K KITZ INC
Form 10-Q
May 12, 2010

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

# FORM 10-Q

(Mark One)
x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 333-158426

K-Kitz, Inc.
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| Delaware<br>(State or Other Jurisdiction of Incorporation or Organization) | 20-5313323<br>(I.R.S. Employer Identification No.) |
| 1630 Integrity Drive East, Columbus, Ohio<br>(Address of Principal Executive Offices) | 43209<br>(Zip Code) |

(614) 449-8614
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o Noo (not required)

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 o Accelerated filer o

Non-accelerated filer o Smaller reporting company x

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

As of May 12, 2010, there were 4,500,000 shares of the registrant’s common stock outstanding.

K-Kitz, Inc.
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Item 1. Financial Statements

K-KITZ, INC.
BALANCE SHEET

| Assets | March 31, 2010 | December 31, 2009 |
|---|---|---|
| Current assets | | |
| Cash | $62,434 | $46,012 |
| Accounts receivable | 5,571 | 52,202 |
| Accounts receivable - related party (Jendco) | - | 16,687 |
| Inventory | 29,316 | 18,978 |
| Prepaid expenses | 5,194 | 3,894 |
| Total Current Assets | $102,515 | $137,773 |
| | | |
| Liabilties and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable & accrued expenses | $13,033 | $23,460 |
| Accounts payable - related party (Jendco) | - | 15,603 |
| Current deferred tax liability | 1,834 | 1,834 |
| Accrued compensation - related party (Jennifer Jarvis) | - | - |
| Total Current Liabilities | 14,867 | 40,897 |
| | | |
| Stockholders' Equity | | |
| Common stock, $0.000001 par value,95,000,000 shares authorized; issued & outstanding | | |
| 5,500,000 as of March 31, 2010 and December 31, 2009 | 6 | 6 |
| Preferred stock, $0.000001 par value, 5,000,000 shares authorized; issued & outstanding -0- as of | | |
| December 31, 2008 & December 31, 2007 | - | - |
| Additional paid-incapital | 96,795 | 96,795 |
| Accumulated (Deficit) / Retained Earnings | (9,153) | 75 |
| Total Stockholders' Equity | 87,648 | 96,876 |
| | | |
| Total Liabilities and Stockholders' Equity | $102,515 | $137,773 |

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

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K-KITZ, INC.
INCOME STATEMENT

| | For the Periods ended March 31, 2010 | For the Periods ended March 31, 2009 |
|---|---|---|
| Revenue | $16,790 | $22,756 |
| Revenue - related party (Jendco) | 22 | 1,999 |
| Total revenue | 16,812 | 24,755 |
| | | |
| Operating expenses: | | |
| Cost of sales | 9,657 | 16,394 |
| Cost of sales - related party (Jendco) | - | - |
| Selling, general & administrative expenses | 16,383 | 18,127 |
| | | |
| Total operating expenses | 26,040 | 34,521 |
| | | |
| Operating income (loss) | (9,228) | (9,766) |
| | | |
| Income (loss) before income taxes | (9,228) | (9,766) |
| Deferred income taxes | - | - |
| | | |
| Net income | (9,228) | (9,766) |
| | | |
| Earnings per share: | | |
| Basic & fully diluted | $(0.0017) | $(0.0030) |
| | | |
| Weighted average shares outstanding: | | |
| Basic & fully diluted | 5,500,000 | 3,300,027 |

