

Edgar Filing: Don Marcos Trading CO - Form 10-Q

Don Marcos Trading CO
Form 10-Q
May 16, 2011
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 March 31, 2011

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

Commission File Number: 000-52692

DON MARCOS TRADING CO.
(Exact name of registrant as specified in its charter)

Florida	65-0921319
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1535 Southeast 17th Street, Suite 107, Ft. Lauderdale, FL 33316
(Address of principal executive offices)

(954) 356-8111
(Registrant's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

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

Large accelerated filer ☐	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 ☒

As of May 13, 2011, the number of shares of common stock outstanding was 48,300,000.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DON MARCOS TRADING CO.

(A DEVELOPMENT STAGE COMPANY)
CONDENSED BALANCE SHEETS
MARCH 31, 2011 AND DECEMBER 31, 2010

	Unaudited March 31, 2011	Audited December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,694	\$ 1,685
Inventory	8,820	8,820
TOTAL CURRENT ASSETS	\$ 15,514	\$ 10,505
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 9,203	\$ 7,311
Notes payable, officers and stockholders	60,000	50,000
TOTAL CURRENT LIABILITIES	69,203	57,311
STOCKHOLDERS' DEFICIT		
Preferred stock, no stated value		
Authorized - 10,000,000 shares		
Issued and outstanding -0- shares	-	-
Common stock, no par value		
Authorized - 100,000,000 shares		
Issued and outstanding - 48,300,000 shares at March 31, 2011 and December 31, 2010	243,454	243,454
Deficit accumulated during the development stage	(297,143)	(290,260)
TOTAL STOCKHOLDERS' DEFICIT	(53,689)	(46,806)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 15,514	\$ 10,505

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

DON MARCOS TRADING CO.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO MARCH 31, 2011

(UNAUDITED)

	2011	2010	May 11, 1999 (Inception) To March 31, 2011
REVENUES	\$0	\$296	\$1,976
OPERATING EXPENSES	6,883	5,986	299,119
NET (LOSS)	\$(6,883)	\$(5,690)	\$(297,143)
NET (LOSS) PER SHARE			
Basic and diluted	\$(.00)	\$(.00)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic and diluted	48,300,000	48,300,000	

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

DON MARCOS TRADING CO.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO MARCH 31, 2011
(UNAUDITED)

	2011	2010	May 11, 1999 (Inception) To March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)	\$(6,883)	\$(5,690)	\$(297,143)
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:			
Common stock issued for services	-	-	3,635
Stock based compensation	-	-	45,474
Changes in operating assets and liabilities:			
Accounts receivable	-	(8)	-
Inventory	-	16	(8,820)
Accounts payable and accrued expenses	1,892	5,756	9,203
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	(4,991)	74	(247,651)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable, stockholders	10,000	-	60,000
Issuance of common stock for cash	-	-	192,000
Cash contributed by stockholder	-	-	2,345
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,000	-	254,345
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,009	74	6,694
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,685	469	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$6,694	\$543	\$6,694

The accompanying notes are an integral part of these financial statements

DON MARCOS TRADING CO.

(A DEVELOPMENT STAGE COMPANY)
 CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
 FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
 AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO MARCH 31, 2011
 (UNAUDITED)

	2011	2010	May 11, 1999 (Inception) To March 31, 2011
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
CASH PAID DURING THE YEAR FOR:			
Interest	\$-	\$-	\$-
Taxes	\$-	\$-	\$-
NON-CASH INVESTING ACTIVITIES			
Stock-based compensation	\$-	\$-	\$45,474

The accompanying notes are an integral part of these financial statements

DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1

Nature of Business and History of Company

Don Marcos Trading Co. ("the Company") is a development stage enterprise incorporated on May 11, 1999 in the state of Florida. The Company is the sole importer and distributor of Don Marcos coffee.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair value of financial instruments

For certain Company instruments, including cash and accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Net Loss Per Share

The Company adopted ASC 260, that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net income (loss) per share are excluded.

