

Friendly Auto Dealers, Inc.
Form 10-K
April 15, 2010

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Commission File Number: 333-147560

FRIENDLY AUTO DEALERS, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or
organization)

33-1176182

(I.R.S. Employer 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)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.001 par value per share

Title of class	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No .

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

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. (Check one):

Edgar Filing: Friendly Auto Dealers, Inc. - Form 10-K

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if 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

Edgar Filing: Friendly Auto Dealers, Inc. - Form 10-K

The common stock was last issued at a price of \$0.09 on July 23, 2009. The aggregate market value of the voting and non-voting common equity held by non-affiliates was \$798,000 at December 31, 2009.

As of April 15, 2010, the Registrant had 18,710,000 outstanding shares of Common Stock with a par value of \$0.001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or portions thereof) are incorporated herein by reference: registration statement and exhibits thereto filed on Form SB-2 November 21, 2007 and the Stock Incentive Plan on Form S-8 with exhibits thereto filed on March 3, 2009 are incorporated by reference within Part I and Part II herein.

INDEX

FRIENDLY AUTO DEALERS, INC.

	PAGE NO
PART I	
ITEM 1	4
ITEM 1A	5
ITEM 1B	7
ITEM 2	7
ITEM 3	7
ITEM 4	7
PART II	
ITEM 5	7
ITEM 6	8
ITEM 7	8
ITEM 7A	9
ITEM 8	9
ITEM 9	9
ITEM 9A(T)	9
ITEM 9B	11
PART III	
ITEM 10	11
ITEM 11	12
ITEM 12	13

ITEM 13	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	13
ITEM 14	PRINCIPAL ACCOUNTANT FEES AND SERVICES	13
PART IV		
ITEM 15	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	14
SIGNATURES		14

PART I.

Cautionary Note

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to a number of risks and uncertainties. All statements that are not historical facts are forward-looking statements, including statements about our business strategy, the effect of Generally Accepted Accounting Principles ("GAAP") pronouncements, uncertainty regarding our future operating results and our profitability, anticipated sources of funds and all plans, objectives, expectations and intentions and the statements regarding future potential revenue, gross margins and our prospects for fiscal 2009. These statements appear in a number of places and can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "future," "intend," or "certain" or the negative of these terms or other variations or comparable terminology, or by discussions of strategy.

Actual results may vary materially from those in such forward-looking statements as a result of various factors that are identified in "Item 1A. Risk Factors" and elsewhere in this document. No assurance can be given that the risk factors described in this Annual Report on Form 10-K are all of the factors that could cause actual results to vary materially from the forward-looking statements. References in this Annual Report on Form 10-K to (i) the "Company," the "Registrant," "Friendly "we," "our," FYAD, and "us" refer to Friendly Auto Dealers, Inc.

Investors and security holders may obtain a free copy of the Annual Report on Form 10-K and other documents filed by FYAD with the Securities and Exchange Commission ("SEC") at the SEC's website at <http://www.sec.gov>. Free copies of the Annual Report on Form 10-K and other documents filed by FYAD with the SEC may also be obtained from FYAD by directing a request to Friendly Auto Dealers, Inc., Attention: Tony Lam-4132 South Rainbow Road, Suite 514, Las Vegas Nevada 89103.

ITEM 1 BUSINESS.

General

Friendly Auto Dealers, Inc. ("Friendly Auto Dealers" or The Company) is a start-up development stage company incorporated on August 6, 2007, under the laws of the State of Nevada. 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. Since becoming incorporated, Friendly Auto Dealers has not made any significant purchases or sale of assets, nor has it been involved in any mergers, acquisitions or consolidations. Friendly Auto Dealers 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.

Description of Business

Friendly Auto Dealers intends to establish itself as a specialized brand promotional merchandising company. The Company 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 Company will concentrate its efforts in the People's Republic of China and its retail automotive industry. 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.

Investors must be aware that we have not begun operations and we have not generated any revenue. We currently have minimal funds available and in order to continue our business plan we must raise additional proceeds. We will likely be required to borrow proceeds from a shareholder in order to pay expenses associated with filing this report. We cannot provide any guarantee we will be successful in securing adequate proceeds in the future and failure to do so would result in a complete loss of any investment made into the Company.

Employees

Other than Tony Lam (officer and director) there are no other employees.* Currently Mr. Lam is donating his time to the development of the Company. There is no employment agreement by and between us and Mr. Lam.

*Effective March 5, 2010 Mr. Lam resigned as an Officer and Director of the Company. Prior to Mr. Lam's resignation, Ming R. Cheung was nominated and duly elected as a director of the Company. Subsequent to Mr. Lam's resignation, Ming R. Cheung was named President, Chief Executive Officer, Chief Financial Officer and Chairperson of the Board of Directors.

Research and Development Expenditures

Since the time of our incorporation we have not incurred any research or development expenditures.