The accompanying notes are an integral part of these financial statements

K-KITZ, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2010 and DECEMBER 31, 2009

| | Common Stock Shares | Common Stock Amount | Preferred Stock Shares | Additional Paid-In Capital | Accumulated Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance at January 1, 2007 | 100 | $0.0001 | - | $19,397 | $ - | $ 19,397 |
| Net income | | | | - | 7,789 | 7,789 |
| Balance at December 31, 2007 | 100 | $0.0001 | - | $19,397 | $ 7,789 | $ 27,186 |
| Net loss | | | | - | (15,845) | (15,845) |
| Balance - December 31, 2008 | 100 | $0.0001 | - | $19,397 | $ (8,056) | $ 11,341 |
| Repurchase of stock | (100) | $(0.0001) | | | | |
| Stock issue | 5,500,000 | $5.5000 | | 44,994 | | 45,000 |
| Contributed capital | | | | 32,404 | | 32,404 |
| Net Income | | | | | 8,131 | 8,131 |
| Balance - December 31,. 2009 | 5,500,000 | $6 | - | $96,795 | $ 75 | $ 96,876 |
| Net Loss | | | | | $ (9,228) | $ (9,228) |
| Balance - March 31, 2010 | 5,500,000 | $6 | 0 | $96,795 | $ (9,153) | $ 87,648 |

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

K-KITZ, INC.
STATEMENT OF CASH FLOW

| | For the Periods Ended March 31, 2010 | March 31, 2009 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net income (loss) | $(9,228) | $(9,766) |
| | | |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 46,631 | 33,289 |
| Accounts receivable - related party (Jendco) | 16,687 | 11,278 |
| Inventory, prepaid expenses | (11,638) | (1,044) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable, accrued expenses | (10,427) | (12,781) |
| Accrued expenses - related party (Jendco) | (15,603) | (6,480) |
| Accrued expenses - related party (Jennifer Jarvis) | | (45,000) |
| Net cash provided from operating activities | $16,422 | $(30,504) |
| | | |
| Net increase (decrease) in cash | $16,422 | (30,504) |
| Cash - beginning of period | $46,012 | 43,717 |
| Cash - end of period | $62,434 | 13,213 |

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

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K-KITZ, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND DECEMBER 31, 2009
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of K-Kitz, Inc. (“K-Kitz”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in K-Kitz’s Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on March 30, 2010. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2009 as reported in the Annual Report on Form 10-K for the year ended December 31, 2009 have been omitted.

NOTE 2 - GOING CONCERN

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. However, the Company has incurred net income (loss) of ($9,228) and ($9,766) for the three months ended March 31, 2010 and 2009, has a retained earnings/(deficit) of ($9,153) as of March 31, 2010 and $75 as of December 31, 2009 and the stockholder’s equity is $87,648 and $96,876 as of March 31, 2010 and December 31, 2009, respectively. The Company has remained in business primarily from loans and advances from a significant related party (see related party footnote). The Company intends on financing its future development activities from the same sources, until such time that funds provided by operations are sufficient to fund working capital requirements.

These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

NOTE 3 - STOCKHOLDERS’ EQUITY

The Company has authorized two classes of stock: (a) Preferred stock – 5,000,000 shares authorized at a par value of $0.000001; and (b) Common stock – 95,000,000 shares authorized at a par value of $0.000001.

The Company issued 100 shares of common stock to Kevin A. Lynch, the chief operating officer and chief executive officer, in August of 2006. On January 24, 2009, the Company purchased Mr. Lynch’s 100 shares and issued 4,500,000 shares to Jennifer Jarvis. During the third quarter of 2009, an additional 1,000,000 shares were issued to 34 shareholders.

The Company’s founder contributed $19,397 in capital during the year ended December 31, 2006. Ms. Jarvis contributed $32,404 in capital during the year ended December 31, 2009.

NOTE 4 - RELATED PARTY TRANSACTIONS

Jendco is owned by the mother of Jennifer H. Jarvis, our President, Chief Executive Officer and Chief Financial Officer. Our principal executive offices and warehouse are located within a larger facility owned by Jendco. Our lease at this location runs from month-to-month, and we currently pay $1,300 in rent per month. We paid total rent of $3,900 in the three month periods ending March 31, 2010 and 2009 to Jendco.

We sold products to Jendco totaling $22 and $1,999 in the three month periods ending March 31, 2010 and 2009, respectively, and had an accounts receivable from Jendco of $0 and $1,999 as of March 31, 2010 and 2009, respectively. We purchased raw materials from Jendco totaling $0 in the three month periods ending March 31, 2010 and 2009, respectively, and had an accounts payable from Jendco of $0 as of March 31, 2010 and 2009, respectively.

