ALL AMERICAN PET COMPANY, INC.
Form 10-Q
October 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

S **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

£ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-33300

ALL AMERICAN PET COMPANY, INC.
(Exact name of registrant as specified in its charter)

Nevada	91-2186665
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1880 Century Park East, Suite 1402	
Los Angeles, California	90067
(Address of principal executive offices)	(Zip Code)

(310) 432-9032

(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) 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 x No ¨

[Company has not yet filed all reports; if it has been subject to filing requirements last 90 days, should check no]; DESPITE THIS BEING FOR 3/31/11

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Ruble 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

Indicate the number of shares of outstanding of each of the Registrant's classes of common equity, as of the last practicable date: As of September 28, 2012, the Registrant had outstanding 614,734,834 shares of Common Stock, no shares of Preferred Stock, and warrants exercisable for 5,000,000 shares of Common Stock.

ALL AMERICAN PET COMPANY, INC.

FOR THE SIX MONTHS ENDED

June 30, 2012

Index to Report on Form 10-Q

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

ALL AMERICAN PET COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash	$ 749,200	$ 2,396
Inventory	363,198	-
Prepaid expenses	85,386	96,154
Total current assets	1,197,784	98,550
Machinery and equipment, net	50,743	2,542
Other assets	22,565	5,800
TOTAL ASSETS	1,271,092	$ 106,892
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Bank overdraft	$ 96,261	$ 97,070
Accounts payable	2,930,408	2,145,668
Accounts payable due to former officer	50,000	196,912
Current portions of contest prize	109,999	93,333
Settlements and judgments payable	234,544	231,480
Share guarantee liability	600,000	600,000
Accrued officers salaries	-	57,070
Accrued payroll taxes	863,304	797,422
Notes payable, net of debt discount	200,000	392,000
Accrued interest	234,162	220,787
Total current liabilities	5,318,678	4,831,742
Long-term liabilities:		
Net present value contest prize obligation	278,960	285,200
Total long-term liabilities	278,960	285,200
TOTAL LIABILITIES	5,597,638	5,116,942
COMMITMENTS AND CONTINGENCIES		

Stockholders' deficit		
Common stock, $0.001 par value Authorized 250,000,000 shares issued and outstanding June 30, 2012 (465,103,027) and December 31, 2011 (854,804,866	465,103	254,805
Additional paid-in capital	15,798,192	15,588,999
Common stock payable	1,889,848	569,642
Common stock receivable	(143,000)	(142,000)
Advance to officers	(201,223)	-
Accumulated deficit	(21,744,074)	(20,933,116)
Non-controlling interest	(391,392)	(348,380)
Total stockholders' deficit	(4,326,546)	(5,010,050)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 1,271,092	$ 106,892

See Accompaning Notes to Consolidated Financial Statements.

3

ALL AMERICAN PET COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	$ 13,429	$ -	$ 13,429	$ 59,726
Slotting fees, discounts and allowances	(2,499)	(566.00)	(2,499)	(141,879)
Net sales	10,930	(566.00)	10,930	(82,153)
Cost of goods sold	5,514	(325)	5,514	58,669
GROSS PROFIT (LOSS)	5,416	(241)	5,416	(140,822)
OPERATING EXPENSES				
Sales and marketing	100,261	49,810	177,733	341,964
General and administrative	406,056	364,893	749,549	1,082,395
TOTAL OPERATING EXPENSES	506,317	414,703	927,282	1,424,359
LOSS FROM OPERATIONS	(500,901)	(414,944)	(921,866)	(1,565,181)
OTHER EXPENSE/(INCOME)				
Gain on settlement	(131,912)	-	(131,912)	-
Interest expense	27,914	21,420	64,016	54,834
Debt discount amortization	-	32,281	-	68,739
TOTAL OTHER EXPENSE	(103,998)	53,701	(67,896)	123,573
Loss before income taxes	(396,903)	(468,645)	(853,970)	(1,688,754)
Provisions for income taxes	-	-	-	-
NET LOSS	$ (396,903)	$ (468,645)	$ (853,970)	$ (1,688,754)
Net loss attributable to non-controlling interest	23,117	-	43,012	150,376
NET LOSS ATTRIBUTABLE TO ALL AMERICAN PET COMPANY, INC.	$ (373,786)	$ (468,645)	$ (810,958)	$ (1,538,378)
NET LOSS PER COMMON SHARE	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (BASIC)	464,088,522	230,854,866	407,745,257	228,942,511

See Accompaning Notes to Consolidated Financial Statements.

ALL AMERICAN PET COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended	
	June 30, 2012	June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (853,970)	$ (1,688,754)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amotization	227	492
Amortization of contest prize	10,426	10,509
Amortization of debt discount	-	68,739
Gain on settlement	(131,912)	-
Common stock issued for services and equity placement	10,768	768,934
(Increase) decrease in:		
Inventory	(363,198)	37,912
Other assets	(16,765)	3,300
Increase (decrease) in:		
Accounts payable	804,865	327,159
Accounts payable former officer	(15,000)	76,719
Accrued officer salaries	(258,293)	110,096
Accrued payroll taxes	65,882	32,489
Deferred rent	-	(1,951)
Accrued interest	-	28,400
Settlements and judgements payable	2,064	(38,740)
NET CASH USED IN OPERATING ACTIVITIES	(744,906)	(264,696)
CASH FLOW FROM INVESTING ACTIVITIES		
Equipment purchases	(48,428)	-
NET CASH FLOW USED IN INVESTING ACTIVITIES	(48,428)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	(809)	4,655
Repayment of notes payable-other	-	75,000
Net proceeds from sale of common stock	1,540,947	186,382
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,540,138	266,037
Increase in cash as cash equivalents	746,804	1,341
Cash at beginning of period	2,396	114
CASH AT END OF PERIOD	$ 749,200	$ 1,455

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CASH PAID DURING THE PERIOD FOR:

Interest	$ -	$ -
Income taxes	$ -	$ -

See Accompaning Notes to Consolidated Financial Statements.

