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American Home Food Products, Inc.
Form 10KSB
September 07, 2007

FORM 10-KSB

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MAY 31, 2007.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

AMERICAN HOME FOOD PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

New York	0-26112	41-1759882
(State of Jurisdiction)	(Commission File Number)	(IRS Employer ID No.)
42 Forest Lane	Bronxville, New York	10708
(Address of Principal Executive offices)		(Zip Code)

Registrant's telephone number, including area code 914-441-3591

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock \$.001 par value	OTC Electronic Bulletin Board

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 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 filing requirements for the past 90 days. Yes No

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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Based on the closing sale price of \$.20 on May 31, 2007, the aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately \$400,000. The Company had 4,541,455 shares of its \$.001 par value common stock and no shares of its \$.001 par value preferred stock issued and outstanding on May 31, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K

Incorporated Document

None

AMERICAN HOME FOOD PRODUCTS, INC.

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PART I

Item 1. Description of Business

American Home Food Products, Inc. (hereinafter the Company) will be subject to numerous and substantial economic, operational and other risks, which should be carefully evaluated. For a more detailed discussion of the risk factors involved in the investment being offered in this offering, see the following **Risk Factors**. At its Annual Meeting of Shareholders on January 28, 2005, the Company announced a new strategy that it was contemplating to advance the Company from a royalty collecting business into one that engages in the manufacturing and marketing of private label and specialty food products. (See **Executive Summary**). In December 2006, the Company filed with the Securities and Exchange Commission a Form 8-K announcing that it had entered into a non-binding Letter of Intent to acquire 100% of the ownership interests in a privately-held specialty food company. As of May 31, 2007, the transaction was still under negotiation and sufficient funds had not been raised to complete the acquisition. As of that date, the closing of the transaction was considered to be not probable.

On August 14, 2007, all terms of a transaction were agreed upon and the requisite funds raised for the Company to acquire Artisanal Cheese, LLC. The purchase price was \$4.5 million in cash and notes and the assumption of \$700,000 in liabilities as part of the purchase consideration. The Company raised approximately \$3.9 million dollars through a private placement of redeemable, convertible preferred stock. With this transaction, the Company sold its building material assets for approximately \$1 million and recapitalized its existing debts primarily through a tax-free exchange of debt for equity and cash payments to satisfy other obligations. The Company's current president, Daniel W. Dowe, has agreed to serve as Chairman, Chief Executive Officer and President for an additional three years.

RISK FACTORS

Historical losses. The Company has recorded net losses in prior years, in addition a significant portion of the Company's assets are attributable to intangibles. Management will periodically review the recoverability of intangibles to determine if it has been impaired. Events that may cause an impairment would be the Company's future intentions regarding its operations and the operations forecasted undiscounted cash flows. Any reduction in the value of intangibles would be to the extent that the present value of the expected future cash flows are less than the carrying amount of intangibles. This analysis may result in a complete or partial write-off or acceleration of the amortization period. A write-down of part or all of the intangibles will negatively impact the Company's current operating results. See **Management's Discussion and Analysis of Financial Conditions and Results of Operations and Financial Statements and Notes.**

Because the Company has no patent protection for its product formulae, its competitors could copy its products and market them under another name which could decrease the Company's revenues and hamper its ability to achieve profitability. The formulae used to produce the Company's products are not subject to patents, however the actual trade names for the products are all registered and in good standing. The Company believes that its products are purchased because of performance and trust and that the brand name provides the greater value to the products. Patent protection would not be warranted in the case of

the Company's products, and could be injurious through the public disclosure of the formulae.

If a trading market is not maintained, holders of the common stock may experience difficulty in reselling such Common Shares or may be unable to resell them at all. The Common Shares of the Company are presently quoted on the NASDAQ Over-The-Counter (OTC) Bulletin Board, a regulated quotation service that captures and displays real-time quotes and indications of interest in securities not listed on The NASDAQ Stock Market, or any U.S. securities exchange. The current trading ticker symbol for the Common Shares is AHFP. The Company may, but has not, entered into any agreements with market makers to make a market in the Company's Common Stock. In addition, any such market making activity would be subject to the limits imposed by the Securities Act, and the Securities Exchange Act of 1934, as amended, (Exchange Act) and it is possible that the market in the common stock can be discontinued at any time. Accordingly, if there is no active market available for the common shares, no liquidity or if the market is discontinued, holders of the common stock may have difficulty or may be unable to sell the shares which he or she may hold.

Because our stock is presently considered to be a penny stock, the applicability of Penny Stock Rules could make it difficult for investors to sell their shares in the future in the secondary trading market. Federal regulations under the Exchange Act regulate the trading of so-called penny stocks (the Penny Stock Rules), which are generally defined as any security not listed on a national securities exchange or NASDAQ, priced at less than \$5.00 per share, and offered by an issuer with limited net tangible assets and revenues. In addition, equity securities listed on NASDAQ that are priced at less than \$5.00 per share are deemed penny stocks for the limited purpose of Section 15(b)(6) of the Exchange Act. Therefore, during the time which the common stock is quoted on the NASDAQ OTC Bulletin Board at a price below \$5.00 per share, trading of the common stock will be subject to the full range of the Penny Stock Rules. Under these rules, broker dealers must take certain steps prior to selling a penny stock, which steps include: (i) obtaining financial and investment information from the investor; (ii) obtaining a written suitability questionnaire and purchase agreement signed by the investor; and (iii) providing the investor a written identification of the shares being offered and in what quantity. If the Penny Stock Rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. Accordingly, the application of the comprehensive Penny Stock Rules may be more difficult for broker-dealers to sell the common stock, and purchasers of the shares of common stock offered hereby may have difficulty in selling their shares in the future in the secondary trading market.

Certain information included in this Form 10-KSB contain statements that are forward-looking, such as statements relating to future anticipated direction of the Company, plans for expansion, corporate acquisitions, anticipated sales growth and capital funding sources. Such forward-looking information involves risks and uncertainties that could significantly affect anticipated results in the future, and accordingly, such results may even materially differ from those expressed in any forward-looking statements made by or on behalf of the Company.