We believe that all of such transactions and arrangements were advantageous to us and were on terms no less favorable to us than could have been obtained from unaffiliated third parties.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section of our quarterly report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this prospectus. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

This Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). These forward-looking statements involve certain known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the factors set forth under "Risk Factors" in our registration statement on Form S-1 (No. 333-158426), which was declared effective by the U.S. Securities and Exchange Commission on September 29, 2009. The words "believe," "expect," "anticipate," "intend," "plan" and similar expressions ident forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update and revise any forward-looking statements or to publicly announce the result of any revisions to any of the forward-looking statements in this document to reflect any future or developments, except to the extent required by federal securities laws. However, the Private Securities Litigation Reform Act of 1995 is not available to us as a non-reporting issuer. Further, Section 27A(b)(2)(D) of the Securities Act and Section 21E(b)(2)(D) of the Securities Exchange Act expressly state that the safe harbor for forward-looking statements does not apply to statements made by a penny stock issuer such as us.

Although the forward-looking statements in this quarterly report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and other financial information included in this quarterly report.

Overview

K-Kitz, Inc. is a Delaware corporation formed on August 8, 2006. We custom design and assemble most of our emergency preparedness kits based on the individual needs of a buyer. During 2009, we supplied kits to end-users such as the Board of Health of Franklin County, Ohio and the Roman Catholic Diocese for parochial schools in and around Columbus, Ohio, and to dealers such as Airgas Safety, Inc. and Safety Environmental Control, Inc. We are able to assemble the kits using a variety of essential emergency supplies such as crank lanterns, weather band radios, portable decontamination chambers, megaphones, first responder vests, protection facemasks, disposable gloves and blood pressure cuffs. Our approach is to be responsive to customer needs by performing these customized services, while also supplying a full line of products from a single source. Competition in this market is based largely on design capability, price, product quality, customer service and ability to meet delivery requirements.

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We face numerous obstacles in operating and expanding our business, including:

- conservative state and municipal budgets which negatively affect spending by school systems and municipalities, our primary customers,

- lack of capital to significantly expand our marketing capabilities beyond our existing base in Columbus, Ohio, and

- many competitors that make similar emergency preparedness kits, some of which operate in large geographical regions and sell nationally and have greater resources than we have.

Revenue Recognition

We recognize revenue from the sales of our products in accordance with Staff Accounting Bulletins 101 and 104. The criteria for recognition is as follows:

- persuasive evidence of an arrangement exists,
- delivery has occurred or services have been rendered,
- the seller's price to the buyer is fixed or determinable, and
- collectability is reasonably assured.

A majority of our revenues are generated through our catalogs, either through the Internet or telephone, at which time the customer places an order. Shipments of products are made as soon as the customized orders are placed in kits and quality checked. Revenues from sales of kits and related products are recorded when title transfers, which is typically upon shipment. Most shipments are made by commercial couriers. Invoicing occurs at shipment, by regular mail.

A major customer or vendor is a customer or vendor that represents 10% of our sales or purchases.

For the three months ended March 31, 2010, we had three major customers representing approximately 93.7 % of our sales: American Environmental 40.5 %, AirGas 35.8%, and MMI Industrial 17.4%.

For the three months ended March 31, 2010, we had two major vendors that represented approximately 100% of our purchases of merchandise Wolf Creek Co. – 50.3%, and TM Poly Film, Inc. – 49.7%.

Matters that May or Are Currently Affecting Our Business

The main challenges and trends that could affect or are affecting our financial results include:

- Packaging or raw materials price increases - an increase in packaging or raw materials, particularly plastic products such as piping, fittings and disposable bags, has in the past caused our margins to suffer and negatively impacted our cash flow and profitability. These conditions could be more prevalent in coming years. We periodically search for packaging and production alternatives to reduce our cost of goods.