Business Strategy

Friendly Auto Dealers will source its raw products (apparel and consumer products with logos) in China. Once the Company has selected a range of apparel and promotional products and negotiated pricing it will purchase a small inventory in order to make promotional samples. The Company will hire independent contractors within the Peoples Republic of China and the United States for all graphic design. Embroidery, and screen printing work necessary to place the prospective company logos on the products will be performed in China. The Company will profile and market its product line to the corporate marketplace through online merchandising and an e-catalog on its website. The website will have online catalogs offering apparel, office products and leisure products. The site will allow the consumer to upload an electronic version of their company or corporate logo and order products online through a fully functional e-commerce enabled website.

Competitive Business Conditions

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.

Patents and Trademarks

We have no patents, trademarks or licenses.

Governmental Regulation

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

Reports to Security Holders

We file our quarterly and annual report with the Securities and Exchange Commission (SEC), which the public may view and copy at the Public Reference Room at 100 F Street, N.E. Washington D.C. 20549. SEC filings, including supplemental schedule and exhibits, can also be accessed free of charge through the SEC website www.sec.gov.

ITEM 1A RISK FACTORS

Factors Affecting Future Operating Results

This Annual Report on Form 10-K contains forward-looking statements concerning our future programs, expenses, revenue, liquidity and cash needs as well as our plans and strategies. These forward-looking statements are based on current expectations and we assume no obligation to update this information, except as required by applicable laws and regulations. Numerous factors could cause actual results to differ significantly from the results described in these forward-looking statements, including the following risk factors.

Because our auditors have issued a going concern opinion, there is substantial uncertainty we will continue activities in which case you could lose your investment.

Our auditors have issued a going concern opinion. This means that there is substantial doubt that we can continue as an ongoing business for the next twelve months. As such we may have to cease activities and you could lose your investment.

We currently do not have adequate funds to cover the costs associated with maintaining our status as a Reporting Company.

The Company currently has approximately \$1 of cash available. This amount will not be enough to pay the legal, accounting, and filing fees that is required to maintain our status as a reporting company, which is currently estimated at \$20,000 for fiscal year 2010. If we can no longer be a reporting company our common stock would no longer be eligible for quotation on the Over-the-Counter Bulletin Board. This would result in there being no public market for an investor to trade our common stock and any investment made would be lost in its entirety.

We lack an operating history and have losses which we expect to continue into the future. As a result, we may have to suspend or cease activities, which would result in a complete loss of any investment made into the Company.

We were incorporated on August 6, 2007 and we have not started our proposed business activities or realized any revenues. We have no operating history upon which an evaluation of our future success or failure can be made. As of December 31, 2009 our net loss since inception is \$1,646,503. Based upon current plans, we expect to incur operating losses in future periods. As a result, we may not generate revenues in the future. Failure to generate revenues will cause us to suspend or cease activities.

If we are able to complete financing through the sale of additional shares of our common stock in the future, then shareholders will experience dilution.

The most likely source of future financing presently available to us is through the sale of shares of our common stock. Any sale of common stock will result in dilution of equity ownership to existing shareholders. This means that if we sell shares of our common stock, more shares will be outstanding and each existing shareholder will own a smaller percentage of the shares then outstanding. To raise additional capital we may have to issue additional shares, which may substantially dilute the interests of existing shareholders. Alternatively, we may have to borrow large sums, and assume debt obligations that require us to make substantial interest and capital payments.

Because there is currently a limited public trading market for our common stock, you may not be able to resell your stock.

Although our common stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) the market is limited. If a market does not develop there would be no central place, such as stock exchange or electronic trading system to resell your shares.

Because our securities are subject to penny stock rules, you may have difficulty reselling your shares.

Our shares are penny stocks are covered by section 15(g) of the Securities Exchange Act of 1934 which imposes additional sales practice requirements on broker/dealers who sell the Company's securities including the delivery of a standardized disclosure document; disclosure and confirmation of quotation prices; disclosure of compensation the broker/dealer receives; and, furnishing monthly account statements. For sales of our securities, the broker/dealer must make a special suitability determination and receive from its customer a written agreement prior to making a sale. The imposition of the foregoing additional sales practices could adversely affect a shareholder's ability to dispose of his stock.

We are subject to the requirements of section 404 of the Sarbanes-Oxley Act. If we are unable to timely comply with section 404 or if the costs related to compliance are significant, our profitability, stock price and results of operations and financial condition could be materially adversely affected.

We are required to comply with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002, which require us to maintain an ongoing evaluation and integration of the internal controls of our business. We were required to document and test our internal controls and certify that we are responsible for maintaining an adequate system of internal control procedures for the year ended December 31, 2008. In subsequent years, our independent registered public accounting firm will be required to opine on those internal controls and management's assessment of those controls. In the process, we may identify areas requiring improvement, and we may have to design enhanced processes and controls to address issues identified through this review.

We evaluated our existing controls for the year ended December 31, 2008. Our Chief Executive Officer and Chief Financial Officer identified material weaknesses in our internal control over financial reporting and determined that we did not maintain effective internal control over financial reporting as of December 31, 2008. The identified material weaknesses did not result in material audit adjustments to our 2008 financial statements; however, uncured material weaknesses could negatively impact our financial statements for subsequent years.