BUSINESS

a. General Business Development

The Company is a corporation formed under the laws of New York and as of May 31, 2007 had its principal place of business and executive offices located at 42 Forest Lane, Bronxville, New York 10708, telephone 914-441-3591.

Pursuant to a Licensing Agreement the Company currently operates as a licensing entity that collects monthly royalty payments from its Licensee that are derived from sales of building materials that bear the Company's trade names. The royalties are paid monthly by the Licensee based on sales of goods made one month from the payment date. For instance, the royalty for sales of goods in August will be paid on October 1st. The royalty agreement provides for a fixed licensing fee for each account. The Company is to provide marketing and sales support to the Licensee.

In addition, management believes that the Company's publicly-traded status and its net operating loss carry forward would be useful in the execution of the Company's business plan to develop a large scale business that concentrates on the manufacturing and marketing of private label food products. Following is an executive summary of the Company's business plan, which will illustrate the Company's current plan and the industry in which the Company seeks to penetrate.

EXECUTIVE SUMMARY

The Company and Its Industry

American Home Food Products, Inc. had taken proactive steps to acquire a company in the large-scale diversified private label food manufacturing and marketing business. The Company had pursued several operating businesses that could serve as growth platforms in each of the selected product categories, however for various reasons not attributable to the Company the transaction could not be brought to a close.

During this fiscal year and as part of its analysis of the larger food industry beyond private label food companies, the Company identified a new expansion opportunity in the specialty cheese category. The specialty cheese business is a \$6 billion category measured in retail dollars in the United States and the Company believes the category lacks an identifiable cheese brand that stand for luxury, best-in-class status.

The Company's plan was to acquire the small but already popular Artisanal Cheese, LLC (Artisanal) and develop an expansion plan around its Artisanal Premium Cheese brand. Artisanal historically sold its products into the local Manhattan restaurant trade and through its website (www.artisanalcheese.com) and its printed catalogue. The Company believes that with additional personnel in its sales division and very limited advertisement the Artisanal brand could be expanded further in premium foodservice outlets and retail stores with additional sales growth coming from the website and catalogue through corporate gift programs.

Prior Business Development

In August 7, 1999, the Company acquired its existing assets from The Sherwin-Williams Company. On August 1, 2000, the Company acquired substantially all of the assets of the The Sta-Dri Company located in Odenton, Maryland (Sta-Dri). Sta-Dri manufactured a well-known line of waterproofing and building material products that have been in existence for over 40 years. Due to operating difficulties at its plant, the Company contracted out all its manufacturing to a larger private held business and currently collects a royalty on monthly sales of its product line.

b. Financial Information About Industry Segments

All assets, revenues and operating expenses are dedicated to one business segment -- the marketing of building materials. Accordingly, the Company accounts for its business operations within one industry, i.e. the building materials industry.

Based upon its current operations and its operating activity for the past three fiscal years, the Company believes that its financial information is adequately presented in its audited financial statements and is

cross-referenced in this Form 10-KSB to the Company's balance sheet and statement of operations appearing on pages F-3 and F-4, respectively.

c. Current Business Operation

As of May 31, 2007, the Company was engaged in the business of marketing premium building product materials through the Licensing Agreement. The first line of products are pre-packaged concrete repair and floor resurfacing products that are marketed to contractors directly and also to distributors of building material products under the trade names Por-Rok and Dash Patch. The second line of products is masonry waterproofing products also marketed to contractors and distributors of building materials and paint products under the brand name Sta-Dri. The third line of products is a line of polypropylene concrete reinforcing fibers that are sold under the Fiberforce trade name. (See **Description of Products**).

As of May 31, 2007, the Company had its executive offices at 42 Forest Lane, Bronxville, New York 10708.

d. How the Company Markets Its Products

The Company markets all its products in conjunction with the sales and marketing staff of its Licensee. Most of these efforts involve direct contact with existing and new customers and periodic incentive based promotions to attract new sales.

e. Description of the Company's Products

The following is a list of the Company's products as of May 31, 2007:

POR-ROK PRODUCTS (A Line of Grouts and Patching Products) these products are shipped in various packaging sizes and sold to retail hardware stores and contractor outlets. The products are either cement- or gypsum-based and are used in various interior and exterior applications for anchoring equipment or other permanent fixtures, vertical and horizontal repairs of concrete and wood structures.

STA-DRI PRODUCTS (A Line of Masonry Waterproofing Products) these products are shipped in various packaging sizes and sold to retail hardware stores and contractor outlets. The products come in powder form (need to be mixed with water) or ready-mixed (similar to paint products) and are used in various application of waterproof masonry structures.

f. The Company's Competitors

The principal methods of competition in our industry are price, service and the reliability of the product as demonstrated by performance. Each product offered by the Company currently has been on the market for at least 10 years and in some cases over 50 years. Because the products have been used for so long, they have achieved a level of market acceptance. The Company's prices are competitive with other like products and it does not aim to be the lowest nor the highest price on the market, but to be competitive.

Brand

Major Competitors

Por-Rok Products

Conspec, Tamms, Master Builders, Quikcrete
 Sonneborn, Sika, W.R. Meadows, ChemMasters
 Rockite, Oldcastle, Mapei, DAP

Sta-Dri Products

Thoroseal, UGL

g. Seasonality

Most of the Company's products are used in the maintenance of existing structures and have interior and exterior applications. Even in winter months a significant portion of construction and building maintenance continues, especially on interior projects where the company's products are used most. Although the high points of the construction season tend to be the busier period for sales, the Company does experience stable sales in the winter months.

h. Customer Dependence

The Company is not dependent upon any one customer nor does it anticipate becoming dependent upon one customer in the future. Its marketing strategy is to diversify its sales through major distributors that are located in various geographical areas and to a large number of construction professionals, such as engineers, architects, contractors, construction managers and end-users all of whom are involved in separate construction projects. The Por-Rok, Sta-Dri and Fiberforce products are sold to various distributors and retailers none of which account for more than 5% of the respective line of product sales.

i. Raw Materials

The raw materials used in manufacturing products using the Company's trade names are readily available in the United States and Canada. The raw materials are purchased on an as needed basis and at market prices at the time of purchase. The Company does not anticipate that the prices and supplies of the raw materials will fluctuate substantially since the majority of the raw materials are commodity items such as sands and cement.

j. Intellectual Property Rights

The Company received a certificate of registration for the use of the trademark "Novacrete" from the Canadian Intellectual Property Office on June 15, 1997. The Certificate remains in effect until June 5, 2012 and can be renewed by the Company. On March 3, 1998, the Company received a Certificate of Trademark Registration No. 2,140,062 to use the trademark "Novacrete" in the United States. The term of the U.S. trademark registration is for ten years. With the Company's acquisitions of Por-Rok in August 1999 and Sta-Dri in August 2000, the Company acquired the registered trade names for all Por-Rok, Dash Patch and Sta-Dri products currently being produced.