ALL AMERICAN PET COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

All American Pet Company, Inc. ("AAPT") is a developer and marketer of innovative pet wellness products including super premium dog foods and antibacterial wipes. In 2010 and 2011, AAPT produced, marketed, and sold two super premium dog foods under the brand names Grrr-nola® Natural Dog Food and Chompions®. Both Grrr-nola® Natural Dog Food and Chompions® were the first dog food products that were formulated for canine heart health and endorsed by a veterinary cardiac surgeon. The Company has launched its line of Pawtizer™ pet wipes and spray, the pet care industry's first alcohol-free anti-bacterial dog cleaner. The Company has also announced and is preparing to market its Mutt™ Great Food for Great Dogs super premium dry kibble dog food, and its Nutra Bars™ line of portable, convenient and functional, super premium 4 ounce dog food bars. Each 4 ounce bar has a kcal equivalent of 8 ounces of super premium dry dog food.

All American Pet Company, Inc. was initially organized under the laws of the State of New York ("All American Pet Company, Inc. NY") in February 2003. In January 2006, All American Pet Company, Inc. NY merged into All American Pet Company, Inc. a Maryland corporation ("All American Pet Company, Inc. MD"). In June 2012, All American Pet Company Inc. merged into a Nevada Corporation, ("All American Pet Company, Inc. NV"). The Company has formed a number of wholly owned subsidiaries to provide for accountability of each of its operations. All American PetCo, Inc. was formed in January 2008 to provide corporate infrastructure and management services. All American Pet Brands, Inc. was formed in April 2009 to be the Company's manufacturing and warehousing operation. In September 2009 the Company signed a license and distribution agreement with AAP Sales and Distribution Inc. a third party company that obtained the rights to manufacture and sell certain of the Company's products on a non-exclusive basis. AAP Sales and Distribution Inc.'s operations have been consolidated with All American Pet Company, Inc. based on accounting guidelines for Variable Interest Entities.

Unless the context otherwise requires, references in these financial statements to the "Company" or "AAPT" refer to All American Pet Company, Inc., a Nevada corporation and its subsidiaries, and its predecessors, All-American Pet Company Inc., MD, a Maryland corporation and All-American Pet Company Inc., NY, a New York corporation. All financial statements give effect to this reincorporation as if it occurred at the beginning of the period.

6

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial positions, results of operations and cash flows for the interim periods presented have been included. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K.

Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has a limited operating history and limited funds. As shown in the financial statements, the Company incurred a net loss of $853,970, used $744,906 cash for operations during the six months ended June 30, 2012, had a working capital deficit of $4,120,894 and total stockholders' deficit of $4,326,546 as of June 30, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company is dependent upon outside financing to continue operations. Management plans to raise funds via a private placement of its common stock to satisfy the capital requirements of the Company's business plan. There is no assurance that the Company will be able to obtain the necessary funds through continuing equity and debt financing to have sufficient operating capital to execute the Company's business plan. If the Company is able to obtain necessary funds, there is no assurance that the Company will successfully implement its business plan or raise sufficient capital to complete the execution of its business plan. The Company's continuation as a going concern is dependent on the Company's ability to raise additional funds through a private placement of its equity or debt securities or other borrowings sufficient to meet its obligations on a timely basis and ultimately to attain profitable operations.

Significant Accounting Policies

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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Management believes that the estimates used are reasonable. Significant estimates made by management include estimates for bad debts, excess and obsolete inventory, coupon liabilities and other trade spending liabilities.

Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities at the date of purchase of 90 days or less.

7

Revenue Recognition, Sales Incentives and Slotting Fees

Revenues are recognized upon passage of title to the customer, typically upon product pick-up, shipment or delivery to customers. The Company's revenue arrangements with its customers often include sales incentives and other promotional costs such as coupons, volume-based discounts, slotting fees and off-invoice discounts. These costs are typically referred to collectively as "trade spending". Pursuant to ASC Topic 605, these costs are recorded when revenue is recognized and are generally classified as a reduction of revenue. Slotting fees refer to arrangements pursuant to which the retail grocer allows our products to be placed on the store's shelves in exchange for a slotting fee. Given that there are no written contractual commitments requiring the retail grocers to allocate shelf space for twelve months, we expense the slotting fee at the time orders are first shipped to customers.

Earnings (Loss) Per Share

Net loss per share is calculated using the weighted average number of common stock outstanding for the period and diluted loss per share is computed using the weighted average number of common stock and dilutive common equivalent stock outstanding. The weighted average number of common stock outstanding was 464,088,522 and 228,942,511 for the six months ended June 30, 2012 and 2011, respectively. Net loss per share and diluted net loss per share are the same for all periods presented.

2. VARIABLE INTEREST ENTITY

Following is a description of our financial interests in a variable interest entity that we consider significant, those for which we have determined that we are the primary beneficiary of the entity and, therefore, have consolidated the entity into our financial statements.

On August 12, 2009, we entered into a License Agreement with AAP Sales and Distribution, Inc. ("AAPSD"). Under the terms of the agreement, AAPSD has the non-exclusive right to manufacture and market certain products of the Company. The duration of the agreement is for a period of five years. AAPSD is the primary beneficiary of the Company because of the relatively significant financial support provided to AAPSD in the form of the production and distribution and deferred payment arrangements between AAPSD the Company.

AAPSD owes the Company payments for product purchased and for royalties at the stated rate of 18.5% of net revenues, which are due and payable within five business days of receipt of funds by AAPSD from any sale when good funds are received from the sale. The 18.5% license payments will be applied to all minimum guarantee payments. The minimum guaranteed royalties, as amended, are due based within the 12-month period following the time at which AAPC has delivered 3,000,000 pounds of finished product. AAPSD does not owe the Company any royalties until AAPSD has recouped any costs of marketing or placement fees. All Royalty payments due from sales are accumulated and are applied toward to the minimum royalty payment for the year. If the 18.5% royalties are less than the minimum then AAPSD is obligated pay us the difference between what was paid during the 12 month period and the required minimum. Minimum royalty payments are due in the normal course of business as AAPSD has ten days at the end of each quarter to report any sales and royalties due and AAPC has the right to review the reports and agree on what amounts are owed based on sales and a statement of any minimum guarantees that may be due and payable. All payments are to be made in the normal course of business as agreed at the time of the annual royalty report's acceptance by AAPC.