- Fuel prices - fuel price increases since 2007 have caused increases in our packaging, production and distribution costs. Many of our products are made of plastic, which utilizes petroleum. Fuel prices have moderated most recently; however, we periodically pursue alternative production, packaging and distribution suppliers and options to help offset the effect of these fuel price increases on expenses.

- Cash flow requirements - our growth will depend on the availability of additional capital. We have limited sales and income and may be dependent on non-banking or traditional sources of capital, which tend to be more expensive. Any increase in cost of goods will further tighten cash reserves.

Results of Operations

Three Months ended March 31, 2010 compared to Three Months ended March 31, 2009

For the three months ended March 31, 2010, revenue earned from three customers, amounted to approximately 93.82% of our total sales revenue. For the three months ended March 31, 2009, revenue earned from four customers, amounted to approximately 78.88% of our total sales revenue. Accounts receivable from these customers equaled $5,549 and $11,297 of total receivables as of March 31, 2010 and 2009, respectively.

Our cost of sales were 57.44% of revenue for the three-month period ended March 31, 2010, and our cost of sales were 66.23% of revenue for the three-month period ended March 31, 2009. The decrease of 8.79% was due to the mix of our sales during the two periods; in 2009, our product sales consisted mainly of assembled, ready-for-sale kit items and, in 2010, consisted of more items actually manufactured by us at our facility, which provide higher gross margins for us.

Our revenue of $16,812 decreased for the three months ended March 31, 2010 by 26.22% from our revenues of $22,756 for the three months ended March 31, 2009. The decrease in revenue from the 2009 to 2010 period reflects the impact of significant sales in 2009 to the Franklin County, Ohio Board of Health. Although this major customer continued to make purchases in 2010 and we acquired new smaller customers in 2009, the magnitude of new sales in 2009 did not replicate the level of our significant sales to the Franklin County, Ohio Board of Health.

Our selling, general and administrative expenses were $16,383 for the three months ended March 31, 2010, as compared to $18,127 for the three months ended March 31, 2009. This decrease of expenses, equal to 9.62% for the three months ended March 31, 2010, were due mainly to a 85.66% decrease in payroll expense over the same period from $7,376 to $1,057. These decreases were due to expected seasonal fluctuations. We expect to maintain relatively consistent to modestly higher levels of selling, general and administrative expenses in the foreseeable future. We have no current plans to significantly increase our personnel count or expand our warehouse area; however, we do expect professional fees and expenses to increase related to our being a publicly-reporting company.

Total operating expenses for the three months ended March 31, 2010 were $26,040 as compared to $34,521 for the three months ended March 31, 2009. The 24.57% decrease of total operating expenses for this period was primarily due to the decrease of payroll expenses described above.

Accordingly, for the three months ended March 31, 2010, we had net income (loss) of $(9,228) and for the three months ended March 31, 2009, we had net income (loss) of $9,766.

Liquidity and Capital Resources

At March 31, 2010, we had total assets of $102,515, consisting of cash, accounts receivable, inventory and prepaid expenses. At March 31, 2010, our total current liabilities were $14,867, consisting of accounts payable, accrued expenses and current deferred tax liability. We have no long-term liabilities.

We intend to provide funding for our future activities, if any, through a combination of operating revenues, private placement of equity securities, public sales of equity securities and borrowing from commercial lenders. At March 31, 2010, we had $62,434 in cash on hand, which we believe, together with the projected cash flow from operating activities, is enough to sustain operations for at least the next six months. This estimate is made without considering additional funding. We have no agreement, commitment or understanding to secure any new funding from any source other than operating revenues.

Our future success is dependent upon our ability to continue operations, generate cash from operating activities and obtain additional financing. There is no assurance that we will be able to generate sufficient cash from operations, sell additional shares of common stock or borrow additional funds. Our inability to obtain additional cash could have a material adverse affect on our ability to continue in business and implement our business plan.