We cannot be certain that we will be able to successfully complete the procedures, certification and attestation requirements of Section 404 or that our auditors will not have to report a material weakness in connection with the presentation of our financial statements. If we fail to comply with the requirements of Section 404 or if our auditors report such material weakness, the accuracy and timeliness of the filing of our annual report may be materially adversely affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

In addition, a material weakness in the effectiveness of our internal controls over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition.

Further, we believe that the out-of-pocket costs, the diversion of management's attention from running the day-to-day operations and operational changes caused by the need to comply with the requirements of Section 404 of the Sarbanes-Oxley Act could be significant. If the time and costs associated with such compliance exceed our current expectations, our results of operations could be adversely affected.

ITEM 1B UNRESOLVED STAFF COMMENTS

None

ITEM 2 PROPERTIES.

We do not own any property; 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.

ITEM 3 LEGAL PROCEEDINGS.

Friendly Auto Dealers is not currently a party to any legal proceedings. Friendly's agent for service of process in Nevada is: EastBiz.Com, Inc., 5348 Vegas Drive, Las Vegas Nevada 89108.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

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. In 2009 our stock traded at a high of \$0.30 and a low of \$0.01. As of the date of this report there are approximately 184 shareholders of our common stock.

Dividends

We did not declare or pay dividends during the Fiscal Year 2009 and do not anticipate declaring or paying dividends in fiscal year 2010.

Securities Authorized for Issuance under Equity Compensation Plans

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 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.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities in 2008.

Subsequent to year end, in March 2009, the Company 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:

- 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.

ITEM 6 SELECTED FINANCIAL DATA.**Summary of Financial Data**

	As of December 31, 2009
Revenues	\$ -
Operating Expenses	\$ (1,646,503)
Earnings (Loss)	\$ (1,646,503)
Total Assets	\$ 313,152
Liabilities	\$ 12,897
Stockholders Equity	\$ 300,255

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion is intended to assist in the understanding and assessment of significant changes and trends related to the results of operations and financial condition of Friendly Auto Dealers, Inc. This discussion and analysis should be read in conjunction with our financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Critical Accounting Policies

The preparation of our consolidated financial statements and notes thereto requires management to make estimates and assumptions that affect the amounts and disclosures reported within those financial statements. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, contingencies, litigation and income taxes. Management bases its estimates and judgments on historical experiences and on various other factors believed to be reasonable under the circumstances. Actual results under circumstances and conditions different than those assumed could result in differences from the estimated amounts in the financial statements. There have been no material changes to these policies during fiscal 2008. As of December 31, 2008 the Company has not identified any critical estimates that are used in the preparation of the financial statements.

Plan of Operations

Liquidity and Capital Resources. At the end of fiscal year 2009 we had \$1 of cash on hand and available we had liabilities of \$12,897. We must secure additional funds in order to continue our business. We will be required to secure a loan to pay expenses relating to filing this report including legal, accounting and filing fees. We believe that we will be able to obtain this loan from a current shareholder of the Company; however we cannot provide any assurance that we will be able to raise additional proceeds or secure additional loans in the future to cover our expenses related to maintaining our reporting company status (estimated at \$20,000 for fiscal year 2010). Furthermore, there is no guarantee we will receive the required financing to complete our business strategies; we cannot provide any assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations. If we are unable to accomplish raising adequate funds then any it would be likely that any investment made into the Company would be lost in its entirety.

Results of Operations. We have not begun operations and we have not generated any revenues. Since inception we have incurred a loss of \$1,646,503.

Off-Balance Sheet Arrangements. None

Contractual Obligations. None

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not currently hold any market risk sensitive instruments entered into for hedging transaction risks related to foreign currencies. In addition, we have not entered into any transactions with derivative financial instruments for trading purposes.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements appear beginning on page F-1, immediately following the signature page of this report.

On November 26, 2008, the Company filed on a Form 8-K information announcing DME Capital, LLC as their global investor relations company. On March 13, 2009 the Company filed its Stock Incentive Plan on Form S-8.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A(T) CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Management of Friendly Auto Dealers, Inc. is responsible for maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

In addition, the disclosure controls and procedures must ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

At the end of the period covered by this report, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) was carried out under the supervision and with the participation of our Principal Executive Officer, Principal Financial and Accounting Officer, Tony Lam. Based on his evaluation of our disclosure controls and procedures, he concluded that during the period covered by this report, such disclosure controls and procedures were not effective to detect the inappropriate application of US GAAP standards. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our disclosure controls and that may be considered to be material weaknesses.