The Company has not filed an application for a patent on its proprietary technology. The core technology that is used in each of the Company's products is not easily replicated. However, if patented the technology would ultimately become public information. The Company has developed internal controls to protect the confidentiality of its technology and does not believe that the lack of legal patent protection will impair its ability to effectively compete with other manufacturers of like products or cause the Company to incur unnecessary risk of loss of the technology. Even if the Company had patent protection over its technology, it still assumes the risk that a competitor may misappropriate the technology and then its only recourse would be to commence costly and time consuming litigation. The existence or absence of a patent poses no commercial disadvantage to marketing the Company's products.

Even if the Company were required to change its corporate name, this would not diminish our sales since our products are marketed under the brand names "Por-Rok", "Sta-Dri" and "Fiberforce". These product names are protected by registered trademarks in the United States, Canada and the United Kingdom.

k. The Company's Working Capital Requirements To Operate Its Business

For the fiscal year ended May 31, 2007, the Company experienced substantially less fluctuations in its working capital requirements to finance its operations due to it having entered into the Licensing Agreement. The Company currently requires approximately \$20,000 monthly to cover its fixed operating expenses before interest charges and it has no variable expenses.

l. No Backlog Orders

As of May 31, 2007, the Company did not have any backlog orders on account of its new business operation as a licensing company.

m. Government Contracts

The Company does not have any material contracts with the Government or any government agency and therefore does not have any exposure to these types of agreements.

n. Financial Information About Foreign and Domestic Operations and Export Sales.

The Company exports a small percentage of its annual sales to customers located outside of the United States. Whenever goods are sold outside of the United States the invoice is either paid in full prior to the shipment, or the goods are released upon confirmation of an irrevocable letter of credit.

o. The Company's Research and Development Activities

The Company currently markets products that have been widely accepted in the marketplace for building materials in both the commercial and consumer channels. The Company is not actively seeking to develop new innovative products, but to capitalize on sales of its existing products.

p. Environmental Compliance

The Company does not manufacture its products nor does it use raw materials in its products that are deemed to be subject to rules or regulations relating to the discharge of certain materials into the environment. With the conveyance of its real property to Dime on July 17, 2003, the Company no longer has any exposure to environmental claims on the property, although in its best judgment it does not believe there are any environmental liabilities at the property.

q. The Company's Future Operations

The Company's plan to combine its Licensee's sales and marketing staff with its own efforts to increase sales of products sold under the Company's trade names and consequently its monthly royalty payments. The Company also acquired Artisanal Cheese, LLC on August 14, 2007, a fully operating company which specializes in gourmet cheeses.

r. Number of Employees

As of May 31, 2007, the Company employed one (1) full-time employee.

Item 2. Description of Property

As of May 31, 2007, the Company's principal executive offices are located at 42 Forest Lane, Bronxville, New York 10708, telephone number 914-441-3591.

Item 3. Legal Proceedings

The former shareholders of the Sta-Dri company filed a lawsuit for unpaid royalty payments and received a judgment in the amount of \$95,000.

Other trade creditors have commenced lawsuits against the Company to secure payment on unsecured claims, however none of these judgment can be satisfied against the Company assets due to there being a properly perfected security interest in place with a financial creditor that is willing to work with the company.

Item 4. Submission of Matters to a Vote of Security Holders

The last Annual Meeting of Shareholders was held on January 28, 2005 at which the Company received majority votes in favor of: changing the Company's name to American Home Food Products, undertaking a 1-for-7 reverse stock split and ratifying the election of its independent outside counsel. In light of the Company's plan to make an acquisition in 2007, it has not scheduled a meeting of shareholders and expects that as part of the acquisition or shortly thereafter it will schedule an annual meeting of shareholders.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock, \$.001 par value, is traded on the Over-the-Counter (OTC) Bulletin Board operated by the National Association of Securities Dealers under the ticker symbol AHFP . The table below presents the high and low closing bid prices for each of the quarters of the fiscal years ending May 31, 2007 and May 31, 2006, respectively. The quotations reflect interdealer prices without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. The Company's common stock became actively traded in July, 1995. Effective June 8, 2005, a 1-for-7 reverse split was undertaken, which increased the Company's stock price to \$.15 per share with 3,606,455 shares of its \$.001 par value common stock issued and outstanding. On May 31, 2007, the closing bid price was \$.20. The Company has never paid a cash dividend and does not expect to change its dividend policy in the foreseeable future.

Quarterly Common Stock Bid Price Ranges

Quarter	High*	Low*	Last Day of Quarter
1 st	\$.11	\$.11	August 31, 2006
2nd	\$.15	\$.10	November 30, 2006
3rd	\$.20	\$.10	February 28, 2007
4th	\$.51	\$.15	May 31, 2007

Quarter	High*	Low*	Last Day of Quarter
1 st	\$.15	\$.15	August 31, 2005
2nd	\$.13	\$.13	November 30, 2005
3rd	\$.13	\$.13	February 28, 2006
4th	\$.12	\$.12	May 31, 2006

*post-split prices

The Company may, but has not, entered into any agreements with market makers to make a market in the Company's common stock. In addition, any market making activity would be subject to the limits imposed by the Securities Act, and the Securities Exchange Act of 1934, as amended. For example, federal regulations under the Exchange Act regulate the trading of so-called penny stocks (the Penny Stock Rules), which are generally defined as any security not listed on a national securities exchange or NASDAQ, priced at less than \$5.00 per share, and offered by an issuer with limited net tangible assets and revenues. In addition, equity securities listed on NASDAQ that are priced at less than \$5.00 per share are deemed penny stocks for the limited purpose of Section 15(b)(6) of the Exchange Act. Therefore, during the time which the common stock is quoted on the NASDAQ OTC Bulletin Board at a price below \$5.00 per share, trading of the common stock will be subject to the full range of the Penny Stock Rules. Under these rules, broker dealers must take certain steps before selling a penny stock, which steps include: (i) obtaining financial and investment information from the investor; (ii) obtaining a written suitability questionnaire and purchase agreement signed by the investor; and (iii) providing the investor a written identification of the shares being offered and in what quantity. If the Penny Stock Rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. Given the application of the comprehensive Penny Stock Rules it may be more difficult for broker-dealers to sell the common stock.

