

Pinacle Enterprise, Inc.
Form 10-Q/A
October 10, 2012

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Mark One

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

For the quarterly period ended July 31, 2012

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

For the transition period from _____ to _____

Commission File No. 333-175044

PINACLE ENTERPRISE INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

8700

(Primary Standard Industrial
Classification Number)

EIN 98-0661455

(IRS Employer
Identification Number)

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Ctunnersdorfer str. 28

Leipzig, 04318

Germany

(341) 2197-9139

(Address and telephone number of principal executive offices)

Indicate by checkmark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ☐

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Applicable Only to Issuer Involved in Bankruptcy Proceedings During the Preceding Five Years.

N/A

Indicate by checkmark whether the issuer has filed all documents and reports required to be filed by Section 12, 13 and 15(d) of the Securities Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

Applicable Only to Corporate Registrants

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date:

Class	Outstanding as of September 16, 2012
Common Stock, \$0.001	5,300,000

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PINACLE ENTERPRISE INC.

(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS (unaudited)

AS OF JULY 31, 2012 AND JANUARY 31, 2012

	July 31, 2012	January 31, 2012
ASSETS		
Current Assets	\$	\$
Cash and cash equivalents	1,851	14,246
Property and equipment, net	670	866
	\$	\$
Total Assets	2,521	15,112
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Liabilities		
Current Liabilities	\$	\$
Accrued expenses	950	4,500
Loan from shareholder	21,376	25
Total Liabilities	22,326	4,525
Stockholders Equity (Deficit)		
Common stock, par value \$0.001; 75,000,000 shares authorized, 5,300,000 shares issued and outstanding	5,300	5,300
Additional paid in capital	19,700	19,700
Deficit accumulated during the development stage	(44,805)	(14,413)
Total Stockholders Equity (Deficit)	(19,805)	10,587
	\$	\$
Total Liabilities and Stockholders Equity (Deficit)	2,521	15,112

The accompanying notes are an integral part of these financial statements

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PINACLE ENTERPRISE INC.**(A DEVELOPMENT STAGE COMPANY)****STATEMENTS OF OPERATIONS (unaudited)****THREE AND SIX MONTHS ENDED JULY 31, 2012 AND 2011****FOR THE PERIOD FROM APRIL 19, 2010 (INCEPTION) TO JULY 31, 2012**

	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Six Months Ended July 31, 2012	Six Months Ended July 31, 2011	Period From April 19, 2010 (Inception) to July 31, 2012
	\$	\$	\$	\$	\$
REVENUES	0	0	0	0	1,000
OPERATING EXPENSES					
Professional fees	22,898	0	28,948	3,500	42,798
Bank fees	0	0	45	34	319
Advertising	15	0	30	0	105
Amortization	98	0	196	0	510
Website	0	0	0	0	500
General and administrative expenses	825	15	1,273	1,504	1,573
TOTAL OPERATING EXPENSES	23,836	15	30,392	5,038	45,805
LOSS FROM OPERATIONS	(23,836)	(15)	(30,392)	(5,038)	(44,805)
PROVISION FOR INCOME TAXES	0	0	0	0	0
	\$	\$	\$	\$	\$
NET LOSS	(23,836)	(15)	(30,392)	(5,038)	(44,805)
	\$	\$	\$	\$	
NET LOSS PER SHARE: BASIC AND DILUTED	(0.00)	(0.00)	(0.00)	(0.00)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	5,300,000	5,300,000	5,300,000	5,300,000	

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

PINACLE ENTERPRISE INC.**(A DEVELOPMENT STAGE COMPANY)****STATEMENTS OF CASH FLOWS (unaudited)****SIX MONTHS ENDED JULY 31, 2012 AND 2011****FOR THE PERIOD FROM APRIL 19, 2010 (INCEPTION) TO JULY 31, 2012**

	Six Months Ended July 31, 2012	Six Months Ended July 31, 2011	Period From April 19, 2010 (Inception) to July 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
	\$	\$	\$
Net loss for the period	(30,392)	(5,038)	(44,805)
Adjustments to reconcile net loss to net cash (used in) operating activities:			
Amortization	196	0	510
Changes in assets and liabilities:			
Increase (decrease) in accrued expenses	(3,550)	0	950
Net Cash Used in Operating Activities	(33,746)	(5,038)	(43,345)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	0	0	(1,180)
Net Cash Used in Investing Activities	0	0	(1,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock	0	0	25,000
Loans from shareholder	21,351	0	21,376
Net Cash Provided by Financing Activities	21,351	0	46,376
Net Increase (Decrease) in Cash	(12,395)	(5,038)	1,851
Cash, beginning of period	14,246	21,029	0
	\$	\$	\$
Cash, end of period	1,851	15,991	1,851
SUPPLEMENTAL CASH FLOW INFORMATION:			
	\$	\$	
Interest paid	0	0	
	\$	\$	
Income taxes paid	0	0	