Friendly Auto Dealers will continue to create and refine a structure in which critical accounting policies and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. In addition, Friendly Auto Dealers will enhance and test our year-end financial close process. Additionally, Friendly Auto Dealers audit committee will increase its review of our disclosure controls and procedures. Finally, we plan to designate individuals responsible for identifying reportable developments. We believe these actions will remediate the material weakness by focusing additional attention and resources in our internal accounting functions. However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; (iii) provide reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and (iv) provide reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions may occur or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. This assessment is based on the criteria for effective internal control described in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that our internal control over financial reporting as of December 31, 2008 was not effective in the specific areas described in the Disclosure Controls and Procedures section above and as specifically described in

the paragraphs below.

As of December 31, 2009 the Principal Executive Officer/Principal Financial Officer identified the following specific material weaknesses in the Company's internal controls over its financial reporting processes:

Policies and Procedures for the Financial Close and Reporting Process Currently there are no policies or procedures that clearly define the roles in the financial close and reporting process. The various roles and responsibilities related to this process should be defined, documented, updated and communicated. Failure to have such policies and procedures in place amounts to a material weakness to the Company's internal controls over its financial reporting processes.

Representative with Financial Expertise For the year ending December 31, 2008, the Company did not have a representative with the requisite knowledge and expertise to review the financial statements and disclosures at a sufficient level to monitor the financial statements and disclosures of the Company. Failure to have a representative with such knowledge and expertise amounts to a material weakness to the Company's internal controls over its financial reporting processes.

Adequacy of Accounting Systems at Meeting Company Needs The accounting system in place at the time of the assessment lacks the ability to provide high quality financial statements from within the system, and there were no procedures in place or built into the system to ensure that all relevant information is secure, identified, captured, processed, and reported within the accounting system. Failure to have an adequate accounting system with procedures to ensure the information is secure and accurately recorded and reported amounts to a material weakness to the Company's internal controls over its financial reporting processes.

Segregation of Duties Management has identified a significant general lack of definition and segregation of duties throughout the financial reporting processes. Due to the pervasive nature of this issue, the lack of adequate definition and segregation of duties amounts to a material weakness to the Company's internal controls over its financial reporting processes.

In light of the foregoing, once we have the adequate funds, management plans to develop the following additional procedures to help address these material weaknesses:

Friendly Auto Dealers will create and refine a structure in which critical accounting policies and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. In addition, we plan to enhance and test our month-end and year-end financial close process. Additionally, our audit committee will increase its review of our disclosure controls and procedures. We also intend to develop and implement policies and procedures for the financial close and reporting process, such as identifying the roles, responsibilities, methodologies, and review/approval process. We believe these actions will remediate the material weaknesses by focusing additional attention and resources in our internal accounting functions. However, the material weaknesses will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

This report shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting that occurred during our year ended December 31, 2009 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

ITEM 9B OTHER INFORMATION.

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 provided for a due diligence period wherein each party could investigate the business structure, audited financials, and other factors relevant to the closing of the transaction. Pursuant to the Memo, the parties had an affirmative obligation to act in good faith to turn over to each other relevant documentation required for a reasonable due diligence evaluation. The Memo also provided that after the successful conclusion of the due diligence period, the parties would 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 s attempted to review and evaluate Excellent s audited financials. After repeated requests Excellent failed to produce any audited financials. Thereafter, the Company announced the unilateral termination of the Memo on March 23, 2010.

On March 31, 2010, the Company entered into a non-binding Memorandum of Understanding to acquire TMD Courses, Inc. (TMD) in an exchange of stock between the companies. The companies are commencing due diligence with a goal of consummating the transaction by May 14, 2010.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Friendly Auto Dealers, Inc. s executive officer and director and his respective age as of December 31, 2009 are as follows:

Directors:

Name of Director	Age
Tony Lam*	51

Executive Officer:

Name of Officer	Age	Office
Tony Lam*	51	President, CFO,CEO

*Effective March 5, 2010 Mr. Lam resigned as an Officer and Director of the Company. Prior to Mr. Lam's resignation, Ming R. Cheung was nominated and duly elected as a director of the Company. Subsequent to Mr. Lam's resignation, Ming R. Cheung was named President, Chief Executive Officer, Chief Financial Officer and Chairperson of the Board of Directors. This was reported on Form 8-K with the Commission on March 9, 2010.

The term of office for each director is one year, or until the next annual meeting of the shareholders.

Biographical Information

Set forth below is a brief description of the background and business experience of our officers and director for the past year.

Tony Lam. Mr. Lam has been in the casino industry in Las Vegas, Nevada for the past twelve years. Currently, Mr. Lam works for the Stratosphere Hotel and Casino where he is the Director of Asian Marketing. From 2002 through 2005, Mr. Lam worked at The Lady Luck Hotel and Casino in the same capacity. Prior to working at the Stratosphere and Lady luck, he worked at the Desert Inn with the title of International Marketing Executive -Far East Region. Mr. Lam earned a B.S. in Business Administration from the University of Nevada, Las Vegas in 1985.

Significant Employees

We do not employ any non-officers who are expected to make a significant contribution to its business.