We have determined that we are the primary beneficiary of AAPSD as our interest in the entity is subject to variability based on results from operations and changes in the fair value. During the six months ended June 30, 2012 and 2011, all operations of AAPSD are included in the consolidated financial statements. Therefore, for the six month period ending June 30, 2011, sales of $59,726 to AAPSD are offset by $141,879 in slotting fees, resulting in negative net sales of $82,153 as a result of the consolidation.

The results of operations for AAPSD have been included in the financial statements of the Company. The unaudited financial position of AAPSD at June 30, 2012 is as follows:

Total Assets	$367,231
Total Liabilities	(758,623)
Total Stockholders' Deficit	391,392

3. INVENTORY

Inventory consists of the following:

	June 30, 2012	December 31, 2011
Raw materials	$ -	$ -
Work in process	-	-
Finished goods	363,198	-
	$ 363,198	$ -

4. MACHINERY AND EQUIPMENT

Machinery and equipment consists of the following:

	June 30, 2012	December 31, 2011
Computer equipment and software	$ 28,515	$ 27,095
Warehouse equipment	47,008	-
Total	75,523	27,095
Less: Accumulated depreciation	(24,780)	(24,552)
	$ 50,743	$ 2,543

Depreciation expense for the six months ended June 30, 2012 and 2011 was $227 and $492, respectively.

5. PAYROLL TAXES

The Company was delinquent on certain filings and payments of required federal and state payroll taxes. The Company has provided an estimate for any possible penalty assessments and interest. The amount of payroll taxes and interest due at June 30, 2012 and December 31, 2011 totaled $863,304 and $797,422, respectively.

6. COMMITTMENTS

The Company commenced an operating lease for its executive offices on January 15, 2012. The lease requires a monthly payment of $7,000 and expires on July 31, 2014. The Company commenced a lease of a warehouse and light manufacturing facility effective April 16, 2012. The operating lease requires a monthly payment of $9,707 and expires on April 15, 2017. Minimum payments due under this operating lease as of June 30, 2012 are

	Minimum Lease Payments		
	Office	Warehouse	Total
2012	$42,000	$ 77,656	$119,656
2013	84,000	116,484	200,484
2014	49,000	116,484	165,484
2015	-	116,484	116,484
2016	-	116,484	116,484
2017	-	29,121	29,121

Total minimum payments under all operating leases is $747,713.

7. NOTES PAYABLE

Notes payable consists of the following:

	June 30, 2012	December 31, 2011
Notes Payable – Non-Related Parties. Interest at 10% per annum. Interest and principle due on demand	$150,000	$ 150,000
Notes Payable, Other – In default, interest due at 15% per annum	50,000	50,000

Convertible 8% Note Payable due September 8, 2011	-	64,000
Convertible 8% Note Payable due November 14, 2011	-	128,000
Total Notes Payable	$200,000	$ 392,000
Less: Debt Discount	-	(8,833)
Notes payable, net of debt discount	$200,000	$ 383,167

10

8. RELATED PARTY TRANSACTIONS

On March 6, 2012, the Board of Directors authorized the Company to execute a Convertible Revolving Grid Note for a principal sum of up to $1,000,000 with CEO Barry Schwartz and President, Lisa Bershan. The Grid note bears interest at 10% per year and may be converted into common stock of the Company at a conversion price of $0.0022 any time before March 6, 2013. Neither Mr. Schwartz nor Ms. Bershan has advanced capital under the terms of the grid note as of September 21, 2012.

On April 30, 2012, the Board of Directors approved salary advances not to exceed $250,000 for Mr. Schwartz and Ms. Bershan in 2012. The Board of Directors requires that all salary advances are repaid in full before any transactions pursuant to the grid note are consummated. The Company made salary advances to Mr. Schwartz and Ms. Bershan, which the balance of officer advances as of June 30, 2012 and September 28, 2012 is $201,223 and $362,798.

9. STOCKHOLDERS' DEFICIT

Capital Stock

All American Pet Company, Inc. was formed under Maryland law on January 4, 2006 with 50,000,000 authorized shares of common stock and 10,000,000 authorized shares of preferred stock. On January 27, 2006, All-American Pet Company Inc., a New York corporation, merged with and into All American Pet Company, Inc., a Maryland corporation. In June 2012, All-American Pet Company Inc., Maryland, merged with and into All American Pet Company, Inc., a Nevada corporation.

Increase in Authorized Common Stock

Concurrent with the June 11, 2012 re-domicile to a Nevada corporation, the shareholders voted to increase the number of authorized shares of $0.001 par value common stock to 1,000,000,000. The shareholders voted on February 26, 2011 to increase the number of authorized shares of $0.001 par value common stock to 500,000,000. Authorized shares were increased from 50,000,000 to 250,000,000 in 2009.

Sales of Common Stock

During the three months ended June 30, 2012, the Company received and accepted subscriptions for 166,390,600 shares of common stock at $0.01 per share and issued 26,270,000 common shares that valued at $282,700 for cash receipts during the three months ended June 30, 2012. The $169,000 of the $282,700 was a reduction of the stock payable as of June 30, 2012. As of June 30, 2012, there were 465,103,027 common shares outstanding.

During the three months ended June 30, 2012 the sale of equity securities resulted in a net capital increase of $1,663,906, less offering costs of $543,906. The Company recorded an additional $1,550,206 common stock payable on its books at June 30, 2012 to reflect the value of the common shares not yet issued. As of June 30, 2012, the Company has a common stock payable of $1,889,848.

