

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

UNITED NATIONAL FILM CORP
Form 10QSB
February 06, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-QSB

(Mark one)

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2006

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 33-25350-FW

United National Film Corporation
(Exact name of small business issuer as specified in its charter)

Nevada
(State of incorporation)

84-1092589
(IRS Employer ID Number)

211 West Wall Street, Midland, TX 79701
(Address of principal executive offices)

(432) 682-1761
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES NO

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: February 5, 2007: 1,784,467

Transitional Small Business Disclosure Format (check one): YES NO

UNITED NATIONAL FILM CORPORATION

Form 10-QSB for the Quarter ended December 31, 2006

Table of Contents

PART I - FINANCIAL INFORMATION

Page

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

Item 1 Financial Statements	3
Item 2 Management's Discussion and Analysis or Plan of Operation	12
Item 3 Controls and Procedures	14
PART II - OTHER INFORMATION	
Item 1 Legal Proceedings	15
Item 2 Recent Sales of Unregistered Securities and Use of Proceeds	15
Item 3 Defaults Upon Senior Securities	15
Item 4 Submission of Matters to a Vote of Security Holders	15
Item 5 Other Information	15
Item 6 Exhibits	15
SIGNATURES	15

2

PART I

ITEM 1 - FINANCIAL STATEMENTS

UNITED NATIONAL FILM CORPORATION
BALANCE SHEETS
December 31, 2006 and 2005

(UNAUDITED)

	December 31, 2006 -----
ASSETS	
CURRENT ASSETS	
Cash on hand and in bank	\$ 3,872 -----
TOTAL CURRENT ASSETS	3,872 -----
TOTAL ASSETS	\$ 3,872 =====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable - trade	\$ --
Accrued interest payable	5,508
Loan from shareholder	-- -----
TOTAL CURRENT LIABILITIES	5,508 -----
LONG-TERM LIABILITIES	

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

Loan from stockholder	130,202

TOTAL LIABILITIES	135,710

COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' DEFICIT	
Preferred stock - \$0.001 par value	
3,000,000 shares authorized	
None issued and outstanding - Common stock - \$0.0001 par value	
30,000,000 shares authorized	
84,467 and 59,456 shares issued and outstanding	8
Additional paid-in capital	582,985
Accumulated deficit	(714,831)

TOTAL SHAREHOLDERS' DEFICIT	(131,838)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,872
	=====

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

3

UNITED NATIONAL FILM CORPORATION
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Six and Three months ended December 31, 2006 and 2005

(UNAUDITED)

	Six months ended December 31, 2006	Six months ended December 31, 2005	Three months ended December 31, 2006
	-----	-----	-----
REVENUES	\$ --	\$ --	\$ --
	-----	-----	-----
EXPENSES			
General and administrative expenses	16,767	7,365	11,100
	-----	-----	-----
Total operating expenses	16,767	7,365	11,100
	-----	-----	-----
LOSS FROM OPERATIONS	(16,767)	(7,365)	(11,100)
	-----	-----	-----
OTHER INCOME (EXPENSE)			
Interest income	59	--	33
Interest expense	(3,882)	(782)	(2,115)
	-----	-----	-----
LOSS FROM OPERATIONS			

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

BEFORE PROVISION FOR INCOME TAXES	(20,590)	(8,147)	(13,182)
PROVISION FOR INCOME TAXES	----- --	----- --	----- --
NET LOSS	(20,590)	(8,147)	(13,182)
OTHER COMPREHENSIVE INCOME	----- --	----- --	----- --
COMPREHENSIVE LOSS	===== \$ (20,590)	===== \$ (8,147)	===== \$ (13,182)
Earnings per share of common stock outstanding computed on net loss - basic and fully diluted	===== \$ (0.24)	===== \$ (0.11)	===== \$ (0.16)
Weighted-average number of shares outstanding - basic and fully diluted	===== 84,467	===== 74,727	===== 84,467

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

4

UNITED NATIONAL FILM CORPORATION
STATEMENTS OF CASH FLOWS
Six months ended December 31, 2006 and 2005

(UNAUDITED)

	Six months ended December 31, 2006 -----	Six months ended December 31, 2005 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (20,590)	\$ (8,147)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	--	--
Expenses paid with shares of common stock	--	7,300
Increase (Decrease) in		
Accounts payable - trade	--	782
Accrued interest payable	3,882	782
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(16,708)	(65)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES	--	--
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash advanced on Loan from Shareholder	15,000	--
	-----	-----