Accordingly, no assurance can be given that an active market will always be available for the Common stock, or as to the liquidity of the trading market for the Common stock. If a trading market is not maintained, holders of the Common stock may experience difficulty in reselling them or may be unable to resell them at all. In addition, there is no assurance that the price of the Common stock in the market will be equal to or greater than the offering price when a particular offer of securities is made by or on behalf of a Selling Securityholder, whether or not the Company employs market makers to make a market in the Company's stock.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations
Results of Operations

Year ended May 31, 2007 (Fiscal 2007) as compared to May 31, 2006 (Fiscal 2006)

The royalties for the year ending May 31, 2007 were \$245,660, while the royalties for the same period ended May 31, 2006, were \$223,522. In both years the Company generated a gross margin of 100% which is attributable to the Company's conversion of its business from a manufacturing company into a licensing company. Since February 2003, the Company has maintained an exclusive licensing agreement with CGM, Inc., whereby CGM fulfills all orders for products sold under the trade names that the Company continues to own and thereafter pays the Company a cash royalty on sales (Licensing Agreement). All royalty payments are based on actual sales in the previous month and are paid on a monthly basis.

For the year ending May 31, 2007, the Company recorded a loss from operations of \$178,669 and a net loss of \$364,433, which included \$185,764 of accrued interest and expenses for depreciation and amortization of \$50,512 and stock issued for services of \$45,750. Until the Company can either refinance its outstanding debt, or merge with another company which will include a refinancing of the debt, it will continue to accrue inordinate debt charges. On a monthly basis, the Company incurs approximately \$30,000 in selling, general and administrative expenses expense. The monthly selling, general and administrative expenses are predominantly comprised of \$20,000 in payroll expenses, \$3,000 in amortization expense of the intangibles and \$4,000 of professional fees.

As of May 31, 2007, the Company had \$49,004 in current assets. The Company has intangibles of \$389,647, which represents the book value of its trademarks, trade names and customer list, which collectively are the assets that generate the royalty income that the Company earns.

Year ended May 31, 2006 (Fiscal 2006) as compared to May 31, 2005 (Fiscal 2005)

The royalties for the year ending May 31, 2006 were \$223,522, while the royalties for the same period ended May 31, 2005, were \$209,258. The Company achieved a gross profit of 100% for the year ending May 31, 2006 due to the licensing nature of the Company's business.

For the year ending May 31, 2006, the Company generated a net loss of \$306,621, which included \$159,325 of accrued interest and expenses for depreciation and amortization of \$50,512 and stock issued for services of \$27,600. On a monthly basis, the Company incurs approximately \$35,000 in selling, general and administrative expenses expense. The monthly selling, general and administrative expenses are predominantly comprised of \$20,000 in payroll expenses, \$3,000 in amortization expense of the intangibles and \$4,000 of professional fees.

As of May 31, 2006, the Company had \$17,452 in current assets representing the royalty receivable. The Company has intangibles of \$440,159, which is attributable to the two acquisitions that the Company completed in 1999 and 2000.

Selected Financial Data

The following selected historical statement of operations for the three years ended May 31, 2007, 2006 and 2005 and balance sheet as of May 31, 2007 and 2006 have been derived from the financial statements of the Company that are included elsewhere in this Form 10-KSB and that have been audited by Sherb & Co. LLP (except as noted below) whose reports with respect to the financial statements are also included elsewhere in this Prospectus. This information should be read in conjunction with the financial statements and notes to the financial statements appearing elsewhere in this Form 10-KSB and Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Years Ended May 31		
	2005	2006	2007
	(Unaudited)	(Unaudited)	(Unaudited)
STATEMENT OF OPERATIONS DATA:			
Net Sales	\$ 209,258	\$ 223,522	\$ 245,660
Gross Profit	\$ 209,258	\$ 223,522	\$ 245,660
Net Profit/(Loss)	\$ (382,211)	\$ (306,621)	\$ (364,433)
Net Income/(Loss) Per Common Share	\$ (.11)	\$ (.08)	\$ (.09)
BALANCE SHEET DATA:			
Working Capital Deficit	(\$ 3,295,053)	(\$ 3,523,561)	(\$ 3,689,373)
Intangibles, net	\$ 490,671	\$ 440,159	\$ 389,647
Total Assets	\$ 509,735	\$ 457,611	\$ 438,651
Long Term Debt	-0-	-0-	-0-
Stockholders' Deficiency	(\$ 2,804,382)	(\$ 3,083,402)	(\$ 3,299,724)

Liquidity and Financial Resources

As of May 31, 2007, the Company had \$3,738,377 in current liabilities, which includes loans (including interest) that are now due totaling \$2,600,425, which were used to fund the Company's operations. These loans are principally to shareholders of the Company. It had accounts payable and accrued expenses of \$592,345 and accrued taxes of \$545,607.

Of the principal loans outstanding, \$1,120,958 is held by one person that has properly perfected security interest against the Company's remaining assets, being all its intangible property.

In conjunction with our licensee (a direct recipient of increased sales), the Company has endeavored to increase revenues by obtaining a subscription to a construction product specifier's database to pursue leads of existing construction projects where our line of products have been specified or could otherwise be used; it has also made proposals to wholesalers of hardware products to cross-promote our respective product lines; and it consults with its licensee on the types of customers to pursue directly.

