

Friendly Auto Dealers, Inc.
Form 10-Q
August 14, 2008

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

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2008
Commission File Number: 333-147560

FRIENDLY AUTO DEALERS, INC.
(Exact name of registrant as specified in its charter)

Nevada

26-1080965

(State or other jurisdiction of
incorporation or organization)

(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)

EastBiz.Com, Inc.
5348 Vegas Drive
Las Vegas, Nevada 89108
Telephone: (702) 871-8678

(Name, Address, and Telephone Number of Agent)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting
company)

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

Yes No

6,725,000 shares of Common Stock, par value \$0.001, were outstanding on August 12, 2008.

Friendly Auto Dealers, Inc.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FRIENDLY AUTO DEALERS, INC.
(AN EXPLORATION STAGE ENTERPRISE)
BALANCE SHEET
JUNE 30, 2008

| ASSETS | (UNAUDITED) JUNE 30 2008 | AUDITED DECEMBER 31 2007 |
|---|--------------------------------|--------------------------------|
| Current Assets | | |
| Cash and Cash Equivalents | 375 | 53,799 |
| Prepaid Expenses | - | - |
| Total Current Assets | 375 | 53,799 |
| Total Assets | 375 | 53,799 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts Payable | 5,010 | 5,010 |
| Loans From Shareholders | 300 | 300 |
| Total Current Liabilities | 5,310 | 5,310 |
| Stockholders' Equity (Note B) | | |
| Common stock subscriptions | | 65,750 |
| Preferred stock, par value \$.001; 5,000,000 shares authorized; -0- shares issued and outstanding | | |
| Common stock, 0.001 par value; 70,000,000 shares authorized; 6,725,000 shares issued and outstanding at June 30, 2008 | | |
| Additional Paid in Capital | 105,525 | - |
| Retained Earnings (Accumulated Deficit) | (117,185) | (17,261) |
| Total Stockholders' Equity | (4,935) | 48,489 |
| Total Liabilities and Stockholders' Equity | 375 | 53,799 |

FRIENDLY AUTO DEALERS, INC.
(AN EXPLORATION STAGE ENTERPRISE)
STATEMENT OF OPERATIONS

FOR THE THREE MONTHS, SIX MONTHS AND CUMULATIVE ENDED JUNE 30, 2008

| | Three Months Ended June 30 | Six Months Ended June 30 | Cumulative Since Inception August 6, 2007 |
|--|-------------------------------|-----------------------------|---|
| Income | | | |
| Revenues | \$ - | - | - |
| Total Income | - | - | - |
| General and Administrative Expenses | | | |
| Office Expense | 548 | 2,254 | 2,254 |
| Travel | 25,699 | 26,383 | 26,383 |
| Professional Fees | | | |
| Consulting | - | 50 | 50 |
| Legal, Accounting and Professional Fees | 18,700 | 71,236 | 88,498 |
| Total General and Administrative Expenses | 44,947 | 99,923 | 117,185 |
| Net Income (Loss) | \$ (44,947) | \$ (99,923) | \$ (117,185) |
| Per Share Information: | | | |
| Net Income (Loss) per share - 6,725,000 shares issued | \$ (0.011) | \$ (0.024) | (0.024) |
| Basic weighted average number common stock shares outstanding | | | |
| | 4,085,534 | 4,085,534 | 4,085,534 |
| Diluted weighted average number common stock shares outstanding | | | |
| | 4,085,534 | 4,085,534 | 4,085,534 |

FRIENDLY AUTO DEALERS, INC.
(AN DEVELOPMENT STAGE ENTERPRISE)
STATEMENT OF CASH FLOWS

| CASH FLOWS FROM OPERATING ACTIVITIES | Three Months Ended June 30 | Six Months Ended June 30 | Since Inception August 6, 2007 |
|--|-------------------------------------|-----------------------------------|---|
| Net income (Loss) | \$ - | \$ - | \$ - |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation | - | - | - |
| (Increase) decrease in: | | | |
| Accounts Receivable | - | - | - |
| Prepaid Expenses | - | - | - |
| Increase (decrease) in: | | | |
| Accounts Payable | - | - | 5,010 |
| Net Cash Provided (Used) By Operating Activities | - | - | 5,010 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed Asset Additions | - | - | - |
| Net Cash (Used) By Investing Activities | - | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issuance of Stock for Services | - | - | 7,250 |
| Loans From Shareholders | - | - | 300 |
| Sale of Common Stock | - | 46,500 | 105,000 |
| Net Cash (Used) By Financing Activities | - | 46,500 | 112,550 |
| NET INCREASE (DECREASE) IN CASH | - | 46,500 | 117,560 |
| CASH AT BEGINNING OF PERIOD | 45,322 | 53,799 | - |
| CASH AT END OF PERIOD | \$ 45,322 | \$ 100,298 | \$ 117,560 |

FRIENDLY AUTO DEALERS, INC.
(An Development Stage Enterprise)
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The unaudited financial statements have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such SEC rules and regulations; nevertheless, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes attached hereto should be read in conjunction with the financial statements and notes included in the Company's Form SB-2 Registration Statement, which was filed with the SEC on November 21, 2007. In the opinion of the Company, all adjustments, including normal recurring adjustments necessary to present fairly the financial position of Friendly Auto Dealers, Inc., as of June 30, 2008 and the results of its operations and cash flows for the three and six month periods then ended, have been included. The results of operations for the interim period are not necessarily indicative of the results for the full year.