Corporate Governance

Nominating Committee. We have not established a Nominating Committee because of our limited operations; and because we have only one director and officer, we believe that we are able to effectively manage the issues normally

considered by a Nominating Committee.

Audit Committee. We have has not established an Audit Committee because of our limited operations; and because we have only one director and officer, we believe that we are able to effectively manage the issues normally considered by a Audit Committee.

Code of Ethics. We have adopted a Code of Ethics for our principal executive and financial officers. Our Code of Ethics is filed as an Exhibit to this Annual Report, Exhibit 14.

ITEM 11 EXECUTIVE COMPENSATION.

Summary Compensation Table

Name and principal position	Fiscal Year	Salary	Bonus	Other annual compensation	Restricted stock	Securities underlying	LTIP	All other
					award(s)	options/SARs	payouts	compensation
Tony Lam	2009	0	0	0	0	0	0	0
Director, President	2008	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0

There has been no cash payment paid to the executive officer for services rendered in all capacities to us for the period ended December 31, 2009. There has been no compensation awarded to, earned by, or paid to the executive officer by any person for services rendered in all capacities to us for the fiscal period ended December 31, 2009. No compensation is anticipated within the next six months to any officer or director of the Company.

Stock Option Grants

We did not grant any stock options to the executive officer during the most recent fiscal period ended December 31, 2009.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table provides the names and addresses of each person known to Friendly Auto Dealers to own more than 5% of the outstanding common stock as of December 31, 2009 and by the officers and directors, individually and as a group. Except as otherwise indicated, all shares are owned directly.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Common Stock	Tony Lam 4132 South Rainbow Bl. Suite 514 Las Vegas, Nevada 94513	1,000,000	5.6%
Common Stock	80/20 M 3411 Preston Road Frisco, TX 75034	1,000,000	5.6%
Common Stock	Tillerman Securities 1 George Street Nassau NP, Bahamas	1,000,000	5.6%
Common Stock	Gemini Consulting 4132 South Rainbow Bl. Suite 514 Las Vegas, Nevada 94513	7,000,000	39.5%

The percent of class is based on 27,710,000 shares of common stock issued and 17,100,000 outstanding as of December 31, 2009.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

During Fiscal Year 2009, there were no material transactions between the Company and any Officer, Director or

related party has not, since the date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us:

-The sole Officer and Director;

-Any person proposed as a nominee for election as a director;

-Any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to the outstanding shares of common stock;

-Any relative or spouse of any of the foregoing persons who have the same house as such person.

Any future transactions between us and our Officers, Directors, and Affiliates will be on terms no less favorable to us than can be obtained from unaffiliated third parties. Such transactions with such persons will be subject to approval of our Board of Directors.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES.

As of December 31, 2009 the Company has incurred auditing expenses of \$10,242 in 2009 and \$4,070 in 2008, since inception which includes bookkeeping and auditing services. There were no other audit related services or tax fees incurred.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents have been filed as a part of this Annual Report on Form 10-K.

1. Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	F-3
Balance Sheets	F-4
Statements of Operations	F-5
Statements of Stockholders' Equity	F-6
Statements of Cash Flows	F-7
Notes to Financial Statements	F-8-15

2. Financial Statement Schedules.

All schedules are omitted because they are not applicable or not required or because the required information is included in the Financial Statements or the Notes thereto.

3. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Annual Report:

EXHIBIT

NUMBER	DESCRIPTION
3.1	Articles of Incorporation are incorporated herein by reference to Form SB-2, filed on November 21, 2007.

- 3.2 By-Laws Incorporation are incorporated herein by reference to Form SB-2, filed on November 21, 2007.
- 14 Code of Ethics
- 23.1 Consent of Accountant
- 31.1 8650 SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
- 32.1 4700 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

FRIENDLY AUTO DEALERS, INC.

By: */s/ Ming R. Cheung*
Ming R. Cheung
President
Chief Executive Officer
Chief Financial Officer
Chief Accounting Officer
Secretary, Director

Date: April 12, 2010

FRIENDLY AUTO DEALERS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

Financial Statements

December 31, 2009 and 2008

F-1

FRIENDLY AUTO DEALERS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

Financial Statements
December 31, 2009 and 2008

TABLE OF CONTENTS

	Page(s)
Report of Independent Registered Accounting Firm	F-3
Balance Sheets as of December 31, 2009 and 2008	F-4
Statements of Operations for years ended December 31, 2009 and 2008 and the period of August 6, 2007 (Inception) to December 31, 2009	F-5
Statement of Changes in Stockholders' Equity Cumulative from August 6, 2007 (inception) to December 31, 2009	F-6
Statements of Cash Flows for the years ended December 31, 2009 and 2008 and the period of August 6, 2007 (Inception) to December 31, 2009	F-7

F-2

Report of Independent Registered Public Accounting Firm

To the Board of Directors

Friendly Auto Dealers, Inc.