With the subsequent acquisition by the Company of Artisanal Cheese LLC and the sale of its building material assets, the Company has refinanced substantially all of its debt by either paying off such debt in cash or with cash and stock. Although the Company has been required to carry its intangible property at a net value of \$389,647, the sales price obtained for these assets was much higher, and as such, creditors will be receiving cash and some additional equity so as to eliminate such debts.

Although the Company's operating cash flows fluctuate from being positive cash flows to negative cash flows from operations, it required additional financing from time to time to fund its debt carrying charges, costs associated with being a public company and efforts to seek and evaluate potential merger candidates. The Company's cash flows from its royalty revenue was positive and largely offset the required monthly payments on the debt carrying charges, costs of being a public company and its monthly costs of seeking and evaluating potential merger candidates. More than half of the Company's general and administrative costs recorded are salaries and benefits to the sole officer of the Company, hence the draw of such salaries would depend on cash flow after the other aforementioned costs.

The Company has no cash requirements or cash benefits from investing activities. Occasionally the Company obtains additional funds from financing activities by the sale of common stock and or increase in its debt financings.

Inflation and Changing Prices

The Company no longer manufactures its products and is no longer subject to risks associated with inflation or substantial price increase in the near future.

Critical Accounting Policies

The 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 amount of assets and liabilities, revenues and expenses, and related disclosure on contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies see our note 2 to our financial statements.

Long-Lived Assets (including Tangible and Intangible Assets)

We acquired businesses in recent years, which resulted in tangible assets being recorded. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our financial statements. We assess potential impairment to the intangible and tangible assets on a quarterly basis or when evidence that events or changes in circumstances indicate that the carrying amount of an assets may not be recovered. Our judgments regarding the existence of impairment indicators, if any, and future cash flows related to these assets are based on operational performance of our business, market conditions and other factors.

Accounting for Income Taxes

As part of the process of preparing our financial statements we are required to estimate our income taxes. Management judgment is required in determining our provision of our deferred tax asset. We recorded a

valuation for the full deferred tax asset from our net operating losses carried forward due to the Company not demonstrating any consistent profitable operations. In the event that the actual results differ from these estimates or we adjust these estimates in future periods we may need to adjust such valuation recorded.

Going Concern

The financial statements of the Company have been prepared assuming that the Company will continue as a going concern. The Company has had negative working capital for each of the last two years ended May 31, 2007 and 2006, however the Company currently has little if any mandatory expenses associated with its operating business and, therefore, can continue to operate, while it seeks new acquisition candidates that will enable the Company to complete its recapitalization plan. Notwithstanding these future plans, which the Company can provide no assurances that they will happen, the current level of liabilities that accumulate through monthly accruals raise substantial doubt about the Company's ability to continue as a going concern. The financial statements of the Company do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Item 7. Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Directors
American Home Food Products, Inc.
Bronxville, New York

We have audited the accompanying consolidated balance sheet of American Home Food Products, Inc. as of May 31, 2007, and the related consolidated statements of operations, shareholders' equity, cash flows for each of the years then ended May 31, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Home Food Products, Inc. as of May 31, 2007, and the results of its operations and its cash flows for each of the years then ended May 31, 2007 and 2006, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations, including a net loss of approximately \$.3 million for the year ended May 31, 2007, and has a working capital deficiency as of May 31, 2007. These factors raise substantial doubt the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

New York, New York
September 5, 2007

/s/ Sherb & Co., LLP
Certified Public Accountants

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED BALANCE SHEET
May 31, 2007

ASSETS

CURRENT ASSETS:

Cash	\$	18,159
Royalty/Licensee receivable		30,845

Total Current Assets		49,004
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INTANGIBLES - at cost, net		389,647
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	\$	438,651
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LIABILITIES AND SHAREHOLDERS DEFICIENCY

CURRENT LIABILITIES:

Current portion of long term debt	\$	1,645,958
Accounts payable		483,280
Note payable		5,000
Loans payable - shareholder		214,940
Accrued expenses and other current liabilities		843,590
Accrued payroll taxes		545,607

Total Current Liabilities		3,738,375
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COMMITMENTS AND CONTINGENCY

SHAREHOLDERS DEFICIENCY:

Preferred stock - \$0.001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding		
Common stock - \$0.001 par value, 40,000,000 shares authorized		
4,541,455 shares issued and outstanding		4,541
Additional paid-in capital		8,254,816
Accumulated deficit		(11,559,083)

Total shareholders deficiency		(3,299,724)
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	\$	438,651
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See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended May 31,	
	2007	2006
ROYALTY REVENUE	\$ 245,660	\$ 223,522
GROSS PROFIT	245,660	223,522
SELLING, GENERAL AND ADMINISTRATIVE	424,329	370,218
LOSS FROM OPERATIONS	(178,669)	(146,696)
OTHER INCOME (EXPENSES):		
Interest income (expenses)	(185,764)	(159,925)
OTHER EXPENSES, net	(185,764)	(159,925)
NET LOSS BEFORE INCOME TAXES	(364,433)	(306,621)
Income taxes		
NET LOSS	\$ (364,433)	\$ (306,621)
LOSS PER COMMON SHARE, basic and diluted	\$ (0.09)	\$ (0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	4,082,224	3,666,840

See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS DEFICIENCY

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE, May 31, 2005		\$	3,606,455	\$ 3,606	\$ 8,080,039	\$ (10,888,027)	\$ (2,804,382)
Issuance of common stock with promissory note			5,000	5	595		600
Issuance of common stock with settlement agreement			150,000	150	26,850		27,000
Net loss						(306,621)	(306,621)
BALANCE, May 31, 2006		\$	3,761,455	\$ 3,761	\$ 8,107,484	\$ (11,194,650)	\$ (3,083,403)
Issuance of common stock with revised settlement agreement			100,000	100	13,300		13,400
Issuance of common stock - cash			350,000	350	51,150		51,500
Issuance of common stock services rendered			255,000	255	45,495		45,750
Issuance of common stock for acquisition			75,000	75	37,387		37,462
Net loss						(364,433)	(364,433)
BALANCE, May 31, 2007		\$	4,541,455	\$ 4,541	\$ 8,254,816	\$ (11,559,083)	\$ (3,299,724)

See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended May 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (364,433)	\$ (306,621)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangibles	50,512	50,512
Common stock issued for services	45,750	27,600
Debt extension fee	13,400	
Changes in assets and liabilities		
Royalty/Licensee receivable	(13,393)	1,612
Accounts payable	17,901	21,870
Accrued expenses and other current liabilities	128,216	40,587
Accrued payroll taxes	61,041	60,613
	(61,006)	(103,827)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long term debt	(19,303)	0
Proceeds from note payable	5,000	
Proceeds from loans payable - shareholders	4,504	19,327
Proceeds from debt financing		84,500
Sale of common stock	88,962	
	79,163	103,827
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH	18,157	
CASH AT BEGINNING OF YEAR		
CASH AT END OF YEAR	\$ 18,157	\$
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 46,500	\$ 15,000
Income taxes	\$	\$

See notes to the consolidated financial statements.