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 Statement of Financial Accounting Standard (SFAS) No. 7, "Accounting and Reporting by Development Stage Enterprises," is considered a Development Stage Enterprise.

A summary of the Company's significant accounting policies is as follows:

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 June 30, 2008.

Income taxes

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

Share Based Expenses

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

Going concern

The Company’s financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Currently, the Company does not have cash nor material assets, nor does it have operations or a source of revenue sufficient to cover its operation costs and allow it to continue as a going concern. The Company will be dependent upon the raising of additional capital through placement of our common stock in order to implement its business plan, or merge with an operating company. There can be no assurance that the Company will be successful in either situation in order to continue as a going concern. The officers and directors have committed to advancing certain operating costs of the Company.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. SFAS 157 addresses the requests from investors for expanded disclosure about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will be adopted by the Company in the first quarter of fiscal year 2008. We do not expect that the adoption of SFAS 157 will have a material impact on our financial condition or results of operations.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115” (hereinafter “SFAS No. 159”). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement, which is consistent with the Board’s long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company’s financial condition or results of operations.

In December 2007, the FASB issued SFAS 141(R), “Business Combinations— a replacement of FASB Statement No. 141.” This Statement replaces SFAS 141, “Business Combinations,” and requires an acquirer to recognize the assets acquired, the liabilities assumed, including those arising from contractual contingencies, any contingent consideration, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the statement. SFAS 141(R) also requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141(R)). In addition, SFAS 141(R)'s requirement to measure the noncontrolling interest in

the acquiree at fair value will result in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) amends SFAS No. 109, "Accounting for Income Taxes," to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. It also amends SFAS 142, "Goodwill and Other Intangible Assets," to, among other things, provide guidance on the impairment testing of acquired research and development intangible assets and assets that the acquirer intends not to use. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently assessing the potential impact that the adoption of SFAS 141(R) could have on our financial statements.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS 160 amends Accounting Research Bulletin 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal periods, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently assessing the potential impact that the adoption of SFAS 141(R) could have on our financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities", an amendment of SFAS No. 133. SFAS 161 applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133 and related hedged items accounted for under SFAS 133. SFAS 161 requires entities to provide greater transparency through additional disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. SFAS 161 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2008. We do not expect that the adoption of SFAS 161 will have a material impact on our financial condition or results of operation.

Note 2. Stockholder's Equity

Common stock

The authorized common stock of the Company consists of 70,000,000 shares with par value of \$0.001. On August 7, 2007, the Company authorized the issuance of 5,000,000 shares of its \$.001 par value common stock at \$0.001 per share in consideration of \$5,000 in cash. The Company also authorized the issuance of 725,000 shares at \$0.01 per share for \$7,250 in legal and business services. As of June 30, 2008, the shares were unissued and considered subscribed.

On November 11, 2007, the Company filed an SB-2 Registration Statement with the Securities and Exchange Commission to register 1,000,000 shares of common stock and offer the shares for sale to the public at \$0.10 per share. On December 10, 2007, the Securities and Securities Commission declared the offering effective. On December 31, 2007, the Company sold 107 investors 535,000 shares for \$53,500. As of December 31, 2007, the shares were unissued and considered subscribed.

On January 16, 2008, the Company sold 79 investors 465,000 shares for \$46,500. As of June 30, 2008, the shares were issued and outstanding. As of June 30, 2008, the Company has 6,725,000 shares of its \$0.001 par value common stock issued and outstanding to 190 shareholders.

The authorized preferred stock of the Company consists of 5,000,000 shares with a par value of \$.001. The Company has no preferred stock issued or outstanding.

Net loss per common share

Net loss per share is calculated in accordance with SFAS No. 128, "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 2007 and since inception.

Note 3. 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. Per Statement of Accounting Standard No. 109 – Accounting for Income Tax and FASB Interpretation No. 48 - Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No.109, 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 provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences for the periods presented are as follows:

| | |
|--|------|
| Income tax provision at the federal statutory rate | 35% |
| Effect of operating losses | -35% |
| | 0% |

Net deferred tax assets consist of the following:

| | |
|------------------------------------|--|
| | Six Months Ended June 30, 2008 |
| Gross deferred tax asset | \$ 41,015 |
| Gross deferred tax liability | - |
| Valuation allowance | \$ (41,015) |

The Company did not pay any income taxes during the six months ended June 30, 2008.