Conversion of Preferred Stock to Common Stock

On February 27, 2009, the Company entered into an agreement with the two preferred stockholders to convert all 56,500 shares of Series “A” Preferred shares held by them in exchange for 5,000,000 shares of the Company’s common stock. The delivery of the common stock to the preferred stockholders took place in March 2009 and the Company was released by the stockholders (the Releases) from any and all future claims and liabilities. The preferred stockholders have the right to sell the common stock at a rate of 1,250,000 in the aggregate every 90 days starting May 15, 2009 and the right to sell at will after March 31, 2010. The Company has agreed that the total value of the shares sold over the Liquidation Period, which is defined as the period from May 15, 2009 to April 30, 2010, to be at a minimum of $800,000 or market value of 5,000,000 shares at $0.16 per share. If the value of the shares sold during the Liquidation Period is less than $800,000, then the Company will have the right to purchase any unsold shares at a price of $0.16 per share. If the gross proceeds from all sales is still less than $800,000 then the Company shall have the right and not the obligation to make up the difference by making a cash payment on or before May 31, 2010. In addition, no later than June 15, 2010, the Company is obligated to issue an additional 3,000,000 shares of the common stock in total to these stockholders if the sales proceeds and any additional payments made by the Company is less than $800,000. This agreement was extended on May 25, 2010 to August 31, 2010 with an agreement to issue an additional 1,000,000 shares as compensation for the extension and 3,000,000 were issued on May 26, 2010 based on the terms of the original agreement that called for the shares to be issued if the value was not paid on or before June 15, 2010. During the year ended December 31, 2010, the Company recorded $1,000,000 as share guarantee expense to account for the obligation described above. The June 1, 2010 amendment to the March 7, 2009 agreement was amended to extend the liquidation period to achieve the $800,000 guaranteed liquidation amount to March 31, 2011. The Company issued an additional 2,000,000 shares of Common stock as the fee for this extension at $0.06 per share for a total of $120,000. As of June 30, 2012, the share guarantee liability remained at $600,000.

Warrants Outstanding

A summary of the Company’s outstanding warrants and activity as of June 30, 2012 and December 31, 2011 is as follows:

	Number of Units	Weighted-Average Exercise Price per Share
Outstanding at December 31, 2011	5,000,000	$ 0.16
Granted/Expired in First Quarter 2012	-	$ -
Granted/Expired in Second Quarter 2012	-	$ -
Outstanding at June 30, 2012	5,000,000	$ 0.16

12

10. LITIGATION AND JUDGMENTS

The Company was and is involved in various litigation involving trade creditors, professionals and former employees. A videographer filed suit in Small Claims Court in Mercer, New Jersey for $2,000 and received a default judgment in November of 2007. The Company has contacted the plaintiff in this matter, but no settlement agreement has been concluded.A materials handling company was granted a judgment for $3,654 by Superior Court of California on January 18, 2008. There has been no further collection activity on this account. A media company filed a suit to collect unpaid fees dating from October 30, 2007 of $71,033. The media company was granted a judgment for $71,033 by Los Angeles Superior Court on April 6, 2010, which is still owed by the Company. There have been no efforts on the part of the media company to collect the judgment and the Company believes that it will be able to settle the amount for a reduced final payment. Three former employees hold judgments for unpaid wages in the amounts of $9,274, $15,600 and $16,995 from labor board judgments in 2008. With penalties and accrued interest, the three labor judgments amounted to $63,594 as of June 30, 2011. An internet marketing company filed suit against the Company and agreed to arbitration which was settled for $20,000 in October of 2010. There have been no payments made on this settlement. A public relations firm obtained a judgment in the amount of $44,323 on April 9, 2010 for fees owed for services. There has been no collection activity and the Company intends to negotiate a reduced settlement of the final balance owed. An accounting firm that provided services to the company obtained a judgment through arbitration that was confirmed by the Circuit Court in West Palm Beach for $150,000 on August 25, 2010. Subsequent to the balance sheet date, on July, 23, 2012, the attorneys for the accounting firm filed an action in the Circuit Court in and for the Fifteenth Judicial Circuit in and for Palm Beach County, Florida, against the Company and CEO, Barry Schwartz and President, Lisa Bershan as individuals, seeking $150,000 in principal plus 6% interest from the default date of March 19, 2010, legal fees of $49,950, arbitrator fees and a filing fee of $3,781 and a state court fee of $1,200. A grocery services company filed to substitute attorneys on its filing to collect $22,000 in fees for advertising services on February 22, 2011. The expense was incurred in 2009. The Company believes it will be settled for a nominal amount if anything based on the age of the payable. On March 11, 2011, a judgment of $2,068, plus costs of $80, was entered in small claims court in Beverly Hills, California against the Company and Mr. Schwartz and Ms. Bershan for animal training services. On July 24, 2012, the Company settled this dispute in full for $500. On April 6, 2010, the Company settled litigation with a former controller in which the former controller agreed to return 400,000 shares of Company stock valued at $52,000 in exchange for $8,000 and payments of $1,571 per month over a 27 month period. The former controller delivered the shares to an escrow agent and the escrow agent will return all of the shares to the Company once all of the payments are made to the former employee. The Company has recorded $52,000 as a common stock receivable for the shares in escrow. The balance due the former controller as of June 30, 2012 is $31,432. On February 3, 2011, through mediation, the Company and a Federal Bankruptcy Trustee settled litigation with a former sales person in which the former employee would return 750,000 shares of Company stock valued at $90,000 in exchange for payments totaling $92,069 over a 14 month period. The Federal Bankruptcy trustee will return all of the shares to the Company once all of the payments are made to the Bankruptcy Trustee. The Company has recorded a $90,000 liability to the former sales person and a $90,000 common stock receivable for the shares being held by the bankruptcy trustee.

On August 9, 2012, the Company settled litigation with the holder of a $150,000 note bearing interest at 10% which was in default at June 30, 2012. Under the terms of the settlement, the Company will pay the note holder $300,000 with 8% interest accruing on the unpaid balance. The Company made payments of $25,000 on August 13, 2012 and will make 9 additional quarterly payments of $30,000 commencing on October 1, 2012 and continuing through October 1, 2014. A final payment of $4,265 is due on January 1, 2015. In the event of any default of this settlement agreement, the note holder can enter a stipulated judgment against the Company, CEO Barry Schwartz and President, Lisa Bershan, as individuals, in the amount of $1,197,190.