Revenue Recognition

The Company recognizes revenue from product sales when shipment of product to the customer has been made, which is when title passes. The Company estimates and records provisions for rebates, sales returns and allowances in the period the sale is recorded. Shipping and handling charges are included in gross sales, with the related costs included in selling, general and administrative expenses.

DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2011 AND 2010

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1

Inventory

Inventory is stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories are adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments, and market conditions.

Common Stock Issued for Non-Cash Transaction

It is the Company's policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in ASC 740, "Accounting for Income Taxes". As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Stock Based Compensation

Effective November 1, 2005, the Company adopted ASC 718, "Compensation-Stock Compensation." Under this method, compensation cost is recognized on or after the effective date for the portion of outstanding awards, for which the requisite service has not yet been rendered, based on the grant date fair value of those awards. For stock-based awards issued on or after November 1, 2005, the Company recognizes the compensation cost on a straight-line basis over the requisite service period for the entire award. Measurement and attribution of compensation cost for awards that are unvested as of the effective date of ASC 718 are based on the same estimate of the grant-date or modification-date fair value and the same attribution method used previously under ASC 718.

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DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2011 AND 2010

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1

Development Stage Enterprise

The Company is a development stage enterprise, as defined in ASC 915. The Company's planned principal operations have not commenced, and accordingly, only nominal revenue has been derived during this period.

NOTEGOING CONCERN

2

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company's development activities since inception have been financially sustained by issuance of common stock and through stockholder contributions and loans. The Company may raise additional funding to continue its operations through contributions and loans from the current shareholders and stock issuance to other investors.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to recover the value of its assets or satisfy its liabilities.

Management plans to eliminate the going concern situation which includes, but is not limited to, obtaining investors to fund the working capital needs of the Company.

NOTEINVENTORY

3

Inventory consists of the following at March 31, 2011 and December 31, 2010.

	2011	2010
Materials	\$8,820	\$8,820

NOTENOTES PAYABLE, OFFICERS AND STOCKHOLDERS

4

At March 31, 2011, the Company had the following notes payable to the officers/stockholders of the Company:

Note dated April 9, 2010 for \$25,000. The note accrues interest at 1%, is unsecured and is due on October 9, 2011.

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ON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2011 AND 2010

NOTE 4 NOTES PAYABLE, OFFICERS AND STOCKHOLDERS (CONTINUED)

Note dated November 5, 2010 for \$25,000. The note accrues interest at 1%, is unsecured and is due on October 9, 2011.

Note dated March 28, 2011 for \$10,000. The note accrues interest at 1%, is unsecured and is due on March 28, 2012.

NOTE 5 SUBSEQUENT EVENTS

5

Management has evaluated subsequent events through the date which the financial statements were available for issue.

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

The following discussion and analysis should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this report.

Overview

We were incorporated on May 11, 1999 in the state of Florida to be the sole importer and distributor of Don Marcos® Coffee.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with our Board of Directors, we have identified several accounting principles that we believe are key to the understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

Development Stage Enterprise

We are a development stage enterprise, as defined in ASC 915, "Development Stage Entities."

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Net Loss Per Share

We adopted ASC 260, "Earnings Per Share" that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net income (loss) per share are excluded.

Inventory

Inventory is stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories are adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments, and market conditions.

Stock Issued for Non-Cash Transactions

It is our policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

There were no shares of common stock issued for services during the three months ended March 31, 2011 and 2010.

Going Concern

Our financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Our ability to continue as a going concern is dependent upon our ability to locate sources of capital, and attain future profitable operations. Our management is currently initiating their business plan. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Stock Based Compensation

We adopted ASC 718, "Stock Based Compensation," Share Based Payment, under the modified-prospective transition method on January 1, 2006. ASC 718 requires companies to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair-value. Share-based compensation recognized under the modified-prospective transition method of ASC 718 includes share-based compensation based on the grant-date fair-value determined in accordance with the original provisions of ASC 718, Accounting for Stock-Based Compensation, for all share-based payments granted prior to and not yet vested as of January 1, 2006 and share-based compensation based on the grant-date fair-value determined in accordance with ASC 718 for all share-based payments granted after January 1, 2006. ASC 718 eliminates the ability to account for the award of these instruments under the intrinsic value method, and allowed under the original provisions of ASC 718. Prior to the adoption of ASC 718, we accounted for our stock option plans using the intrinsic value method in accordance with the provisions of APB Opinion No. 25 and related interpretations.