We do not intend to conduct any product research and development, nor do we intend to purchase any significant equipment, in the foreseeable future.

Since our inception, we have received support and accommodations from our relationship with Jendco Safety Supply Inc., a company owned by the mother of Jennifer H. Jarvis, our President, Chief Executive Officer and Chief Financial Officer, as described in this paragraph. In 2009, Jendco was our largest vendor of emergency preparedness supplies. Although we believe we purchase supplies from Jendco at prices that are no lower than those quoted by Jendco to unrelated purchasers for similar quantities of products, we believe we have received favorable payment terms (averaging slightly in excess of 30 days after receipt of invoice) for purchasers in our financial condition. We have no written agreement with Jendco. Additionally, we lease our principal executive offices and warehouse in Columbus, Ohio from Ms. Jarvis' mother. Although we believe we pay rent at a market rate for the space that we occupy, we have not been required to make a security deposit. By utilizing these facilities, we are also able to place purchase orders for, and obtain delivery of, emergency preparedness supplies very quickly. We have not received any cash advances or loans from Jendco.

As part of our plan to augment our financial resources and consider attractive business opportunities, our president has entered into discussions with an unnamed, unaffiliated third party with respect to a potential merger transaction which could result in the discontinuance of our current operations, change of control/ownership and new management. When finalized and binding, we will provide full disclosure about the transaction and the third party, as required by applicable securities laws.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Seasonality

We do not have a seasonal business cycle. Our revenues and operating profits are generally derived evenly throughout the months of the year.

Critical Accounting Policies

Use of estimates. The preparation of the 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 and cash equivalents. For purposes of the statement of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of March 31, 2010, there were no cash equivalents.

Allowance for doubtful accounts. Accounts receivable reflect those amounts due to the company from its customers and reflect the net realizable value of the balances due. Terms are net 30 days from invoice. We provide an allowance for doubtful account which is based upon a review of outstanding receivables as well as historical collection information. In determining the amount of the allowance, we are required to make certain estimates and assumptions. We have determined that no reserve for uncollectible accounts was required as of March 31, 2010.

Inventory. Inventory is valued at the lower of cost or market value which approximates the first in, first out method of inventory flow. The balance reflects the net realizable value of such inventory.

Income taxes. We account for income taxes under the Financial Accounting Standards Board of Financial Accounting Standard No. 109, "Accounting for Income Taxes" (Statement 109). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The current income tax expense for the year ended December 31, 2009 was $1,495 for federal and $339 for state, which was calculated at a federal rate net of state tax benefit of 15% and a state rate of 3.4%. Provision for federal and state taxes were not reflected due to the uncertainty of our company achieving profitability for the rest of the year.

Basic and diluted net loss per common share. Basic and diluted net loss per share calculations are calculated on the basis of the weighted average number of common shares outstanding during the year. The per share amounts include the dilutive effect of common stock equivalents in years with net income. Basic and diluted loss per share is the same due to the anti dilutive nature of potential common stock equivalents. We had no common stock equivalents outstanding at March 31, 2010.

Stock-based compensation. We account for stock-based employee compensation arrangements using the fair value method in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R) or SFAS No. 123(R), Share-Based Payments, and Staff Accounting Bulletin No. 107, or SAB 107, Share-Based Payments. We account for the stock options issued to non-employees in accordance with the provisions of Statement of Financial Accounting Standards No. 123, or SFAS No. 123, Accounting for Stock-Based Compensation, and Emerging Issues Task Force No. 96-18, Accounting for Equity Instruments with Variable Terms that are Issued for Consideration other than Employee Services under FASB Statement No. 123.

We did not grant any stock options or warrants during the three months ended March 31, 2010, nor have any options been granted in prior periods.

Significant Recent Accounting Pronouncements

Business Combinations. In December 2007, the FASB issued FASB Statement No. 141(R), "Business Combinations," which amends SFAS No. 141, and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for our fiscal year beginning January 1, 2009 and is to be applied prospectively. We have evaluated the potential impact of adopting this statement on our financial position, results of operations and cash flows and believe that no application is necessary.