11. CUTEST DOG COMPETITION

In May 2009, the Company finalized plans to host a nationwide viral marketing contest known as the "Cutest Dog Competition". The contest started on August 1, 2009, allowing every dog owner in America to have the opportunity to submit a picture of their dog. The Company announced the winner of the "Cutest Dog Competition" on its website as well as at a major venue on Thanksgiving Day. Prizes were distributed for regional winners, and three top regional winners received a $5,000 prize each, qualified as finalists for the final event. Regional winners from all over the country then competed for the title of the "Cutest Dog Competition" and that winner was awarded the $1 million prize. On November 2009, the winner was announced.

The present value of the $1,000,000 obligation payable over 30 years at 7.5% present value is $336,500. The discount of $663,500 is being amortized over 30 years with an annual cash payment of $33,333. The Company did not make any payments in the six months ending June 30, 2012. As of June 30, 2012 and December 31, 2011, $388,959 and $368,026, respectively were recorded as prize liabilities.

12. SUBSEQUENT EVENTS

On July 1, 2012, the Company engaged the services of an investor relation consultant as consideration; the Company shall issue a total of 2,000,000 shares of common stock valued at the day of the engagement entered into with a monthly payment of $7,500. As of the September 28, 2012, the Company has yet issue the 2,000,000 common shares to the consultant.

On August 4, 2012, the Company rented a $8,000 forklift at $725 per month for 12 months. On September 13, 2012, the Company rented a $150,000 forming machine for $5,000 per month, payable over 30 months with an option to purchase the equipment. On September 19, 2012, the Company rented a $48,950 wrapping machine for $3,875 per month with an option to purchase at $48,950 less 50% of the rental payment to date. Total minimum monthly rental payments are $9,600.

On August 9, 2012, the Company settled litigation with the holder of a $150,000 note bearing interest at 10% which was in default at March 31, 2011. Under the terms of the settlement, the Company will pay the note holder $300,000 with 8% interest accruing on the unpaid balance. The Company made payments two payments of $25,000 in August, 2012 and will make 9 additional quarterly payments of $30,000 commencing on October 1, 2012 and continuing through October 1, 2014. A final payment of $4,265 is due on January 1, 2015. In the event of any default of this settlement agreement, the note holder can enter a stipulated judgment against the Company, CEO Barry Schwartz and President, Lisa Bershan, as individuals, in the amount of $1,197,190.

On August 13, 2012, the Board of Directors approved a private placement offering of up to 60,000,000 shares of common stock at $0.02 per share.

On August 20, 2012 the Company committed to purchase $633,632 of extrusion equipment and $267,455 cooling system to be used in the production of Nutra Bar™dog food bars. On September 17, 2012, the Company made an initial deposit on the equipment of $40,000. From July 1, 2012 through September 28, 2012, total purchases of manufacturing equipment were $943,270.

During the period from July 1, 2012 to September 28, 2012, the Company received and accepted subscriptions for 3,850,000 shares of common stock at $0.01 per shares and received subscriptions for 21,600,000 shares of common stock at $0.02 per shares. The sales of equity securities resulted in a capital increase of $470,500, less offering costs of $84,046 in cash and $476,597 for 11,385,000 shares of common stocks. As of September 28, 2012, the Company issued a total of 149,631,807 shares of common stock for cash receipt during the period.

As of September 28, 2012, there were 614,734,834 shares of common stock issued and outstanding.

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

Overview

All American Pet Company, Inc. ("AAPT" or "The Company") is a developer and marketer of innovative pet wellness products including super premium dog foods and antibacterial dog wipes. In 2010 and 2011, AAPT produced, marketed, and sold two super-premium dog foods under the brand names Grrr-nola®Natural Dog Food and Chompions®. Both Grrr-nola®Natural Dog Food and Chompions® were the first dog food products that were formulated for canine heart health and endorsed by a veterinary cardiac surgeon. The Company has launched, its line of Pawtizer™ pet wipes and spray, the pet care industry's first alcohol-free anti-bacterial dog cleaner. The Company has also announced and is preparing to market its Mutt™ Great Food for Great Dogs, a super premium dry kibble dog food and its Nutra Bars™ line of portable, convenient and functional super–premium functional 4 ounce dog food bars. Each 4 ounce dog food bar has a kcal equivalent of 8 ounces of super premium dry dog food.

Summary of the Company and its Current Status

All American Pet Company, Inc., was initially organized under the laws of the State of New York ("All American Pet Company, Inc. NY") in February 2003. In January 2006, All American Pet merged into All American Pet Company, Inc. a Maryland corporation ("All American Pet Company, Inc. MD"). In June of 2012, All American Pet Company Inc. merged (the "Merger") into a Nevada Corporation ("All American Pet Company, Inc. NV"). The Company has formed a number of wholly owned subsidiaries to provide for accountability of each of its operations. All American PetCo, Inc. was formed in January of 2008 to provide corporate infrastructure and management services. All American Pet Brands, Inc. was formed in April of 2009 to be the Company's warehousing and manufacturing operation. In September of 2009 the Company signed a license and distribution agreement with AAP Sales and Distribution Inc. a third party company that obtained the rights to manufacture and sell certain of the Company's products on a non-exclusive basis. AAP Sales and Distribution Inc.'s operations have been consolidated with All American Pet Company, Inc. based on accounting guidelines for Variable Interest Entities. As used in this report, the terms "The Company" and "AAPT" refers to All American Pet Company, Inc. NY and All American Pet Company, Inc. MD before the Merger, and to All American Pet Company, Inc. NV, All American Pet Company, Inc. and its wholly owned subsidiaries and Variable Interest Entities after the Merger.

The Company has never operated at a profit and is dependent upon additional financing to remain a going concern. The Company has obtained substantial new equity capital and continues to seek new equity capital to sustain operations. The Company remains under significant financial strain primarily because of its low level of sales and limited operating funds. The limited amount of operating capital may preclude the Company's ability to execute its manufacturing, marketing, and distribution objectives or to continue operations. No assurance can be given that the Company will secure adequate funds to sustain operations or that it will continue as a going concern.