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

Note 4. 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 officer of the Company has advanced \$300 for organizational expenses as of December 31, 2007.

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Note 5. Commitments

On December 15, 2007 the Company signed a contract with Heartland Managed Risk, LLC (Heartland) for the purposes of provided the filing and compliance services necessary to meet the Securities and Exchange Commission requirements for reporting companies. The Company agreed to pay Heartland \$20,000 annually for these services to be paid quarterly at the rate of \$5,000 per quarter.

Note 6. Warrants and Options

There are no warrants or options outstanding to acquire any additional shares of common stock of the Company.

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

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements that involve risk and uncertainties. We use words such as "anticipate", "believe", "plan", "expect", "future", "intend", and similar expressions to identify such forward-looking statements. Investors should be aware that all forward-looking statements contained within this filing are good faith estimates of management as of the date of this filing and actual results may differ materially from historical results or our predictions of future results.

General

Friendly Auto Dealers, Inc. ("Friendly Auto Dealers" or "The Company") is a development stage enterprise that was 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.

Friendly Auto Dealers, Inc. is looking to enter into the promotional branding industry with the objective of adding value to a wide variety of products by endorsing them with the corporate logos of the world's automobile manufacturer's for use by the company's employees or as gifts or promotional items. The Company will concentrate its efforts in the People's Republic of China and its retail automotive industry.

Plan of Operation

As of June 30, 2008, Friendly Auto Dealers had raised \$105,000 through the sale of common stock. As of June 30, 2008, we have \$375 of cash available. From inception to June 30, 2008 the Company has recorded a net loss of \$117,185, which include current total liabilities of \$5,310 of which were expenses relating to the initial development of the Company, filing its Registration Statement on Form SB-2, and expenses relating to maintaining reporting company status with the Securities and Exchange Commission. Within the next three months we will require additional capital investments or borrowed funds to meet cash flow projections and carry forward our business objectives. There can be no guarantee or assurance that we can raise adequate capital from outside sources to fund the proposed business. Failure to secure additional financing would result in our business to fail and any investment made into the Company would be lost in its entirety.

Friendly Auto Dealers has engaged in an effort to implement its business plan. In order to accomplish this objective, the management of the company has spent considerable establishing relationships with Chinese suppliers. In addition, the company recognizes that Friendly Auto Dealers will require a great deal of money to fully implement profitable operations. The Company has invested time and significant sums of money in travel and entertainment in the pursuit of potential investors. Though the Company believes it will eventually acquire additional capital, it cannot guarantee that it will be successful.

The Company plans to raise additional capital through the sale of common shares that will be offered to investors at a price that is slightly discounted to the current market price for its shares listed on the OTC BB.

May 9, 2008 Financial Industry Regulatory Authority (FINRA) approved the Company's application for trading on the OTC BB and was assigned the market symbol, FYAD. Even though the common stock is listed on the OTCBB there can be no guarantee that a market will develop for the Company's common stock. Failure to create a market for the Company's common stock would prevent holders of the common stock from selling their shares and may result in

business failure in a complete loss of any investment made into the Company's common stock.

Off-Balance Sheet Arrangements

As of the date of this quarterly Report, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the Company is a party, under which the Company has (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Product Research and Development

The Company does not anticipate any costs or expenses to be incurred for product research and development within the next twelve months.

Employees

There are no employees of the Company, excluding the current President and Director, Tony Lam, of the corporation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We do not hold or issue financial instruments for trading purposes or have any derivative financial instruments. Our principal exposure to market risk is that the price of our stock can either enhance or deter our ability to raise equity capital through the private placement of our securities.

Item 4. Controls and Procedures

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

As of June 30, 2008 management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes. The aforementioned material weaknesses were identified by the Company's Chief Financial Officer in connection with the review of our financial statements as of June 30, 2008 and communicated the matters to our management.

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

We are committed to improving our financial organization. As part of this commitment, we will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to the Company: i) Appointing one or more outside

directors to our board of directors who shall be appointed to the audit committee of the Company resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures; and ii) Preparing and implementing sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

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

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

Changes in Internal Controls.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

Friendly 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. Telephone: (702) 871-8678.

The Company's, sole Officer and Director, Mr. Lam, has not been convicted in a criminal proceeding nor has he been permanently or temporarily enjoined, barred, suspended or otherwise limited from involvement in any type of business, securities or banking activities. Mr. Lam, has not been convicted of violating any federal or state securities or commodities law.

There are no known pending legal or administrative proceedings against Friendly Auto Dealers, Inc.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits furnished as Exhibits hereto:

| Exhibit No. | Description |
|-------------|--|
| 31.a | Certification of Tony H. Lam pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.a | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

(b) Reports on Form 8-K – None

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Friendly Auto Dealers, Inc.

Dated: August 14, 2008

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