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

NET CASH PROVIDED BY FINANCING ACTIVITIES	15,000	--
	-----	-----
INCREASE (DECREASE) IN CASH	(1,708)	(65)
Cash at beginning of period	5,580	65
	-----	-----
CASH AT END OF PERIOD	\$ 3,872	\$ --
	=====	=====
SUPPLEMENTAL DISCLOSURE OF INTEREST AND INCOME TAXES PAID		
Interest paid for the year	\$ --	\$ --
	=====	=====
Income taxes paid for the year	\$ --	\$ --
	=====	=====

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

5

UNITED NATIONAL FILM CORPORATION NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

NOTE A - ORGANIZATION AND DESCRIPTION OF BUSINESS

United National Film Corporation (the Company) was formed under the laws of the State of Colorado on July 19, 1988 as Riverside Capital, Inc.

On October 20, 2006, the Company changed its state of incorporation from Colorado to Nevada by means of a merger with and into a Nevada corporation formed on September 12, 2006 solely for the purpose of effecting the reincorporation. The Certificate of Incorporation and Bylaws of the Nevada corporation are the Certificate of Incorporation and Bylaws of the surviving corporation. Such Certificate of Incorporation kept the Company's name of United National Film Corporation and modified the Company's capital structure to allow for the issuance of up to 100,000,000 shares of \$0.0001 par value Common Stock and up to 50,000,000 shares of \$0.0001 par value Preferred Stock. This action was approved by a majority of the Company's stockholders on August 22, 2006.

In June 2001, the Company suspended all business activities and established a business plan to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

During Fiscal 2006, the Company effectively dissolved or abandoned all subsidiaries which may or may not have been active in periods prior to June 2001.

NOTE B - PREPARATION OF FINANCIAL STATEMENTS

The Company follows the accrual basis of accounting in accordance with generally accepted accounting principles and has adopted a year-end of June 30.

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented

During interim periods, the Company follows the accounting policies set forth in its annual audited financial statements filed with the U. S. Securities and Exchange Commission on its Annual Report on Form 10-KSB for the year ended June 30, 2006. The information presented within these interim financial statements may not include all disclosures required by generally accepted accounting principles and the users of financial information provided for interim periods should refer to the annual financial information and footnotes when reviewing the interim financial results presented herein.

In the opinion of management, the accompanying interim financial statements, prepared in accordance with the U. S. Securities and Exchange Commission's instructions for Form 10-QSB, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending June 30, 2007.

6

UNITED NATIONAL FILM CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2006 and 2005

NOTE C - GOING CONCERN UNCERTAINTY

The Company has nominal cash on hand, has no operating assets and has a business plan with inherent risk. Because of these factors, the Company's auditors have issued an audit opinion on the Company's financial statements which includes a statement describing our going concern status. This means, in the auditor's opinion, substantial doubt about our ability to continue as a going concern exists at the date of their opinion.

The Company's majority stockholder maintains the corporate status of the Company and has provided all nominal working capital support on the Company's behalf since the bankruptcy discharge date. Because of the Company's lack of operating assets, its continuance is fully dependent upon the majority stockholder's continuing support. The majority stockholder intends to continue the funding of nominal necessary expenses to sustain the corporate entity.

The Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

timely basis. Further, the Company faces considerable risk in it's business plan and a potential shortfall of funding due to our inability to raise capital in the equity securities market. If no additional operating capital is received during the next twelve months, the Company will be forced to rely on existing cash in the bank and additional funds loaned by management and/or significant stockholders.

The Company's business plan is to seek an acquisition or merger with a private operating company which offers an opportunity for growth and possible appreciation of our stockholders' investment in the then issued and outstanding common stock. However, there is no assurance that the Company will be able to successfully consummate an acquisition or merger with a private operating company or, if successful, that any acquisition or merger will result in the appreciation of our stockholders' investment in the then outstanding common stock.

The Company remains dependent upon additional external sources of financing; including being dependent upon its management and/or significant stockholders to provide sufficient working capital in excess of the Company's initial capitalization to preserve the integrity of the corporate entity.

The Company anticipates offering future sales of equity securities. However, there is no assurance that the Company will be able to obtain additional funding through the sales of additional equity securities or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company.

