

Friendly Auto Dealers, Inc.  
Form 10-Q  
May 20, 2009

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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, 2009  
Commission File Number: 333-147560

FRIENDLY AUTO DEALERS, INC.  
(Exact Name of Issuer as Specified in Its Charter)

Nevada	7389	33-1176182
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)

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. 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 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).  
YES NO

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. YES NO

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 19, 2009, the registrant had 26,960,000 shares of common stock, \$0.001 par value, issued and outstanding.

Transitional Small Business Disclosure Format (Check one): YES NO

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited- Prepared by Management)

The accompanying balance sheets of Friendly Auto Dealers, Inc. at March 31, 2009 (with comparative figures as at December 31, 2008) and the Statements of Operations for the three months ended March 31, 2009 and 2008 and the period of August 6, 2007 (Inception) to March 31, 2009 and the Statements of Cash Flows for the three months ended March 31, 2009 and 2008 and the period of August 6, 2007 (Inception) to March 31, 2009 have been prepared by the Company's management in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Operating results for the quarter ended March 31, 2009 are not necessarily indicative of the results that can be expected for the year ending December 31, 2009.

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

Financial Statements  
March 31, 2009 and 2008

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

Financial Statements  
March 31, 2009 and 2008

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## FRIENDLY AUTO DEALERS, INC.

(An Exploration Stage Enterprise)

## Balance Sheets

	March 31, 2009 (unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 371	\$ 371
Prepaid expenses	1,447,775	12,500
<b>Total current assets</b>	<b>1,448,146</b>	<b>12,871</b>
<b>Total assets</b>	<b>\$ 1,448,146</b>	<b>\$ 12,871</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 450	\$ 450
Loan from shareholder	6,800	6,800
<b>Total current liabilities</b>	<b>7,250</b>	<b>7,250</b>
<b>Stockholders' Equity</b>		
Stock receivable	(2,500)	-
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, 26,960,000 and 6,825,000 shares issued and outstanding at March 31, 2009 and December 31, 2008	26,960	6,825
Additional paid in capital	1,813,816	107,605
Deficit accumulated during the development stage	(387,380)	(108,809)
<b>Total stockholders' equity</b>	<b>1,440,896</b>	<b>5,621</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,448,157</b>	<b>\$ 12,871</b>

See accompanying notes to financial statements

FRIENDLY AUTO DEALERS, INC.  
 (An Exploration Stage Enterprise)  
 Statements of Operations (unaudited)

	Three months ended March 31,		For the period from August 6, 2007 (inception) to March 31, 2009
	2009	2008	
Revenue	\$ -	\$ -	\$ -
<b>Expenses</b>			
Office expenses	3,200	2,690	15,870
Travel	-	30,086	30,474
Officer compensation	170,000	-	170,000
Professional fees	105,371	5,250	171,036
Total expenses	278,571	38,026	387,380
Net loss	\$ (278,571)	\$ (38,026)	\$ (387,380)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.01)	
Weighted average shares outstanding	9,451,833	6,643,077	

See accompanying notes to financial statements



FRIENDLY AUTO DEALERS, INC.  
(An Exploration Stage Enterprise)  
Statements of Cash Flows (unaudited)

	Three months ended March 31,		For the period of August 6, 2007 (inception) to March 31, 2009
	2009	2008	2009
<b>Cash flows from operating activities</b>			
Net loss	\$ (278,571)	\$ (38,026)	\$ (387,380)
<b>Adjustments to reconcile net loss to net cash used in operating activities</b>			
Common stock issued for services	1,687,250	-	1,694,500
Common stock issued for advertising	3,200	-	3,200
Warrants issued for services	23,396	-	23,396
<b>Changes in operating assets and liabilities:</b>			
Prepaid expenses	(1,435,275)	(15,000)	(1,447,775)
Accounts payable	-	(1,950)	450
Net cash used in operating activities	-	(54,976)	(113,609)
Net cash used in investing activities	-	-	-
<b>Cash flows from financing activities</b>			
Loan from shareholder	-	-	6,800
Proceeds from sale of stock	-	46,500	107,180
Net cash provided by financing activities	-	46,500	113,980
(Decrease) increase in cash	-	(8,476)	371
Cash at beginning of period	371	53,799	-
Cash at end of period	\$ 371	\$ 45,323	\$ 371
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Issuance of common stock for services	\$ 1,690,250	\$ -	\$ 1,1,697,700
Issuance of warrants for consulting services	\$ 23,396	\$ -	\$ 23,396
<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 Financial Statements  
March 31, 2009 and 2008

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, 2009 and 2008 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, 2008 audited financial statements as reported in Form 10-K. The results of operations for the period ended March 31, 2009 are not necessarily indicative of the operating results for the full year.

Note 2 – Significant Accounting Policies

Estimates

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

Cash

For the Statements of Cash Flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of March 31, 2009 and December 31, 2008.

Income taxes

Income taxes are provided for using the liability method of accounting in accordance with SFAS No. 109 “Accounting for Income Taxes,” and clarified by FIN 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109.” A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Notes to Financial Statements  
March 31, 2009 and 2008

Note 2 - Significant Accounting Policies (continued)

Share Based Expenses

The Company follows Financial Accounting Standards Board (“FASB”) SFAS No. 123R “Share Based Payment.” This statement is a revision to SFAS 123 and supersedes Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees,” and amends FASB Statement No. 95, “Statement of Cash Flows.” This statement requires a public entity to expense the cost of employee services received in exchange for an award of equity instruments. This statement also provides guidance on valuing and expensing these awards, as well as disclosure requirements of these equity arrangements. The Company adopted SFAS No. 123R upon creation of the company and expenses share based costs in the period incurred.