AMERICAN HOME FOOD PRODUCTS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2007 AND 2006

1. DESCRIPTION OF BUSINESS

American Home Food Products, Inc. (the Company) currently receives a monthly royalty from the business of manufacturing and marketing a diversified line of construction products including pre-packaged concrete repair, grouting and patching products and masonry waterproofing products. The principal markets for the Company's products are retailers, construction professionals and distributors located through the United States and in certain areas of Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a. Basis of Presentation - The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred a net loss of \$364,433 for the year ended May 31, 2007 and a net loss of \$306,621 for the year ended May 31, 2006. Additionally the Company had a net working capital deficiency, a shareholders' deficiency and negative cash flow from operations for the years ended May 31, 2007 and 2006. The Company is also in arrears with paying payroll taxes and in default with certain of its debt holders. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Management expects to incur additional losses in the foreseeable future and recognizes the need to raise capital to achieve their business plans. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

b. Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated on consolidation.

c. Cash and Cash Equivalents - The Company considers all highly liquid temporary cash investments, with a maturity of three months or less when purchased, to be cash equivalents. Occasionally, the Company may have cash balances in its bank accounts which exceed \$100,000, the federal insured limit.

d. Impairment of Long-Lived Assets - The Company reviews long-lived assets, certain identifiable assets and goodwill related to those assets on a quarterly basis for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. Any impairment losses have been recorded in the statement of operations.

e. Fair Value of Financial Instruments - The carrying value of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued expenses approximate their fair values based on the short-term maturity of these instruments. The carrying amounts of long-term debt were also estimated to approximate fair value.

- f. Revenue Recognition Revenue is recognized when the product is shipped by the Licensee to its customer. Allowances for estimated bad debts, sales returns and allowances are provided when sales are recorded.
- g. Advertising Costs All advertising costs, excluding cooperative advertising programs, are expensed as incurred or the first time the advertisement takes place. The Company establishes an allowance for cooperative advertising costs at the time the related sale is recognized. Advertising expenses charge to operations for the years ended May 31, 2007 and 2006 amounted to approximately \$0 and \$5,133, respectively.
- h. Loss Per Share Basic net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding. For the years ended May 31, 2007 and 2006, diluted loss per share is the same as basic loss per share since the inclusion of stock options and warrants would be antidilutive.
- i. Stock-Based Compensation - The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion 25, (APB25) Accounting for Stock Issued to Employees and the related interpretation, for which no compensation cost is recorded in the statement of operations for the estimated fair value of stock options issued with an exercise price equal to the fair value of the common stock on the date of grant. Statement of Financial Accounting Standards No. 123 (SFAS 123) Accounting for Stock-Based Compensation, as amended by Statement of Financial Accounting Standards No. 148 (SFAS 148) Accounting for Stock-Based Compensation Transition and Disclosure, requires the companies, which do not elect to account for stock-based compensation as prescribed by this statement, to disclose the pro-forma effects on earnings and earnings per share as if SFAS 123 has been adopted. No options or warrants have been granted to employees, officers and directors during fiscal years ended 2007 and 2006. Effective June 1, 2006, the Company has adopted SFAS 123R.
- j. Use of Estimates The preparation of financials 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- k. Segment Information SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on the way it organizes its business for making operating decisions and assessing performance, the Company has determined that it has a single reportable operating segment.

I. Recent Accounting Pronouncements -

FASB 155 Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued FASB Statement No. 155, which is an amendment of FASB Statements No. 133 and 140. This Statement; a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, b) clarifies which interest-only strip and principal-only strip are not subject to the requirements of Statement 133, c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, e) amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FASB 156 Accounting for Servicing of Financial Assets

In March 2006, the FASB issued FASB Statement No. 156, which amends FASB Statement No. 140. This Statement establishes, among other things, the accounting for all separately recognized servicing assets and servicing liabilities. This Statement amends Statement 140 to require that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. This Statement permits, but does not require, the subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value. An entity that uses derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity can elect subsequent fair value measurement to account for its separately recognized servicing assets and servicing liabilities. By electing that option, an entity may simplify its accounting because this Statement permits income statement recognition of the potential offsetting changes in fair value of those servicing assets and servicing liabilities and derivative instruments in the same accounting period. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FASB 157 - Fair Value Measurements

In September 2006, the FASB issued FASB Statement No. 157. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practices. This Statement is effective for financial statements for fiscal years beginning after November 15, 2007. Earlier application is permitted provided that the reporting entity has not yet issued financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FASB 159 - Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), including an amendment to FASB No. 115. FAS 159 gives entities the irrevocable option to measure eligible financial assets, financial liabilities and firm commitments at fair value, on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election, called the fair value option, will enable entities to achieve an offset accounting effect for changes in fair value of certain related assets and liabilities without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. We are currently evaluating the impact of SFAS 159 on our consolidated financial statements.

3. CONCENTRATION OF CREDIT RISK

The Company's accounts receivable and royalty revenues are concentrated 100% with one customer.

4. ROYALTY AGREEMENT

On January 31, 2003, the Company entered into a licensing agreement, until December 2005, with C.G.M., Inc. of Bensalem, Pennsylvania (Licensee), to manufacture, market and distribute the Company's Por-Rok, Dash Patch and Sta-Dri products in exchange for monthly royalty payments ranging from 15% to 25% of the net invoice value to the customer. The Licensee purchased at cost the inventory on hand from the Company, payable in three installments through March 31, 2003. Although the Licensee had the right to terminate the agreement within 180 days from the commencement date of the agreement, the Licensee did not exercise that right. Had the Licensee elected to terminate this licensing agreement, the Company would have been obligated to purchase all inventory that cannot be used by the Licensee due to the termination of the licensing agreement.