Las Vegas, Nevada

We have audited the accompanying balance sheets of Friendly Auto Dealers, Inc. (A Development Stage Enterprise) as of December 31, 2009 and 2008 the related statements of operations, stockholders' deficit, and cash flows for the years then ended and the period August 6, 2007 (inception) through December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friendly Auto Dealers, Inc. (A Development Stage Enterprise) as of December 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended and the period August 6, 2007 (inception) through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has limited operations and has no established source of revenue. This raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Kyle L. Tingle, CPA, LLC

Kyle L. Tingle, CPA, LLC

April 13, 2010

Las Vegas, Nevada

F-3

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

		December 31,		2008
		2009		
ASSETS				
Current assets				
Cash	\$	1	\$	371
Prepaid expenses		313,151		12,500
Total current assets		313,151		12,871
Total assets	\$	313,152	\$	12,871
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	\$	12,897	\$	450
Loan from shareholder		-		6,800
Total current liabilities		12,897		7,250
Stockholders' Equity				
Shares held in escrow		(10,000)		-
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, no shares issued or outstanding		-		-
Common stock, \$0.001 par value; 70,000,000 shares authorized, 27,710,000 and 6,825,000 shares issued; 17,710,000 and 6,825,000 outstanding at December 31, 2009 and 2008		27,710		6,825
Additional paid in capital		1,929,048		107,605
Deficit accumulated during the development stage		(1,646,503)		(108,809)
Total stockholders' equity		300,255		5,621
Total liabilities and stockholders' equity	\$	313,152	\$	12,871

See accompanying notes to financial statements

F-4

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

	Year ended December 31,		For the period from August 6, 2007 (inception) to December 31, 2009
	2009	2008	
Revenue	\$ -	\$ -	\$ -
Expenses			
Office expenses	3,270	2,959	15,940
Travel	-	30,474	30,474
Officer compensation	170,000	-	170,000
Professional fees	1,364,424	58,115	1,430,089
Total expenses	1,537,694	91,548	1,646,503
Net loss	\$ (1,537,694)	\$ (91,548)	\$ (1,646,503)
Basic and diluted loss per common share	\$ (0.10)	\$ (0.01)	
Weighted average shares outstanding	15,206,616	6,714,740	

See accompanying notes to financial statements

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Statement of Changes in Stockholders' Equity

For the Period of August 6, 2007 (Inception) to December 31, 2009

	Common Stock		Additional Paid-In Capital	Shares Held in Escrow	Common stock subscribed	Accumulated Deficit	Total
	Shares	Amount					
Balance, August 6, 2007 (Inception)	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock subscriptions, August 10, 2007	-	-	-	-	12,250	-	12,250
Stock subscribed from sale under SB-2 registration	-	-	-	-	53,500	-	53,500
Net loss, December 31, 2007	-	-	-	-	-	(17,261)	(17,261)
Balance, December 31, 2007	-	-	-	-	65,750	(17,261)	48,489
Issue common stock subscribed	6,260,000	6,260	59,490	-	(65,750)	-	-
Common stock issued for cash	465,000	465	46,035	-	-	-	46,500
Common stock issued for services	100,000	100	900	-	-	-	1,000
Contributed capital by officer	-	-	1,180	-	-	-	1,180
Net loss, December 31, 2008	-	-	-	-	-	(91,548)	(91,548)
Balance, December 31, 2008	6,825,000	6,825	107,605	-	-	(108,809)	5,621

Edgar Filing: Friendly Auto Dealers, Inc. - Form 10-K

Common stock issued for services	10,881,800	10,882	1,776,368	-	-	-	1,787,250
Common stock issued for advertising	3,200	3	3,197	-	-	-	3,200
Warrants issued for services	-	-	34,653	-	-	-	34,653
Shares held in escrow	10,000,000	10,000	-	(10,000)	-	-	-
Contributed capital by officer	-	-	7,225	-	-	-	7,225
Net loss, December 31, 2009	-	-	-	-	-	(1,537,694)	(1,537,693)
Balance, December 31, 2009	27,710,000	\$ 27,710	\$ 1,929,048	\$ (10,000)	\$ -	\$ (1,646,503)	\$ 300,255

See accompanying notes to financial statements

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

	Year ended December 31,		For the period of
	2009	2008	August 6, 2007 (inception) to December 31, 2009
Cash flows from operating activities			
Net loss	\$ (1,537,693)	\$ (91,548)	\$ (1,646,503)
Adjustments to reconcile net loss to net cash used in operating activities			
Common stock issued for services	1,787,250	1,000	1,795,500
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	(300,651)	(12,500)	(313,151)
Accounts payable	12,447	(4,560)	12,897
Net cash used in operating activities	(795)	(107,608)	(113,404)
Net cash used in investing activities	-	-	-
Cash flows from financing activities			
Proceeds from related party loans	425	6,500	7,225
Forgiveness of related party loans	(7,225)	-	(7,225)
Capital contributed by officer	7,225	1,180	8,405
Proceeds from sale of stock	-	46,500	105,000
Net cash provided by financing activities	425	54,180	113,405
(Decrease) increase in cash	(370)	(53,428)	1
Cash at beginning of period	371	53,799	-
Cash at end of period	\$ 1	\$ 371	\$ 1