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

PINACLE ENTERPRISE INC.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2012

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Pinnacle Enterprise Inc. (the "Company" or Pinnacle) was incorporated under the laws of the State of Nevada on April 19, 2010. The Company plans to specialize in architectural design, architectural animation, 3D modeling as well as CAD drafting and conversion services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles related to development stage companies. A development-stage company is one in which planned principal operations have not commenced or if its operations have commenced, there has been no significant revenues there from.

Basis of Presentation

The financial statements of the Company have been prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America, and are presented in US dollars. The Company has adopted a January 31 fiscal year end.

Cash and Cash Equivalents

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents. The Company had \$1,851 and \$14,246 of cash as of July 31, 2012 and January 31, 2012, respectively.

Property and Equipment

The capital assets are being depreciated over their estimated useful lives using the straight line method of depreciation for book purposes.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, property and equipment, accrued expenses and amounts due to a shareholder. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets

and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Use of 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 the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue when products are fully delivered or services have been provided and collection is reasonably assured.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with ASC Topic 718. To date, the Company has not adopted a stock option plan and has not granted any stock options.

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. There are no such common stock equivalents outstanding as of July 31, 2012.

Comprehensive Income

The Company has which established standards for reporting and display of comprehensive income, its components and accumulated balances. When applicable, the Company would disclose this information on its Statement of Stockholders' Equity. Comprehensive income comprises equity except those resulting from investments by owners and distributions to owners. The Company has not had any significant transactions that are required to be reported in other comprehensive income.

Recent Accounting Pronouncements

Pinnacle does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and consisted of the following at July 31, 2012 and January 31, 2012:

	July 31, 2012	January 31, 2012
Computer software	\$ 1,180	\$ 1,180
Less: Accumulated depreciation	(510)	(314)

Property and equipment, net	\$	670	\$	866
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The Company estimated the estimated useful life of the software to be three years. Depreciation expense was \$98 and \$0 for the three months ended July 31, 2012 and 2011. Depreciation expense was \$196 and \$0 for the six months ended July 31, 2012 and 2011.

PINACLE ENTERPRISE INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2012

NOTE 4 ACCRUED EXPENSES

Accrued expenses at July 31, 2012 consisted of \$950 owed to the Company's outside independent auditors for services rendered for the quarter ended July 31, 2012. Accrued expenses at January 31, 2012 consisted of \$4,000 owed to the Company's outside independent auditors for services rendered for the year ended January 31, 2012 and \$500 due to a vendor for website design.

NOTE 5 LOAN FROM SHAREHOLDER

On May 20, 2010, a shareholder loaned \$25 to the Company to open the bank account. During the six months ended July 31, 2012, the same shareholder loaned the Company an additional \$21,351 for working capital. The loans are unsecured, non-interest bearing and due on demand. The balances due to the shareholder were \$32,276 and \$25 as of July 31, 2012 and January 31, 2012, respectively.

NOTE 6 COMMON STOCK

The Company has 75,000,000, \$0.001 par value shares of common stock authorized.

On July 2, 2010, the Company issued 4,000,000 shares of common stock for cash proceeds of \$4,000 at \$0.001 per share.

On July 9, 2010, the Company issued 500,000 shares of common stock for cash proceeds of \$5,000 at \$0.01 per share.

On August 11, 2010, the Company issued 800,000 shares of common stock for cash proceeds of \$16,000 at \$0.02 per share.

There were no additional stock issuances during the period ended July 31, 2012.

There were 5,300,000 shares of common stock issued and outstanding as of July 31, 2012 and January 31, 2012.

NOTE 7 INCOME TAXES

As of July 31, 2012, the Company had net operating loss carry forwards of approximately \$44,800 that may be available to reduce future years taxable income in varying amounts through 2032. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The provision for Federal income tax consists of the following for the six month periods ended July 31, 2012 and 2011:

	July 31, 2012	July 31, 2011
Federal income tax benefit attributable to:		
	\$ 10,333	
Current operations		\$ 1,713
Less: valuation allowance	(10,333)	(1,713)
Net provision for Federal income taxes	\$ 0	\$ 0

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	July 31, 2012	January 31, 2012
Deferred tax asset attributable to:		
Net operating loss carryover	\$ 15,235	\$ 4,902
Less: valuation allowance	(15,235)	(4,902)
Net deferred tax asset	\$ 0	\$ 0

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards of approximately \$44,800 for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur net operating loss carry forwards may be limited as to use in future years.