Accounting for Convertible Debt Instruments. In September 2007, the FASB published Proposed FSP No. APB 14-a, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion." The proposed FSP applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133. Convertible debt instruments within the scope of the proposed FSP are not addressed by the existing APB 14. The proposed FSP would require that the liability and equity components of convertible debt instruments within the scope of the proposed FSP shall be separately accounted for in a manner that reflects the entity's nonconvertible debt borrowing rate. This will require an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component would be reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest method. We have evaluated the potential impact of adopting this statement on our financial position, results of operations and cash flows and believe that no application is necessary.

Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards. In June 2007, the EITF reached consensus on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF Issue No. 06-11 requires that the tax benefit related to dividend and dividend equivalents paid on equity-classifed nonvested shares and nonvested share units, which are expected to vest, be recorded as an increase to additional paid-in capital. EITF Issue No. 06-11 is to be applied prospectively for tax benefits on dividends declared in our fiscal year beginning January 1, 2008. We have evaluated the potential impact of adopting this statement on our financial position, results of operations and cash flows and believe that no application is necessary.

Fair Value Accounting. In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of FAS 159 were effective for our fiscal year beginning January 1, 2008. We do not expect the adoption of FAS 159 to have a material impact on our financial results.

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 were effective for our fiscal year beginning January 1, 2008. We do not expect the adoption of FAS 157 to have a material impact on our financial results.

Item 3. Quantitative and Qualitative Analysis About Market Risk

Not required

Item 4T. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the first quarter of fiscal 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

As of the date hereof, there are no pending legal proceedings to which we are a party or of which any of our property is the subject.

Item 1A. Risk Factors.

Not required

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

(a) Recent Sales of Unregistered Securities

None.

(b) Initial Public Offering and Use of Proceeds from Sales of Registered Securities

On November 12, 2009, the Registrant completed its initial public offering of 1,000,000 shares of common stock at an initial offering price of $0.05 per share, or an aggregate offering price of $50,000. The public offering commenced on October 6, 2009 pursuant to a Registration Statement on Form S-1 (No. 333-158426) that the U.S. Securities and Exchange Commission declared effective on September 29, 2009. The offering was terminated upon the completion of the minimum offering described in the Registration Statement. Of the 2,000,000 shares of common stock registered under the Registration Statement, 1,000,000 shares will not be sold. No underwriters were used in the public offering.

After deducting offering-related expenses of $39,000, the public offering resulted in net proceeds to the Registrant of $11,000. No offering expenses were paid directly or indirectly to any of the Registrant's directors, officers or their associates, persons owning 10% or more of any class of the Registrant's equity securities or any other of the Registrant's affiliates. The Registrant has deposited the net proceeds of the public offering in a highly-rated U.S. financial institution. The Registrant is using the net proceeds of the public offering for its marketing efforts and for working capital, and there has been no material change in the Registrant's planned use of proceeds from the public offering than what is described in the Registration Statement.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Reserved.

Item 5. Other Information.

None

Item 6. Exhibits.

Exhibits required by Item 601 of Regulation S-K:

| Number | Description |
|---|---|
| 3.1 | Certificate of Incorporation. (1) |
| 3.2 | Bylaws. (1) |
| 31.1 | Certification as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer and Chief Financial Officer. |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer and Chief Financial Officer. |

(1) Incorporated by reference to the exhibits included with Registration Statement on Form S-1 (No. 333-158426), declared effective by the U.S. Securities and Exchange Commission on September 29, 2009.

SIGNATURES

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

K-KITZ, INC.

| | | |
|---|---|---|
| Date: May 12, 2010 | By: | /s/ Jennifer H. Jarvis<br>Jennifer H. Jarvis<br>President, Chief Executive Officer<br>and Chief Financial Officer<br>(principal executive officer and<br>principal financial and accounting<br>officer) |