fees and decrease in officer compensation by \$170,000 resulting from a lower valuation of common shares issued for services in 2010 when compared to 2009.

## Trends; Competition

As it presently stands, the auto 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 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 September 30, 2010, of \$2,101,659. 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 September 30, 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 Gerry Berg.

## **Other Information**

FYAD has 28,710,000 shares of common stock, \$0.001 par value issued and outstanding.

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 85 percent of 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 nine months ended September 30, 2010.

### **Item 4. Controls and Procedures**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as required by Sarbanes-Oxley (SOX) Section 404 A. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.



As of September 30, 2010, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes. The aforementioned material weaknesses were identified by the Company's Chief Financial Officer in connection with the review of our financial statements as of September 30, 2010 and communicated the matters to our management.

Management believes that the material weaknesses set forth in items (2), (3) and (4) above did not have an effect on the Company's financial results. However, management believes that the lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures can result in the Company's determination to its financial statements for the future years.

We are committed to improving our financial organization. As part of this commitment, we will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to the Company: i) Appointing one or more outside directors to our board of directors who shall be appointed to the audit committee of the Company resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures; and ii) Preparing and implementing sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

Management believes that the appointment of one or more outside directors, who shall be appointed to a fully functioning audit committee, will remedy the lack of a functioning audit committee and a lack of a majority of outside directors on the Company's Board. In addition, management believes that preparing and implementing sufficient written policies and checklists will remedy the following material weaknesses (i) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (ii) ineffective controls over period end financial close and reporting processes. Further, management believes that the hiring of additional personnel who have the technical expertise and knowledge will result proper segregation of duties and provide more checks and balances within the department. Additional personnel will also provide the cross training needed to support the Company if personnel turn over issues within the department occur. This coupled with the appointment of additional outside directors will greatly decrease any control and procedure issues the company may encounter in the future.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

There were no significant changes in the Company's internal controls or, to the Company's knowledge, in other factors that could significantly affect these controls subsequent to the date of their evaluation.

#### **Item 4T. Controls and Procedures**

As of the end of the period covered by this Quarterly report, the Company conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of its disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer, the sole officer and director of the company, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by it in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

## **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**

On May 18, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 1.01 that Friendly Auto Dealers, Inc. entered into a material definitive agreement not made in the ordinary course of its business on May 17, 2010. The parties reported to the agreement were Friendly Auto Dealers, Inc. and TMD Courses, Inc., a California corporation. No material relationships exist between the registrant Friendly Auto Dealers, Inc. or any of its affiliates and TMD Courses, Inc. and any of its affiliates or control persons. The agreement provided in pertinent part that Friendly Auto Dealers, Inc. will exchange 250,523,333 shares of its common stock for one hundred percent of the issued and authorized shares of TMD Courses, Inc. Pending the closing, which is set on or about June 30, 2010, but not later than July 31, 2010, Friendly Auto Dealers, Inc. will act to complete the amendments to its articles of incorporation: (i) Change the name of the Company to Innovative Therapeutic Solutions, Inc.; (ii) Conduct a one for ten reverse split of Friendly Auto Dealers, Inc.'s common stock; and, (iii) Increase the number of authorized shares to seven hundred million from seventy million shares.

On May 20, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 5.02(a) that effective May 19, 2010, Ming R. Cheung resigned as a director of the Company. There were no material disagreements between Ms. Cheung and the Company of any kind.

On May 20, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 5.02(c) that effective May 19, 2010, the Company announced the appointment of Gerry Berg to the Board Directors as Chairman and President.

On June 1, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 1.01 Friendly Auto Dealers, Inc. Friendly Auto Dealers, Inc. and TMD Courses, Inc. amended the material definitive agreement to remove any condition requiring a reverse split of Friendly Auto Dealers, Inc.'s common stock as a condition precedent to closing the material definitive agreement executed on May 17, 2010.

On August 2, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 1.02 that the material definitive agreement with TMD Courses, Inc. terminated as of July 31, 2010 based upon the expiration of a stated termination date. The agreed to closing of the material definitive agreement was July 31, 2010. The material definitive agreement did not close by July 31, 2010. Thus, by the operation of the expiration of time, the material definitive agreement terminated. Friendly Auto Dealers, Inc. incurred no termination penalties as the result of the termination of the material definitive agreement.

On August 2, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 4.01(a) that Friendly Auto Dealers, Inc.'s board of directors dismissed its independent accountant, Kyle Tingle CPA, effective July 28, 2010. Over the last two fiscal years, no principal accountant's report on the Company's financial statements contained material disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Mr. Tingle, would have caused him to make reference to the subject matter of the disagreement(s) in connection with his report. On August 6, 2010,

Friendly Auto Dealers, Inc. filed Form 8-K/A amending its 8-K filing of August 2, 2010.

On August 2, 2010, Friendly Auto Dealers, Inc. filed Form 8-K reporting under Item 4.01(b) that effective July 28, 2010, the Company retained Chang G. Park, CPA, Ph.D., 2667 Camino Del Rio South Plaza B, San Diego, CA 92108 as its a new independent principal accountant to audit the Company s financial statements.

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: February 17, 2011

*/s/ Gerry Berg*  
Gerry Berg, President,  
Chief Executive Officer,  
Chief Financial Officer and  
Director