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Licensor reserves the right to terminate the licensing agreement for the following reasons; failure to ship a minimum of \$375,000 of merchandise in two consecutive quarters, Licensee having become subject to a 50% change in control, Licensee becoming subject to involuntary or voluntary bankruptcy.

5. DEBT AND EQUITY TRANSACTION

In January 2005, the Company authorized a reverse stock split of seven shares of common stock for one share of common stock. All related per share and common share presentation have been adjusted to compensate for such reverse stock split.

In late November 2005, a judgment creditor served a writ of attachment on the Company's licensee. In January 2006, the parties reached an agreement whereby the creditor agreed to refrain from any further litigation and to limit the judgment to \$400,000 in exchange for a monthly payment of interest on the creditor's original loan to the Company and the Company's commitment to pay the judgment upon the earlier of the recapitalization of the Company or September 30, 2006. The parties further agreed that the warrant to purchase 600,000 shares of common stock (pre-split) which the creditor had received as part of the original transaction would be cancelled and that the Company would issue to the creditor 150,000 shares of common stock (post-split), for which a \$27,000 expense was recorded.

In May 2006, the Company issued 5,000 shares of stock to a lender in exchange for a loan to the Company for which a \$600 expense was recorded.

In September 2006, the Company and a judgment creditor agreed to extend to December 31, 2006, a previous agreement whereby the creditor will refrain from enforcing its judgment in exchange for a monthly payment of interest on the creditor's original loan to the Company and the Company's commitment to pay the judgment upon the earlier of the recapitalization of the Company or December 31, 2006. In exchange for this extension, the Company agreed to issue 40,000 shares of common stock to the creditor. The Company recorded an interest expense of \$4,400 in connection with these shares.

In September 2006, a private investor made an equity investment of \$16,500 for which it received 150,000 shares of the Company's common stock. The proceeds were used for working capital.

In December 2006, the Company and a judgment creditor agreed to extend to March 31, 2007, a previous agreement whereby the creditor will refrain from enforcing its judgment in exchange for a monthly payment of interest on the creditor's original loan to the Company and the Company's commitment to pay the judgment upon the earlier of the recapitalization of the Company or March 31, 2007. In exchange for this extension, the Company agreed to issue 60,000 shares of common stock to the creditor. The Company recorded an interest expense of \$9,000 in connection with these shares based on the fair market value of such shares issued.

In January 2007, the Company issued 105,000 shares of common stock in exchange for investor relation services. The company recorded an expense of \$15,750 in connection with these shares

based on the fair market value of such shares issued. In January 2007, a private investor made an equity investment of \$15,000 for which he received 100,000 shares of the Company's common stock. The proceeds were used for working capital.

In February 2007, a private investor made an equity investment of \$20,000 for which it received 100,000 shares of the Company's common stock. The proceeds were used for working capital. In February 2007, the Company issued 150,000 shares of common stock in exchange for consulting services. The company recorded an expense of \$30,000 in connection with these shares based on the fair market value of such shares issued.

6. ACCRUED EXPENSES AND OTHER LIABILITIES

As of May 31, 2007, accrued expenses and other liabilities consist of the following:

Accrued interest payable	\$ 734,527
Other accrued	109,063
	<hr/>
	\$ 843,590
	<hr/>

7. INTANGIBLES

Intangibles arose in connection with the acquisitions of Arm Pro in September 1998, and with the acquisition of Allied / Por-Rok lines in August 1999 and Sta-Dri in August 2000. The intangible assets have been re-characterized pursuant to SFAS 142 from Goodwill to be

Intangibles, since such intangibles are actually comprised of trademarks, acquired proprietary technology and customer lists. We have attributed the cost of these intangibles to be \$606,164 for trademarks, \$75,771 for proprietary technology and \$75,771 for customer lists. These intangibles are being amortized over a fifteen-year life on a straight-line basis. The Company continues to periodically review these long-lived assets for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. Accumulated amortization at May 31, 2007 was \$368,059. The amortization expense for 2007 and 2006 was \$50,512 and \$50,512 respectively. The amortization expense will approximate \$50,000 per annum for the next five years.

8. INCOME TAXES

At May 31, 2007, the Company has available unused net operating loss carryforward (NOL) of approximately \$11,550,000 that may be applied against future taxable income and expire at various dates through 2025. The Company has a deferred tax assets arising from such net operating loss deductions and has recorded a valuation allowance for the full amount of such deferred tax asset since the likelihood of realization of the tax benefits cannot be determined. Such valuation allowance has increased approximately \$120,000 during 2007.

	<u>2007</u>
Deferred tax asset:	
Net operating loss carryforward	\$ <u>3,930,000</u>
Valuation allowance	<u>(3,930,000)</u>
Net deferred tax asset	<u>\$</u>

A reconciliation of the statutory federal income tax benefit to actual tax benefit is as follows:

	<u>2007</u>	<u>2006</u>
Statutory federal income tax benefit	\$ 124,000	\$ 104,000
Income tax benefit not utilized	(124,000)	(104,000)
Actual tax benefit	<u>\$</u>	<u>\$</u>

If the Company has a greater than 50% change in ownership of certain stock holdings by shareholders of the Company pursuant to Section 382 of the Internal Revenue Code, the net operating losses may be limited. Currently no such evaluation has been performed. The Company has not filed its federal or state income tax returns for May 31, 2006 or May 31, 2007.

9. LONG TERM DEBT

At May 31, 2007, long-term debt consists of:

Notes payable (a)	\$ 1,120,958
Debenture payable (b)	125,000
Notes payable (c)	400,000
	<u>1,645,958</u>
Less: Current portion	1,645,958
	<u>\$</u>

The company is in default of substantially all of the aforementioned debt, as such debt has matured or is being litigated.