Our executive offices are located at 1880 Century Park East, Suite 1402, Los Angeles, California 90067 and our telephone number at that location is (310) 432-9032. Our websites are www.allamericanpetcompany.com and www.Pawtizer.Com. The information on our websites are not, and shall not be deemed to be, a part of this report or incorporated by reference into this or any other filing we make with the Securities and Exchange Commission (the "SEC").

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements arise principally from our working capital needs, including the cost of goods and marketing costs. In the future we intend to fund our liquidity requirements through a combination of cash flows from operations and external financings. For the six months ended June 30, 2012, the Company incurred a net loss of $853,970 on revenues of $13,429 and cash used from operations of $744,906 for the six month period ended June 30, 2012. In their report in connection with our 2011 financial statements, our independent registered public accountants included an explanatory paragraph stating that, because we incurred a net loss of $2,366,832 and a negative cash flow from operations of $608,244 for the year ended December 31, 2011, and had a working capital deficiency of $4,733,192 and a stockholders' deficiency of $5,010,050 at December 31, 2011 there was substantial doubt about our ability to continue as a going concern.

Our ability to initiate our plan of operations and continue as a going concern is currently dependent on our ability to introduce products into the marketplace that gain consumer acceptance, build our customer base, and achieve profitable operations. Until these objectives are realized, the Company will be dependent upon external financings to sustain operations. Due to our stock being thinly traded and the current state of our balance sheet, including a lack of hard assets against which to borrow, we believe that it will be very difficult to obtain any form of debt financing with or without equity conversion terms. We are concerned about the ability to raise any capital in the future at terms that would be in the shareholders' best interest or at all.

Because of our lack of funding and limited ability to adequately market our products, the Company has incurred high costs in manufacturing and marketing our products. We have funded our operations primarily through the issuance of equity securities and debt. Additional capital infusions may be needed to manufacture, distribute and promote our products, sustain operations and make payments and settlements of existing debts and obligations. We believe that our future profitability will depend on the commercial and consumer acceptance of our products, effective marketing strategies, efficient production and proper execution of our business plan. Additionally, success with our external financing strategies will be needed to effectuate our business objectives. Our limited operating history makes it difficult to evaluate our prospects for success and our revenue and profitability potential, particularly for newly introduced products, is unproven. Furthermore, there can be no assurance that our external financing strategies will yield any capital or the amount of capital necessary to execute our business plan.

Our principal sources of liquidity have been sales of equity securities and borrowings. To meet our current requirements to operate, the Company has sold common stock and is currently attempting to undertake the sale of additional equity securities. As new funds are obtained, our principal uses of capital would be to meet our operating requirements, production, marketing and advertising expenditures, and make investments in inventory. Additional cash could be used to reduce past due taxes and other debts and payables. Until cash generated from operations is sufficient to satisfy our future liquidity requirements, we will be investigating purchase order and accounts receivable funding from different sources, as well as other sources of capital. We will also be looking to seek equity capital through the issuance of additional common stock with other round(s) of funding. There are currently no commitments or other known sources for this funding, other than the $1,000,000 convertible revolving grid note commitment made by CEO Barry Schwartz and President, Lisa Bershan. If these funds are obtained, it would result in additional dilution to our stockholders. Alternative financing may not be available in the future in amounts or on terms acceptable to us, if at all.

In the six months ended June 30, 2012, the Company raised $2,027,406 before offering costs of $560,643. We are currently seeking additional sources of funding.

Results of Operations for the Six Months Ended June 30, 2012 compared with the Six Months Ended June 30, 2011

The following discussion of the results of operations should be read in conjunction with our financial statements and notes thereto for six month period ended June 30, 2012 and June 30, 2011 included in this Quarterly Report as well as the statements included in our Form 10-K for the year ended December 31, 2011.

For the six months ended June 30, 2012, gross sales decreased by $46,297 as sales of Pawtizer™ commenced in the three months ending June 30, 2012 and sales of both Grrr-nola®Natural Dog Food and Chompions® had been suspended in the six months ending June 30, 2011. Net sales increased from ($82,153) in the six months ended June 30, 2011 to $10,930 in the six months ended June 30, 2012, as Pawtizer™ is not subjected to slotting fees. Cost of goods sold decreased from $58,669 to $5,514 in the six months ending June 30, 2012 reflective of the differing sales volumes.

For the six months ending June 30, 2012, sales and marketing expenses decreased by $164,231, from $341,964 in the six months ending June 30, 2011 to $177,733 in the six months ending June 30, 2012. The decrease is attributable to a decrease of $189,411of consulting and research, an increase of $12,195 in advertising and promotion, and a net increase of $12,985 in other sales and marketing activity. General and administrative expenses were decreased by $332,846 from $1,082,395 in the six months ended June 30, 2011 to $749,549 in the six months ended June 30, 2012. This amount consisted of a decrease of $514,257 in consulting expenses, a decrease of $19,438 in legal, accounting, patent and trademark services, a decrease of $37,455 in facilities expenses, an increase in research and development of $36,862, and a net increase of $201,440 in other general and administrative expenses.

Results of Operations for the Three Months Ended June 30, 2012 compared with the Three Months Ended June 30, 2011

The following discussion of the results of operations should be read in conjunction with our financial statements and notes thereto for three month period ended June 30, 2012 and June 30, 2011 included in this Quarterly Report as well as the statements included in our Form 10-K for the year ended December 31, 2011.

For the three months ending June 30, 2012 and June 30, 2011, gross sales increased from $0 in the three months ended June 30, 2011 to $13,429 in the three months ended June 30, 2012, as sales of Pawtizer™ commenced in the three months ended June 30, 2012 and no sales occurred in the three months ended June 30, 2011. For the three months ending June 30, 2012, sales and marketing expenses increased by $50,451, from $49,810in the three months ending June 30, 2011 to $100,261 in the three months ending June 30, 2012. The increase is attributable to an increase of $29,405 in consulting and research, an increase of $9,604 in advertising and promotion, and a net increase of $11,442 in other sales and marketing activity. General and administrative expenses were increased by $41,163 from $364,893 in the three months ended June 30, 2011 to $406,056 in the three months ended June 30, 2012. This amount consisted of a decrease of $101,794 in consulting expenses, a decrease of $5,269 in legal, accounting, patent, and trade mark services, an increase of $20,660 in payroll expenses, an increase of $20,344 in bonuses, and a net increase of $24,896 in other general and administrative expenses.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward Looking Statements

This Quarterly Report contains forward-looking statements. These forward-looking statements include, but are not limited to, predictions regarding:

- our business plan;
- the commercial viability of our products;

- the effects of competitive factors on products;
- expenses we will incur in operating our business;
- our liquidity and sufficiency of cash;
- the success of our financing plans; and

- the outcome of pending or threatened litigation.

