

Don Marcos Trading CO
Form 10-Q
August 14, 2008

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

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
(State or other jurisdiction of
incorporation or organization)

65-0921319
(IRS Employer
Identification No.)

1850 Southeast 17th Street, Suite 300, Ft. Lauderdale, FL 33316
(Address of principal executive offices)

(954) 356-8111
(Issuer'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 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

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

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

As of August 13, 2008, the number of shares of common stock outstanding was 44,300,000.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED BALANCE SHEET
JUNE 30, 2008 AND DECEMBER 31, 2007

	Unaudited June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 60	\$ 11,166
Inventory	8,914	4,255
TOTAL CURRENT ASSETS	\$ 8,974	\$ 15,421
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,465	\$ 9,466
STOCKHOLDERS' EQUITY		
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 - 39,500,000 shares	199,454	187,454
Deficit accumulated during the development stage	(205,945)	(181,499)
TOTAL STOCKHOLDERS' EQUITY	(6,491)	5,955
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,974	\$ 15,421

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

DON MARCOS TRADING CO.
 (A DEVELOPMENT STAGE COMPANY)
 CONDENSED STATEMENTS OF OPERATIONS
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007
 AND FOR THE PERIOD FROM MAY 11, 1999 TO JUNE 30, 2008
 (UNAUDITED)

	Three Months Periods Ended June 30,		Six Month Periods Ended June 30,		May 11, 1999 (Inception) To June 30, 2008
	2008	2007	2008	2007	2008
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES	7,889	27,798	24,446	93,515	205,945
NET LOSS	\$ (7,889)	\$ (27,798)	\$ (24,446)	\$ (93,515)	\$ (205,945)
NET LOSS PER SHARE					
Basic and diluted	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
Basic and diluted	39,500,000	36,900,000	38,300,000	26,285,635	38,300,000

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 SIX MONTHS ENDED JUNE 30, 2008 AND 2007
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO JUNE 30, 2008
UNAUDITED

	2008	2007	May 11, 1999 (Inception) To June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (24,446)	\$ (93,515)	\$ (205,945)
Adjustments to reconcile net loss to net cash used by operating activities :			
Common stock issued for services	-	-	3,635
Stock based compensation	-	45,474	45,474
Changes in operating assets and liabilities:			
Inventory	(4,659)	-	(8,914)
Accounts payable and accrued expenses	5,999	261	15,465
NET CASH USED IN OPERATING ACTIVITIES	(23,106)	(47,780)	(150,285)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock for cash	12,000	82,000	148,000
Cash contributed by stockholder	-	-	2,345
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,000	82,000	150,345
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,106)	34,220	60
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,166	131	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 60	\$ 34,351	\$ 60

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 (CONTINUED)
 FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007
 AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO JUNE 30, 2008
 (UNAUDITED)

	2008	2007	May 11, 1999 (Inception) To June 30, 2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
CASH PAID DURING THE YEAR FOR:			
Interest	\$ -	\$ -	\$ -
Taxes	\$ -	\$ -	\$ -

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

DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 has had no significant operations since its inception. The Company’s only activities have been organizational, directed at raising its initial capital and developing its business plan.

The original purpose of the Company was to be the sole importer and distributor of Don Marcos coffee.

Basis of Presentation

The interim financial statements of Don Marcos Trading Co. are condensed and do not include some of the information necessary to obtain a complete understanding of the financial data. Management believes that all adjustments necessary for a fair presentation of results have been included in the unaudited financial statements for the interim period presented. Operating results for the six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. Accordingly, your attention is directed to footnote disclosures found in the December 31, 2007 Annual Report and particularly to Note 1, which includes a summary of significant accounting policies.

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

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

DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net (Loss) Per Share

The Company adopted Statement of Financial Accounting Standards No. 128 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 FASB 128, any anti-dilutive effects on net income (loss) per share are excluded.

Revenue Recognition

The Company will recognize revenue from product sales when shipment of product to the customer has been made, which is when title passes. The Company will estimate and record provisions for rebates, sales returns and allowances in the period the sale is recorded. Shipping and handling charges will be included in gross sales, with the related costs included in selling, general and administrative expenses. For the six months ended June 30, 2008 and 2007, the Company had not generated any revenue.

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 Based Compensation

Effective November 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment: An Amendment of FASB Statements No. 123 and 95" using the modified prospective method. 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 SFAS No. 123(R) are based on the same estimate of the grant-date or modification-date fair value and the same attribution method used previously under SFAS No. 12.

DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development Stage Enterprise

The Company is a development stage enterprise, as defined in Financial Accounting Standards Board No. 7. The Company's planned principal operations have not commenced, and accordingly, no revenue has been derived during this period.

NOTE 2 GOING CONCERN

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 through stockholder contribution to the Company and issuance of common stock. The Company may raise additional funding to continue its operations through contributions 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.

NOTE 3 COMMON STOCK

The Company effected a 1:5 forward split of the stock in February, 2007. All per share amounts and number of shares outstanding have been retroactively restated for this adjustment.

On March 14, 2007, the Company offered a private placement of 16,400,000 shares of common stock, no par value, with an aggregate value of \$82,000.

The Company effected a 1:10 forward split of the stock on March 30, 2007. All per share amounts and number of shares outstanding have been retroactively restated for this adjustment.

On April 1, 2008, the Company sold 2,400,000 shares of its common stock, no par value, with an aggregate value of \$12,000, to three officers of the company.