NOTE 8 COMMITMENTS AND CONTINGENCIES

The Company neither owns nor leases any real or personal property. An officer has provided office services without charge. There is no obligation for the officer to continue this arrangement. Such costs are immaterial to the financial statements and accordingly are not reflected herein. The officers and directors are involved in other business activities and most likely will become involved in other business activities in the future.

NOTE 9 GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principle, which contemplate continuation of the Company as a going concern. However, the Company had limited revenues as of July 31, 2012. The Company currently has limited working capital, and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time.

Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise additional funds through the capital markets. In light of management's efforts, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern.

NOTE 10 SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to July 31, 2012 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

We were incorporated in the State of Nevada on April 19, 2010. The registrant intends to specialize in architectural design, architectural animation, 3D modeling as well as Computer-Aided Design (CAD) drafting and conversion services.

Architectural Design:

The registrant will provide architectural design services like building and structural design, exterior and interior 3D rendering, architectural drafting, architectural drawing, architectural lighting, plans, cost estimation, layering and 3D modeling.

We will offer architectural layout and landscaping CAD drawings:

- Architectural floor plan CAD drawings
- Space plan CAD drawings
- Furniture CAD drawings
- Reflected ceiling plans/CAD drawings
- Interior designing and planning/ CAD drawings

Architectural Animation Services:

The registrant will offer 3D walkthrough as a marketing tool transforming imaginative ideas and concepts into photorealistic 3D rendered architectural walkthrough. With 3D Walkthroughs any specific viewpoint can be viewed from any angle or height giving a real photorealistic feeling.

Some of the advantages of virtual 3D Walkthroughs are:

- Actual structure, architecture and building materials can be shown.
- External/Internal lighting such as natural lighting, based upon window direction, time of year and time of day can be previewed.
- 3D Architectural animation will include exterior features such as landscaping, trees, hedges, fences.
- View can be previewed.
- Multiple design options can be explored and resolved before building begins.

3D Modeling Service:

We will provide 3D Modeling services to our clients so they will be able to view their upcoming building, house, room in advance in 3D Modeling and 3D Animation to give views from different angles and perspectives. Our clients can send us the required documents of either hand-drawn sketches or design concept drawing and we will create highly effective 3D Modeling. In addition we can shape, texture and customize stereoscopic 3D animated 3D models.

CAD Drafting Services:

We will use computer aided design o design, develop and optimize drawings to make a clean and clear computer generated construction drawing, accurately drafted as per specified dimensions. The registrant can generate CAD drawings from any format such as hand-drawn documents, tiff files or any other image files and convert it to a .dwg file using AutoCAD. Our CAD services will include Architectural CAD drafting and detailing for construction projects including general layout, plan, elevation and sections.

CLIENTS

Our clients will include:

- Independent building contractors
- Developers and builders
- Private individuals
- Other architectural and engineering firms

REFERRAL AGREEMENT

The registrant has signed a Referral Agreement with Vitaliy Akimov on March 25, 2011. Mr. Akimov will refer potential customers to the Company for a referral fee. Duration of the agreement is until written 10 day notice of termination is given by either party.

ARCHITECTURAL INTERIOR/EXTERIOR RENDERING CONTRACT

The company has executed the agreement on December 5, 2011 with Miguel Angel Molina Urrea, under the terms of which we will draft, draw, and design his private home.

The following are the material terms of the agreement:

1. Design Project.

Pinnacle Enterprise, Inc. will generate photo realistic architectural exterior and interior 3D renderings of the private home. The rendering will contain geometry, viewpoint, texture and lighting information. The client is required to provide input, information and materials such as description, visuals, photographs, sketches and descriptions of the internal environment to be, the lighting layout or/and the furniture placement in the internal spaces.

2. Copyrights and Trademarks.

The Client unconditionally guarantees that any elements of text, graphics, photos, designs, trademarks, or other artwork furnished to Pinnacle Enterprise, Inc. for inclusion in the Design Project are owned by the Client, or that the Client has permission from the rightful owner to use each of these elements, and will hold harmless, protect, indemnify and defend Pinnacle Enterprise, Inc. and its subcontractors from any liability (including attorney's fees and court costs), including any claim or suit, threatened or actual, arising from the use of such elements furnished by the Client.