You can identify these and other forward-looking statements by the use of words such as “may”, “will”, “expects”, “anticipates”, “believes”, “estimates”, “continues”, or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under the heading “Risk Factors”. All forward-looking statements included in this document are based on information available to us on the date hereof. We assume no obligation to update any forward-looking statements.

The information contained in this Quarterly Report is as of June 30, 2012, unless expressly stated otherwise.

As used in this report, the term Company refers to All American Pet Company, Inc., a Nevada corporation and its 100% owned subsidiaries, All American Pet Brands Inc. a Nevada corporation, and All American PetCo, Inc. a Nevada Corporation, and its Variable Interest Entity, AAP Sales and Distribution, Inc., a Nevada Corporation.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

As a smaller reporting company, All American Pet Company, Inc. is not required to provide the information required by this item

Item 4(T). Controls and Procedures

Our management, with the participation of the Company’s Principal Executive Officer and Principal Financial and Accounting Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, the Company’s Chief Executive Officer and Principal Financial and Accounting Officer has concluded that as of June 30, 2012, the Company’s disclosure controls and procedures were not effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Chief Executive Officer and Principal Financial and Accounting Officer, as appropriate to allow timely discussions regarding required disclosure; due to the material weaknesses described below.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations, changes in stockholders' equity and cash flows for the periods presented.

Management Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 5) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the period covered by this report based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on the results of management’s assessment and evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer concluded that our internal control over financial reporting was not effective due to the material weaknesses described below.

Material Weaknesses

1. The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of June 30, 2012. In making this assessment, the Company’s management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in “Internal Control – Integrated Framework.” Based on this assessment, management concluded that, as of June 30, 2012, the Company’s internal control over financial reporting were not effective based on this framework.

Management evaluated the impact of ineffective control over financial reporting and concluded that the control deficiency represented a material weakness.

2. In connection with the audit of our consolidated financial statements for the year ended December 31, 2011, our independent registered accounting firm, De Joya Griffith & Company, LLC, reported to the Company’s Board of Directors that they observed inadequate review and approval of certain aspects of the accounting process that they considered to be a material weakness in internal control.

After a review of the Company’s current review and approval of certain aspects of the accounting process, management concluded that the inadequate review and approval process represented a material weakness.

Attestation Report of the Independent Registered Public Accounting Firm

This annual report does not include an attestation report by the Company’s registered public accounting firm regarding internal control over financial reporting, because Management’s report in the annual report was not subject to attestation by the Company’s independent registered public accounting firm, pursuant to temporary rules of the SEC that permit the Company to provide only management’s report in this annual report.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

<u>Changes in Internal Control over Financial Reporting</u>

There have not been any material changes in the Company's internal control during the three months ended June 30, 2012 over financial reporting (as such term is defined in Rules 13-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2012, the Company carried out an assessment under the supervision and with the participation of our Chief Executive and Principal Financial and Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(1) and I 5d-15(1)). Our Chief Executive and Principal Financial and Accounting Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2011.

Material Weaknesses and Related Remediation Initiatives

Set forth below is a summary of the various significant deficiencies which caused management to conclude that we had the material weaknesses identified above. Through the efforts of management, we have developed a specific action plan to remediate the material weaknesses. We expect to implement these various action plans during 2012 and anticipate that all control deficiencies and material weaknesses will be remediated by December 31, 2012.

We did not effectively implement comprehensive entity-level internal controls and did not maintain a sufficient level of resources within our accounting department, as discussed below:

- *Financial Close Process*. The Company only prepares financial statements on a quarterly basis which increases the potential that any unusual activities or transactions will not be detected on a timely basis.

- *Cash Disbursement Process*. Payments to related parties and costs incurred by the Company were not subject to review and approval by independent parties which increased the potential that any improper distributions would not be detected on a timely basis.

- R*eporting Deficiencies*. We did not perform timely and sufficient internal or external reporting of our progress and evaluation of prior year material weaknesses or the current fiscal year internal control deficiencies.

Remediation of Internal Control Deficiencies and Expenditures

It is reasonably possible that, if not remediated, one or more of the material weaknesses described above could result in a material misstatement in our reported financial statements that might result in a material misstatement in a future annual or interim period. We are developing specific action plans for each of the above material weaknesses. We are uncertain at this time of the costs to remediate all of the above listed material weaknesses, however, we do not believe these costs will be significant and we expect to ratably incur the remediation costs during the year. We cannot guarantee that the actual costs to remediate these deficiencies will not exceed this amount.

We believe that we are addressing the deficiencies that affected our internal control over financial reporting as of June 30, 2012. Because the remedial actions may require hiring of additional personnel, and relying extensively on manual review and approval, the successful operation of these controls for at least several quarters may be required before management may be able to conclude that the material weaknesses have been remediated. We intend to continue to evaluate and strengthen our internal control over financial reporting systems. These efforts require significant time and resources. If we are unable to establish adequate internal control over financial reporting systems, we may encounter difficulties in the audit or review of our financial statements by our independent registered public accounting firm, which in turn may have a material adverse effect on our ability to prepare financial statements in accordance with GAAP and to comply with our SEC reporting obligations.