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 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 Financial Accounting Standards Board No. 7. Our planned principal operations have not commenced, and, accordingly, no revenue has been derived during the period.

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 Statement of Financial Accounting Standards No. 128 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 FASB 128, 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 six months ended June 30, 2008 and 2007.

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 SFAS No. 123 (Revised 2004), Share Based Payment (“SFAS No. 123R”), under the modified-prospective transition method on January 1, 2006. SFAS No. 123R 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 SFAS No. 123R includes share-based compensation based on the grant-date fair-value determined in accordance with the original provisions of SFAS No. 123, 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 SFAS No. 123R for all share-based payments granted after January 1, 2006. SFAS No. 123R eliminates the ability to account for the award of these instruments under the intrinsic value method prescribed by Accounting Principles Board (“APB”) Opinion No. 25, Accounting for Stock Issued to Employees, and allowed under the original provisions of SFAS No. 123. Prior to the adoption of SFAS No. 123R, 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 recognizes 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 unaudited 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.

	Six Months Ended June 30, 2008 (Unaudited)	Six Months Ended June 30, 2007 (Unaudited)	Three Months Ended June 30, 2008 (Unaudited)	Three Months Ended June 30, 2007 (Unaudited)
Revenue	\$ -	\$ -	\$ -	\$ -
Operating expenses	24,446	93,515	7,889	27,798
Net (loss)	\$ (24,446)	\$ (93,515)	\$ (7,889)	\$ (27,798)
Net (loss) per share	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)

Results for the Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

Revenues

There were no revenues from operations for the six months ended June 30, 2008 and 2007.

Operating Expenses

Operating expenses decreased by \$69,069 to \$24,446 for the six months ended June 30, 2008 as compared to \$93,515 for the six months ended June 30, 2007.

During the six months ended June 30, 2008, we incurred accounting, legal and professional services of \$23,594 associated with our public company reporting requirements and other expenses of \$492. For the six months ended June 30, 2007, we incurred accounting, legal and professional services of \$47,597 associated with our SEC filings, salaries expense of \$45,474 associated with the issuance of stock options to employees, and other expenses of \$444.

Net Loss

Primarily as a result of our operating expenses, we had a net loss of \$24,446 for the six months ended June 30, 2008 compared to a net loss of \$93,515 for the same period in the prior year.

Results for the Three Months Ended June 30, 2008 Compared to the Three Months ended June 30, 2007

Revenues

There were no revenues from operations for the three months ended June 30, 2008 and 2007.

Operating Expenses

Our total operating expenses for the three months ended June 30, 2008 were \$7,889 compared to \$27,798 for the three months ended June 30, 2007. Our expenses for the three months ended June 30, 2008 and 2007 were primarily for legal and accounting fees associated with our SEC filings required of a public company.

Impact of Inflation

We believe that inflation has had a negligible effect on our operations over the past three years.

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:

	June 30, 2008	June 30, 2007
Current assets	\$ 8,974	\$ 34,351
Current liabilities	\$ 15,465	\$ 10,261
Working Capital (deficit)	\$ (6,491)	\$ 24,099

Changes in cash flows are summarized as follows:

Our net cash used by operations was \$23,106 for the six months ended June 30, 2008 as compared to \$47,780 for the six months ended June 30, 2007. During the six months ended June 30, 2008, we experienced a net loss of \$24,446. In addition, we had an increase in inventory of \$4,659. This was offset by an increase in accounts payable and accrued expenses of \$5,999. During the six months ended June 30, 2007, we experienced a net loss of \$93,515. This was offset by non-cash stock options issued to employees in the amount of \$45,474 and an increase in accounts payable and accrued expenses of \$261.

There was no net cash used or provided from investing activities for the six months ended June 30, 2008 and 2007.

Our net cash provided from financing activities was \$12,000 during the six months ended June 30, 2008, due to the issuance of a private placement of common stock. Our net cash provided by financing was \$82,000 during the six months ended June 30, 2007, due to the issuance of a private placement of common stock.

On August 1, 2008, cash was provided from financing activities amounting to \$24,000, which were capital contributions by stockholders.

Off-Balance Sheet Arrangements

None.

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.

ITEM 4T. CONTROLS AND PROCEDURES

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.

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 RISK FACTORS.

1A.

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

On August 4, 2008, we entered into Stock Purchase Agreements with certain of our officers for the sale to those officers of shares of our common stock as follows:

Name of Officer	Number of Shares of Common Stock Purchased	Purchase Price Paid
Earl T. Shannon	1,600,000	\$8,000
Steven W. Hudson	1,600,000	\$8,000
Scott W. Bodenweber	1,600,000	\$8,000

Pursuant to the Stock Purchase Agreements described above, we sold an aggregate of 4,800,000 shares of our common stock at a price of \$0.005 per share to three accredited investors for gross proceeds of \$24,000. We relied on the exemption from registration relating to offerings that do not involve any public offering pursuant to Section 4(2) under the Act and/or Rule 506 of Regulation D promulgated pursuant thereto. We believe that the investors are “accredited investors” under Rule 501 under Regulation D of the Act and had adequate access to information about us.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following Exhibits are filed herein:

No.	Title
10.1	Stock Purchase Agreement with Earl T. Shannon, dated August 4, 2008.
10.2	Stock Purchase Agreement with Steven W. Hudson, dated August 4, 2008.
10.3	Stock Purchase Agreement with Scott W. Bodenweber, dated August 4, 2008.
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

In accordance with 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, duly authorized.

DATED: August 13, 2008

DON MARCOS TRADING CO.

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

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