Supplemental disclosure of non-cash investing and financing activities:

Stock based compensation	\$	1,825,103	\$	1,000	\$	1,833,353
--------------------------	----	-----------	----	-------	----	-----------

Supplemental Cash Flow Information:

Cash paid for interest	\$	-	\$	-	\$	-
Cash paid for income taxes	\$	-	\$	-	\$	-

See accompanying notes to financial statements

F-7

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 31, 2009 and 2008

Note 1 Nature of Business

Friendly Auto Dealers, Inc. (Company) was organized August 6, 2007 under the laws of the State of Nevada for the purpose of providing promotional items with corporate logos to the automotive industry in China. The Company currently has no operations or realized revenues from its planned principle business purpose and, in accordance with FASB ASC 915 *Development Stage Entities*, is considered a Development Stage Enterprise.

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 December 31, 2009 or 2008.

Income taxes

The Company accounts for income taxes under FASB ASC 740 "*Income Taxes*." Under the asset and liability method of FASB ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. 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 FASB ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

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 that 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.

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 31, 2009 and 2008

Note 2 Significant Accounting Policies (continued)

Share Based Expenses (continued)

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.

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 105, Generally Accepted Accounting Principles ("ASC 105") (formerly Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162) reorganized by topic existing accounting and reporting guidance issued by the Financial Accounting Standards Board ("FASB") into a single source of authoritative generally accepted accounting principles ("GAAP") to be applied by nongovernmental entities. All guidance contained in the Accounting Standards Codification ("ASC") carries an equal level of authority. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Accordingly, all other accounting literature will be deemed "non-authoritative".

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 31, 2009 and 2008

Note 2 Significant Accounting Policies (continued)

Recently Implemented Standards (continued)

ASC 105 is effective on a prospective basis for financial statements issued for interim and annual periods ending after September 15, 2009. The Company has implemented the guidance included in ASC 105 as of July 1, 2009. The implementation of this guidance changed the Company's references to GAAP authoritative guidance but did not impact the Company's financial position or results of operations.

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.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, *Measuring Liabilities at Fair Value*, (ASU 2009-05). ASU 2009-05 provides guidance on measuring the fair value of liabilities and is effective for the first interim or annual reporting period beginning after its issuance. The Company's adoption of ASU 2009-05 did not have an effect on its disclosure of the fair value of its liabilities.

In September 2009, the FASB issued ASC Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* ("ASC Update No. 2009-12"). This update sets forth guidance on using the net asset value per share provided by an investee to estimate the fair value of an alternative investment. Specifically, the update permits a reporting entity to measure the fair value

of this type of investment on the basis of the net asset value per share of the investment (or its equivalent) if all or substantially all of the underlying investments used in the calculation of the net asset value is consistent with ASC 820. The update also requires additional disclosures by each major category of investment, including, but not limited to, fair value of underlying investments in the major category, significant investment strategies, redemption restrictions, and unfunded commitments related to investments in the major category. The amendments in this update are effective for interim and annual periods ending after December 15, 2009 with early application permitted. The Company does not expect that the implementation of ASC Update No. 2009-12 will have a material effect on its financial position or results of operations.

F-10

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 31, 2009 and 2008

Note 2 Significant Accounting Policies (continued)

Recently Implemented Standards (continued)

In June 2009, FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* ("Statement No. 167"). Statement No. 167 amends FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities an interpretation of ARB No. 51* ("FIN 46R") to require an analysis to determine whether a company has a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. The statement requires an ongoing assessment of whether a company is the primary beneficiary of a variable interest entity when the holders of the entity, as a group, lose power, through voting or similar rights, to direct the actions that most significantly affect the entity's economic performance. This statement also enhances disclosures about a company's involvement in variable interest entities. Statement No. 167 is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Although Statement No. 167 has not been incorporated into the Codification, in accordance with ASC 105, the standard shall remain authoritative until it is integrated. The Company does not expect the adoption of Statement No. 167 to have a material impact on its financial position or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* ("Statement No. 166"). Statement No. 166 revises FASB Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Extinguishment of Liabilities a replacement of FASB Statement 125* ("Statement No. 140") and requires additional disclosures about transfers of financial assets, including securitization transactions, and any continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a "qualifying special-purpose entity", changes the requirements for derecognizing financial assets, and enhances disclosure requirements. Statement No. 166 is effective prospectively, for annual periods beginning after November 15, 2009, and interim and annual periods thereafter. Although Statement No. 166 has not been incorporated into the Codification, in accordance with ASC 105, the standard shall remain authoritative until it is integrated. The Company does not expect the adoption of Statement No. 166 will have a material impact on its financial position or results of operations.