Changes in Internal Control Over Financial Reporting

There has been no material change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company was and is involved in various litigation involving trade creditors, professionals and former employees. A videographer filed suit in Small Claims Court in Mercer, New Jersey for $2,000 and received a default judgment in November of 2007. The Company has contacted the plaintiff in this matter, but no settlement agreement has been concluded. A materials handling company was granted a judgment for $3,654 by Superior Court of California on January 18, 2008. There has been no further collection activity on this account. A media company filed a suit to collect unpaid fees dating from October 30, 2007 of $71,033. The media company was granted a judgment for $71,033 by Los Angeles Superior Court on April 6, 2010, which is still owed by the Company. There have been no efforts on the part of the media company to collect the judgment and the Company believes that it will be able to settle the amount for a reduced final payment. Three former employees hold judgments for unpaid wages in the amounts of $9,274, $15,600 and $16,995 from labor board judgments in 2008. With penalties and accrued interest, the three labor judgments amounted to $63,594 as of June 30, 2012. An internet marketing company filed suit against the Company and agreed to arbitration which was settled for $20,000 in October of 2010. There have been no payments made on this settlement. A public relations firm obtained a judgment in the amount of $44,323 on April 9, 2010 for fees owed for services. There has been no collection activity and the Company intends to negotiate a reduced settlement of the final balance owed. An accounting firm that provided services to the company obtained a judgment through arbitration that was confirmed by the Circuit Court in West Palm Beach for $150,000 on August 25, 2010. Subsequent to the balance sheet date, on July, 23, 2012, the attorneys for the accounting firm filed an action in the Circuit Court in and for the Fifteenth Judicial Circuit in and for Palm Beach County, Florida, against the Company and CEO, Barry Schwartz and President, Lisa Bershan as individuals, seeking $150,000 in principal plus 6% interest from the default date of March 19, 2010, legal fees of $49,950, arbitrator fees and a filing fee of $3,781 and a state court fee of $1,200. A grocery services company filed to substitute attorneys on its filing to collect $22,000 in fees for advertising services on February 22, 2011. The expense was incurred in 2009. The Company believes it will be settled for a nominal amount if anything based on the age of the payable. On March 11, 2011, a judgment of $2,068, plus costs of $80, was entered in small claims court in Beverly Hills, California against the Company and Mr. Schwartz and Ms. Bershan for animal training services rendered. On July 24, 2012, the Company settled this dispute in full for $500. On April 6, 2010, the Company settled litigation with a former controller in which the former controller agreed to return 400,000 shares of Company stock valued at $52,000 in exchange for $8,000 and payments of $1,571 over a 27 month period. The former controller delivered the shares to an escrow agent and the escrow agent will return all of the shares to the Company once all of the payments are made to the former controller. As of June 30, 2012, the balance due the former controller was $31,432. On February 3, 2011, through mediation, the Company and a Federal Bankruptcy Trustee settled litigation with a former sales person in which the former sales person would return 750,000 shares of Company stock valued at $90,000 in exchange for payments of $92,069 over a 14 month period. The Federal Bankruptcy trustee will return all of the shares to the Company once all of the payments are made to the Bankruptcy Trustee. The Company has recorded a $90,000 liability to the former sales person and a $90,000 common stock receivable for the shares being held by the bankruptcy trustee.

Item 1a. Change in Risk Factors.

There are no material changes in Risk Factors from the Form 10-K for year-end December 31, 2011 filed on September 28, 2012.

Item 2. Unregistered Sales of Equity Securities

During the three months ended June 30, 2012, the Company received and accepted subscriptions for 166,390,600 shares of common stock at $0.01 per share and issued 26,270,000 common shares that valued at $282,700 for cash receipts during the year ended June 30, 2012. The $169,000 of the $282,700 was a reduction of the stock payable as of June 30, 2012. As of June 30, 2012 there were 465,103,027 common shares outstanding.

During the three months ended June 30, 2012 the sale of equity securities resulted in a net capital increase of $1,663,906, less offering costs of $543,906. The Company recorded an additional $1,550,206 common stock payable on its books at June 30, 2012 to reflect the value of the common shares not yet issued. The Company sold the shares without registration under the Securities Act of 1933, as amended, or state securities laws, in reliance on the exemptions provided by Section 4(2) of the Securities Act of 1933 and/or Regulation D promulgated thereunder There were no more than 35 purchasers of the common stock, appropriate financial and business information was provided to the purchasers in accordance with Rule 502(b), there was no form of general solicitation or general advertising relating to the offer and the Company exercised reasonable care to assure that the purchasers of the common stock were not underwriters within the meaning of section 2(a)(11) of the Securities Act. Based on information received, the Company believes that each purchaser of shares is an accredited investor within the meaning of the federal securities laws. The shares have not been registered. The shares may not be offered or sold by the investors absent registration or an applicable exemption from registration requirements, such as the exemption afforded by Rule 144 under the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

There were no defaults on Senior Securities.

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

On July 1, 2012, the Company engaged the services of an investor relation consultant. As consideration, the Company shall pay $7,500 per month over 12 months and issue a total of 2,000,000 shares of common stock valued at the day of the engagement. As of the September 28, 2012, the Company has yet issue the 2,000,000 common shares to the consultant.

On August 4, 2012, the Company rented a $8,000 forklift at $725 per month for 12 months. On September 13, 2012, the Company rented a $150,000 forming machine for $5,000 per month, payable over 30 months with an option to purchase the equipment. On September 19, 2012, the Company rented a $48,950 wrapping machine for $3,875 per month with an option to purchase at $48,950 less 50% of the rental payment to date. Total minimum monthly rental payments are $9,600.

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During the period from July 1, 2012 to September 28, 2012, the Company received and accepted subscriptions for 3,850,000 shares of common stock at $0.01 per shares and received subscriptions for 21,600,000 shares of common stock at $0.02 per shares. The sales of equity securities resulted in a capital increase of $470,500, less offering costs of $84,046 in cash and $476,597 for 11,385,000 shares of common stocks. As of September 28, 2012, the Company issued a total of 149,631,807 shares of common stock for cash receipt during the period.

Item 6 Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by reference			
			Form	Period Ending	Exhibit	Filing date
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act	X				
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	X				

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.

ALL AMERICAN PET COMPANY, INC.

(Registrant)

By: /S/ Barry Schwartz
Barry Schwartz, CEO
(On behalf of the registrant and as
Principal Financial and Accounting Officer)

Date: October 2, 2012