Stock-based compensation represents the cost related to stock-based awards granted to employees. We measure stock-based compensation cost at grant date, based on the estimated fair value of the award, and recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the employee requisite service period. We estimate the fair value of stock options using a Black-Scholes valuation model. The expense is recorded in operating expenses in the condensed statements of operations.

Results of Operations

You should read the selected financial data set forth below along with our discussion and our financial statements and the related notes. We have derived the financial data from our audited financial statements. We believe the financial data shown in the table below include all adjustments consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of such information. Operating results for the period are not necessarily indicative of the results that may be expected in the future.

	Three Months Ended March 31, 2011 (Unaudited)	Three Months Ended March 31, 2010 (Unaudited)	Increase/ (Decrease)
Revenue	\$-	\$296	\$(296)
Operating expenses	6,883	5,986	\$897
Net (loss)	(6,883)	(5,690)	\$(1,193)
Net (loss) per share	\$(0.00)	\$(0.00)	\$(0.00)

Results for the Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010 (unaudited)

Revenues

We had no revenue from operations for the three months ended March 31, 2011 as compared to revenues of \$296 for the three months ended March 31, 2010.

Operating Expenses

Operating expenses increased by \$897 to \$6,883 for the three months ended March 31, 2011, as compared to \$5,986 for the three months ended March 31, 2010. The increase arose from increases in legal and accounting fees required for our SEC filings.

Net Loss

Primarily as a result of our operating expenses, we had a net loss of \$6,883 for the three months ended March 31, 2011 compared to a net loss of \$5,690 for the three months ended March 31, 2010.

Liquidity and Capital Resources

We currently have no material commitments for capital expenditures and have no fixed expenses.

Working capital is summarized and compared as follows:

	March 31, 2011	March 31, 2010
Current assets	\$ 15,514	\$ 9,469
Current liabilities	69,203	27,325
Deficit	\$(53,689)	\$(17,856)

The changes in our working capital are primarily due to operating losses.

Changes in cash flows are summarized as follows:

Our net cash (used) by operations was \$4,991 for the three months ended March 31, 2011 as compared to \$74 provided by operations for the three months ended March 31, 2010. During the three months ended March 31, 2011, we experienced a net loss of \$6,883. In addition, we had an increase in accounts payable of \$1,892. During the three months ended March 31, 2010, we experienced a net loss of \$5,690. In addition, we had an increase in accounts receivable of \$8. These were offset by an increase in accounts payable and accrued expenses of \$5,756 and a decrease in inventory of \$16.

There was no net cash used or provided from investing activities for the three months ended March 31, 2011 and 2010.

Cash was provided by financing activities for the three months ended March 31, 2011 by a stockholder loan in the amount of \$10,000. There was no cash used or provided by financing activities for the three months ended March 31, 2010.

On March 28, 2011, Steven Hudson, our Vice President and one of our directors, loaned us \$10,000 at an interest rate of 1% per annum for one year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item.

ITEM 4.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of period covered by this report. Based upon such evaluation, the President and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

To the best knowledge of our management, there are no legal proceedings pending or threatened against us.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following Exhibits are filed herein:

No. Title

10.1 Promissory Note with Steven W. Hudson, dated March 28, 2011

31.1 Certification of President Pursuant to the Securities Exchange Act of 1934, Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to the Securities Exchange Act of 1934, Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

DON MARCOS TRADING CO.

DATED: May 13, 2011

/s/ Earl T. Shannon
BY: Earl T. Shannon
ITS: President
(Principal Executive Officer)

/s/ Scott W. Bodenweber
BY: Scott W. Bodenweber
ITS: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)