3. Completion Date.

Pinnacle Enterprise, Inc. and the Client must work together to complete the Design Project in a timely manner. We agree to work expeditiously to complete the Design Project no later than 45 days after Client has submitted all necessary materials. If the Client does not supply Pinnacle Enterprise, Inc. with complete text and graphics content for this Design Project within 45 days of the effective date of this agreement, the entire deposit amount of the agreement shall be retained by Pinnacle Enterprise, Inc. as liquidated damages and the contract shall become null and void, at Pinnacle Enterprise, Inc.'s option, unless the Design Project is canceled in writing by the Client prior to 45 days before

the effective date of the agreement.

4. Payments.

Payments must be made promptly based on the terms of this Design Project. All payments are to be made within 15 days after completion and approval of the Design Project by the Client. In case collection proves necessary, the Client agrees to pay all fees (including all attorney's fees and court costs) incurred by that process. This agreement becomes effective only when signed by Pinnacle Enterprise, Inc.

5. Payment Schedule.

Payment for services provided hereby shall be made in accordance with the conditions contained in this contract and the Package Price, attached hereto and made a part of this agreement hereof. Notwithstanding any prices listed in literature or on Web pages, the Client and Pinnacle Enterprise, Inc. agree that the services described in this contract shall be completed for \$3,000. The Client agrees to pay to Pinnacle Enterprise, Inc. an initial, non-refundable deposit of \$1,000 15 days after

the execution of this agreement. Final payment is due within 15 days after publication and/or delivery of the Design Project. All amounts must be in U.S. Dollars.

6. This Agreement.

This agreement constitutes the sole agreement between Pinnacle Enterprise, Inc. and the Client regarding this Design Project. Any additional work not specified in this contract or any other amendment or modification to this contract must be authorized by a written request signed by both Client and Pinnacle Enterprise, Inc. All prices specified in this contract will be honored for 6 months after both parties sign this contract. Continued services after that time will require a new agreement.

EMPLOYEES AND EMPLOYMENT AGREEMENTS

At present, we have no employees other than our officer and director. We presently do not have pension, health, annuity, insurance, stock options, profit sharing or similar benefit plans; however, we may adopt such plans in the future. There are presently no personal benefits available to any officers, directors or employees.

Results of Operation

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

We expect we will require additional capital to meet our long term operating requirements. We expect to raise additional capital through, among other things, the sale of equity or debt securities.

Three Months Period Ended July 31, 2012

Our net loss for the three months period ended July 31, 2012 was \$23,836. During the three and six month periods ended July 31, 2012 we have not generated any revenue.

During the three month period ended July 31, 2012, our operating expenses were general and administrative expenses \$825, professional fees of \$22,898, advertising was \$15 and amortization was \$98. The weighted average number of shares outstanding was 5,300,000 for the three months period ended July 31, 2012.

Liquidity and Capital Resources

Three Months Period Ended July 31, 2012

As at July 31, 2012, our total assets were \$2,521 compared to \$15,112 in total assets at January 31, 2012. Total assets were comprised of \$1,851 in cash and property and equipment of \$670. As at July 31, 2012, our current liabilities were \$22,376. Stockholders' equity was \$ (19,805) as of July 31, 2012 compare to stockholders' equity of \$10,587 as of January 31, 2012.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the six months period ended July 31, 2012, net cash flows used in operating activities was \$(33,746). For the period from inception (April 19, 2010) to July 31, 2012, net cash from operating activities was \$(43,345).

Cash Flows from Investing Activities

For the six months period ended July 31, 2012, the Company have not generated any cash flow.

Cash Flows from Financing Activities

We have financed our operations primarily from either advancements or the issuance of equity. For the six months period ended July 31, 2012, net cash provided by financing activities was \$21,351. For the period from inception (April 19, 2010) to July 31, 2012, net cash provided by financing activities was \$46,376 received from proceeds from issuance of common stock.

Plan of Operation and Funding

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund our operations over the next three months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) acquisition of inventory; (ii) developmental expenses associated with a start-up business; and (iii) marketing expenses. We intend to finance these expenses with further issuances of securities, and debt issuances. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations. We will have to raise additional funds in the next twelve months in order to sustain and expand our operations. We currently do not have a specific plan of how we will obtain such funding; however, we anticipate that additional funding will be in the form of equity financing from the sale of our common stock. We have and will continue to seek to obtain short-term loans from our directors, although no future arrangement for additional loans has been made. We do not have any agreements with our directors concerning these loans. We do not have any arrangements in place for any future equity financing.

Off-Balance Sheet Arrangements

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

Going Concern

The independent auditors' review report accompanying our January 31, 2012 financial statements contained an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that we will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

No report required.