In October 2009, the FASB issued changes to revenue recognition for multiple-deliverable arrangements. These changes require separation of consideration received in such arrangements by establishing a selling price hierarchy (not the same as fair value) for determining the selling price of a deliverable, which will be based on available information in the following order: vendor-specific objective evidence, third-party evidence, or estimated selling price; eliminate the residual method of allocation and require that the consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement to each deliverable on the basis of each deliverable's selling price; require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis; and expand the disclosures related to multiple-deliverable revenue arrangements. These changes become effective on January 1, 2011. The Company has determined that the adoption of these changes will not have an impact on the consolidated financial statements, as the Company does not currently have any such arrangements with its customers.

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.

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 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 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 amortized over the life of the consulting agreement.

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:

- 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 been accounted for appropriately.

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 31, 2009 and 2008

Note 3 Stockholders Equity (continued)

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 intended to acquire all or a majority of the outstanding capital stock of Excellent. The Agreement was unilaterally terminated on March 23, 2010.

The Company entered into an agreement valued at \$100,000 to be satisfied with the restricted shares. On July 23, 2009, The Company issued 1,000,000 shares valued at \$0.10 per share to satisfy the consideration of \$100,000 to the consultant for services provided.

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.

	December 31, 2009
Expected volatility	136.53% - 217.26%
Expected dividends	0

Edgar Filing: Friendly Auto Dealers, Inc. - Form 10-K

Expected term (in years)	3 - 5
Risk-free rate	1.29% - 1.86%

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

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

FRIENDLY AUTO DEALERS, INC.

(A Development Stage Enterprise)

Notes to the Financial Statements

December 31, 2009 and 2008

Note 3 Stockholders Equity (continued)

Net loss per common share (continued)

Net loss per share is calculated in accordance with FASB ASC 260, *Earnings Per Share*. The weighted-average number of common shares outstanding during each period is used to compute basic loss per share. Diluted loss per share is computed using the weighted averaged number of shares and dilutive potential common shares outstanding. Dilutive potential common shares are additional common shares assumed to be exercised.

Basic net loss per common share is based on the weighted average number of shares of common stock outstanding during 2009 or 2008 and since inception. As of December 31, 2009 and 2008 and since inception, the Company had no dilutive potential common shares.

Note 4 Income Taxes

We did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. When it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carryforwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carryforward period.

The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements for the twelve-months ended December 31, 2009 and 2008, or during the prior three years applicable under FASB ASC 740. We did not recognize any adjustment to the liability for uncertain tax position and therefore did not record any adjustment to the beginning balance of accumulated deficit on the consolidated balance sheet. All tax returns for the Company remain open.

Edgar Filing: Friendly Auto Dealers, Inc. - Form 10-K

Income tax provision at the federal statutory rate	35%
Effect on operating losses	(35%)
	-

Changes in the net deferred tax assets consist of the following:

	2009	2008
Net operating loss carry forward	\$ 576,276	\$ 38,083
Valuation allowance	(576,276)	(38,083)
Net deferred tax asset	\$ -	\$ -

F-14

FRIENDLY AUTO DEALERS, INC.**(A Development Stage Enterprise)****Notes to the Financial Statements****December 31, 2009 and 2008****Note 4 Income Taxes (continued)**

A reconciliation of income taxes computed at the statutory rate is as follows:

	2009		2008		Since Inception
Tax at statutory rate (35%)	\$ 538,193	\$	32,042	\$	576,276
Increase in valuation allowance	(538,193)		(32,042)		(576,276)
Net deferred tax asset	\$ -	\$	-	\$	-

The Company did not pay any income taxes during the years ended December 31, 2009 or 2008.

The net federal operating loss carry forward will expire in 2027 and 2029. This carry forward may be limited upon the consummation of a business combination under IRC Section 381.

Note 5 Related Party Transactions

The Company neither owns nor leases any real or personal property. An officer or resident agent of the corporation provides office services without charge. Such costs are immaterial to the financial statements and accordingly, have not been reflected therein. The officers and directors for the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interest. The Company has not formulated a policy for the resolution of such conflicts.

The Company had received loans from one of its shareholders totaling \$7,225 from inception to December 31, 2009 for the purposes of funding start up operations. This includes \$6,500 received during the year ended December 31, 2008 and \$425 received during the year ended December 31, 2009. The loans were forgiven by the shareholder and are considered contributed capital as of December 31, 2009. These loans were non-interest bearing and are due on

demand and as such are included in current liabilities. Imputed interest has been considered by was determined to be immaterial to the financial statements as a whole.

Note 6 Subsequent Events

Effective March 5, 2010, Tony Lam, resigned as President of the Company. Ming R. Cheung was named President, Chief Executive Officer, Chief Financial Officer and Chairperson of the Board of Directors successor.

As disclosed in Note 3, the Company unilaterally terminated the agreement with Excellent Auto Consulting as they were unable to complete the due diligence on the audited financial statements of Excellent Auto Consulting.

On March 31, 2010, the Company began non-binding discussions with another party contemplating an exchange of stock between the two companies.

The Company has evaluated subsequent events through April 13, 2010 and determined there are no further events to disclose.