- a. From December 2000 through May 2002, the Company raised \$1,120,958 from an outside investor. The notes payable bear interest at 10% per annum and the principal plus accrued interest is due on demand. The notes payable were secured by a subordinated security interest in the Company's property, plant and equipment. The notes payable are due to parties associated with a director of the Company and provide the holder with piggyback registration rights.
- b. Included in long-term debt are debentures owing to a stockholder of the company, Quilcap, Corp., in the amount of \$125,000. This debenture from February 25, 1999, bears interest at 15% per annum and matured on May 31, 1999 and is currently in default.
- c. In May and June 2002, the Company raised \$325,000 from outside investors. The note payable bears interest at 10% per annum and the principal plus accrued interest was due on July 23, 2002, by which time the parties had expected to close a sale-leaseback of the Company's property. In connection with this loan the Company issued 600,000 stock options as consideration for the financing and recorded as debt discount \$16,000, of which \$1,600 has been expensed. The investors aborted the sale-leaseback transaction immediately prior to closing. In April 2005, the investors commenced litigation against the Company and its president for repayment of the loans. In January 2006, the parties reached an agreement whereby the creditor agreed to refrain from any further litigation and to limit the judgment to \$400,000 in exchange for a monthly payment of interest on the creditor's original loan to the Company and the Company's commitment to pay the judgment upon the earlier of the recapitalization of the Company or September 30, 2006. The parties further agreed that the options to purchase 600,000 shares of common stock (pre-split) which the creditor had received as part of the original transaction would be cancelled and that the Company would issue to the creditor 150,000 shares of common stock (post-split), for which a \$27,000 expense was recorded. In September 2006, the judgment creditor agreed to extend the agreement to December 31, 2006. In December 2006, the creditor agreed to a further extension of the settlement agreement to March 31, 2007, in exchange for which the Company agreed to issue to the creditor 60,000 shares of common stock.

10. SHAREHOLDERS DEFICIENCY

Common Stock

- a. During fiscal 1996, former management of the Company issued 257,143 shares for an amount that present management is unable to determine. The Company has been contacting the registered shareholders to determine if appropriate consideration was received for these shares. The shares have been recorded as outstanding with no consideration received for their issuance. During the years ended May 31, 1999 and 1998, a total of 17,143 and 69,107 shares of common stock, respectively, were returned by the registered shareholders and have been canceled by the Company. The Company intends to continue to pursue litigation against the remaining shareholders that it alleges have received securities without paying fair consideration to the Company.

b. Equity transactions during fiscal year 2006 were as follows:

The Company issued 5,000 shares of common stock to an investor who loaned the company money in during fiscal 2006.

The Company issued 150,000 shares of common stock to a creditor in connection with a settlement agreement entered in April 2006.

c. Equity transactions during fiscal year 2007 were as follows:

The Company issued 40,000 shares of common stock to a creditor in connection with an extension in September 2006 of an earlier settlement agreement entered in April 2006. The Company issued another 60,000 shares of common stock in connection with a further extension of this settlement agreement in December 2006, which was valued and expensed for \$13,400, the then fair market value of the shares issued.

The Company issued 150,000 shares of common stock in September 2006 to a private investor in exchange for an equity investment of \$16,500.

The Company issued 105,000 shares of common stock in January 2007 in exchange for investor relation services, which was valued and expensed for \$15,750, the then fair market value of the shares issued.

The Company issued 100,000 shares of common stock in January 2007 to a private investor in exchange for an equity investment of \$15,000, which was valued and expensed for \$30,000, the then fair market value of the shares issued.

The Company issued 100,000 shares of common stock in February 2007 to a private investor in exchange for an equity investment of \$20,000.

The Company issued 150,000 shares of common stock in February 2007 in exchange for consulting services.

In May 2007, the Company acquired an affiliated company under common management for 75,000 shares of common stock valued at \$37,462, the historical cost basis of the assets acquired and liabilities relieved, which also approximates the market value of the common shares issued.

11. STOCK OPTIONS

No options or warrants were granted, cancelled, exercised or otherwise outstanding in fiscal years 2006 and 2007.

12. COMMITMENTS AND CONTINGENCY

a. The Company has a licensing agreement for certain concrete related products, including an admixture that is capable of enhancing the basic characteristic of cementitious products. The Company is obligated to pay royalties based on a percentage of sales, subject to an annual guaranteed minimum royalty. Currently, the Company has not had to pay royalties as the licensed products are still in the development stage and therefore have not been ready for sale to customers.

Furthermore, the Company has had several discussions with the licensor who has agreed to defer the minimum royalty payments until the Novacrete Admixture product emerges from the research and development stage.

b. The Company is involved in several lawsuits arising from the non-payment of recorded payables including the non-payment of royalties to a former shareholder for which a \$95,000 judgment has been rendered against the Company.

c. The Company operates from the residence of its chief executive officer rent free.

13. SUBSEQUENT EVENT - UNAUDITED

On August 14, 2007, the company acquired Artisanal Cheese, LLC. The purchase price was \$4.5 million in cash and notes and the assumption of \$700,000 in liabilities as part of the purchase consideration. The Company raised approximately \$3.9 million dollars through a private placement of redeemable, convertible preferred stock. With this transaction, the Company sold its building material assets for approximately \$1 million and recapitalized its existing debts primarily through a tax-free exchange of debt for equity and cash payments to satisfy other obligations. The Company's current president, Daniel W. Dowe, has agreed to serve as Chairman, Chief Executive Officer and President for an additional three years.

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Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the certified public accounting firm of Sherb & Co., LLP as its outside auditors to audit the company's annual financial statements for the fiscal year ending May 31, 2007 and has had no disagreements with them.

Item 8a. Controls and Procedures

Our principal executive officer and principal financial officer, who is the sole officer and employee, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in this report under the Securities Exchange Act of 1934 (1) is accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, and (2) has been recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

During the period covered by this report, there have not been any significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our internal controls.

PART III

**Item 9. Directors and Executive Officers, Promoters and Control Persons;
Compliance with Section 16(a) of the Exchange Act**

The following provides certain information concerning the directors and executive officers of the Company and its subsidiaries as of May 31, 2007.

<u>Name</u>	<u>Age</u>	<u>Position</u>
-------------	------------	-----------------