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.

FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Notes to Financial Statements  
March 31, 2009 and 2008

Note 3 – Stockholders' Equity

Common stock

The authorized common stock of the Company consists of 70,000,000 shares with par value of \$0.001.

During 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. A total of 1,765,000 shares of the Company's common stock were issued under its 2009 Stock Incentive Plan in the following manner:

- 1) 500,000 free trading shares at \$0.17 per share for a total consideration of \$85,000 in consulting services;
- 2) 200,000 free trading shares at \$0.17 per share and 200,000 restricted shares at \$0.17 per share for a total consideration of \$68,000 in consulting services;
- 3) 275,000 free trading shares at \$0.17 per share for a total consideration of \$46,750 in consulting services;
- 4) 500,000 free trading shares at \$0.17 per share for a total consideration of \$85,000 in legal services;
- 5) 90,000 free trading shares at \$0.17 per share in lieu of 250,000 restricted shares;

The consultant (2) also received 200,000 stock warrants exercisable for three years at a strike price of \$.50 per share. The Company valued these options using the Black-Scholes model and have been accounted for appropriately.

Further during March 2009, the Company also issued 8,370,000 shares of unregistered restricted common stock to various vendors in consideration of services provided or to be provided. These shares have been valued based on the company's 2009 stock incentive plan. The agreements are itemized as follows:

FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Notes to Financial Statements  
March 31, 2009 and 2008

Note 3 – Stockholders' Equity (continued)

- 1) 1,000,000 restricted shares to the Company President at \$0.17 per share for a total consideration of \$170,000 of consulting services;
- 2) 1,000,000 restricted shares at \$0.17 per share for a total consideration of \$170,000 of consulting services;
- 3) 6,000,000 restricted shares at \$0.17 per share for a total consideration of \$1,020,000 of consulting services;
- 4) 100,000 restricted shares at \$0.03 per share for payment of a \$3,000 advertising invoice;
- 5) 20,000 restricted shares at \$0.01 per share for payment of a \$200 advertising invoice;
- 6) 250,000 restricted shares at \$0.17 per share for a total consideration of \$42,500 of consulting services;

The consultant (6) received 250,000 stock warrants with a strike price of \$1.00 exercisable for five years. The Company valued these options using the Black-Scholes model and have been accounted for appropriately.

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 Company intends to acquire all or a majority of the outstanding capital stock of Excellent on or before June 30, 2009.

FRIENDLY AUTO DEALERS, INC.  
(A Development Stage Enterprise)  
Notes to Financial Statements  
March 31, 2009 and 2008

## 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, 2009

Expected volatility	136.53%-186.77%
Expected dividends	0
Expected term (in years)	3-5
Risk-free rate	1.39%-1.86%

A summary of option activity under the Plan as of March 31, 2009 and changes during the periods then ended are presented below:

Warrants	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
December 31, 2008	-	\$ -	-	\$ -
Granted	241,667	0.59	3.34	23,396
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
March 31, 2009	241,667	\$ 0.59	3.34	23,396
Exercisable at March 31, 2009	241,667	\$ 0.59	3.34	23,396



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 which 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. 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

Friendly Auto Dealers, Inc.'s business is looking to enter into the promotional branding industry with the objective of adding value to a wide variety of products by endorsing them with the corporate logos of the world's automobile manufacture's for use by the company's employees or as gifts or promotional items. FYAD plans to concentrate its efforts in the People's Republic of China and its retail automotive industry. FYAD intends to establish itself as a specialized brand promotional merchandising company. FYAD will 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. The targeted market is 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.



### Competitive Factors

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 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.

### 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 very minimal business activity, it is the opinion of management that the most meaningful financial information relates primarily to current liquidity and solvency. As at March 31, 2009, we had \$371 of available cash on hand. 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, 2009, of \$387,380. We did not earn any revenues during the aforementioned period.

**Critical Accounting Policies.** Our discussion and analysis of its 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, 2009, 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.

Trends. We have not generated any revenue and have no prospects of generating any revenue in the foreseeable future. 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

#### Limited Operating History; Need for Additional Capital

As of March 31, 2009, we have \$371 of cash available. We have current liabilities of \$7,250. From the date of inception (August 6, 2007) to March 31, 2009, the Company has recorded a net loss of \$387,380. As of March 31, 2009, we had 26,960,000 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.

Our common stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) 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.

#### 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, Tony Lam, of the corporation.

#### Other Information

FYAD has 26,960,000 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. A total of 1,765,000 shares of the Company's common stock were issued under its 2009 Stock Incentive Plan in the following manner:

- 1) 500,000 free trading shares at \$0.17 per share for a total consideration of \$85,000 in consulting services;
- 2) 200,000 free trading shares at \$0.17 per share and 200,000 restricted shares at \$0.17 per share for a total consideration of \$68,000 in consulting services;
- 3) 275,000 free trading shares at \$0.17 per share for a total consideration of \$46,750 in consulting services;
- 4) 500,000 free trading shares at \$0.17 per share for a total consideration of \$85,000 in legal services;
- 5) 90,000 free trading shares at \$0.17 per share in lieu of 250,000 restricted shares;

The consultant (2) also received 200,000 stock warrants exercisable for three years at a strike price of \$.50 per share. The Company valued these options using the Black-Scholes model and has been accounted for appropriately.

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>. FYAD has no website 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.

## 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, 2009.

### 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 March 31, 2009, 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 June 30, 2008 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.

## 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

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 19, 2009

/s/ Tony H. Lam  
Tony H. Lam  
Chief Executive Officer and  
Chief Financial Officer