NOTE D - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Cash and cash equivalents

The Company considers all cash on hand and in banks, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

2. Reorganization costs

The Company has adopted the provisions of AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" whereby all costs incurred with the incorporation and reorganization, post-bankruptcy, of the Company were charged to operations as incurred.

3. Income taxes

The Company uses the asset and liability method of accounting for income taxes. At December 31, 2006 and 2005, respectively, the deferred tax asset and deferred tax liability accounts, as recorded when material to the financial statements, are entirely the result of temporary differences. Temporary differences generally represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, primarily accumulated depreciation and amortization, allowance for doubtful accounts and vacation accruals.

NOTE D - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Income taxes - continued

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

As of December 31, 2006 and 2005, the deferred tax asset related to the Company's net operating loss carryforward is fully reserved. Due to the provisions of Internal Revenue Code Section 338, the Company may have no net operating loss carryforwards available to offset financial statement or tax return taxable income in future periods as a result of a change in control involving 50 percentage points or more of the issued and outstanding securities of the Company.

4. Income (Loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the respective period presented in our accompanying financial statements.

Fully diluted earnings (loss) per share is computed similar to basic income (loss) per share except that the denominator is increased to include the number of common stock equivalents (primarily outstanding options and warrants).

Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net income (loss) position at the calculation date.

At December 31, 2006 and 2005, and subsequent thereto, the Company has no outstanding stock warrants, options or convertible securities which could be considered as dilutive for purposes of the loss per share calculation due to the Company's net operating loss position.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable, accounts payable and notes payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Interest rate risk is the risk that the Company's earnings are subject to fluctuations in interest rates on either investments or on debt and is fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to interest rate risk, if any.

Financial risk is the risk that the Company's earnings are subject to fluctuations in interest rates or foreign exchange rates and are fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to financial risk, if any.

NOTE F - LOANS DUE TO STOCKHOLDER

The Company's former Chief Executive Officer made aggregate advances of approximately \$15,635 to provide working capital to the Company in prior periods. These advances bear interest at 10.0% per annum and are repayable upon demand. In conjunction with the March 2006 change in control, these advances were repaid in full.

On March 31, 2006, pursuant to an October 2005 Loan and Purchase Stock Agreement with Glenn A. Little (Little), Little funded a loan to the Company in the amount of \$88,181.98 at an interest rate of 6% per annum. This note shall mature on March 31, 2008 and is convertible at any time prior to maturity at Little's

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

option into restricted common stock of the Company at par value.

8

UNITED NATIONAL FILM CORPORATION NOTES TO FINANCIAL STATEMENTS - CONTINUED December 31, 2006 and 2005

NOTE F - LOANS DUE TO STOCKHOLDER - CONTINUED

Additionally, the Company and its current controlling shareholder, Glenn A. Little, agreed that additional funds may be necessary in the future to support the corporate entity and comply with the periodic reporting requirements of the Securities Exchange Act of 1934, as amended. To this end, Little has agreed to lend the Company up to an additional \$50,000 with a maturity period not to exceed two (2) years from the initial funding date at an interest rate of 6.0% per annum. As of December 31, 2006, Little has advanced approximately \$42,000 under this agreement.

NOTE G - COMMON STOCK TRANSACTIONS

On October 20, 2006, the Company changed its state of incorporation from Colorado to Nevada by means of a merger with and into a Nevada corporation formed on September 12, 2006 solely for the purpose of effecting the reincorporation. The Certificate of Incorporation and Bylaws of the Nevada corporation are the Certificate of Incorporation and Bylaws of the surviving corporation. Such Certificate of Incorporation kept the Company's name of United National Film Corporation and modified the Company's capital structure to allow for the issuance of up to 100,000,000 shares of \$0.0001 par value Common Stock and up to 50,000,000 shares of \$0.0001 par value Preferred Stock. This action was approved by a majority of the Company's stockholders on August 22, 2006 and is reflected in the accompanying financial statements as of the first day of the first period presented.

Pursuant to a written consent in lieu of meeting, a majority of the Company's stockholders approved a recommendation by the Company's Board of Directors to effect a reverse stock split the currently issued and outstanding common stock (Common Stock) of the Company on a 2,000 shares for 1 share basis, with no stockholder being reversed to less than a round lot of 100 shares with fractional shares rounded up to the nearest whole share:

Shares prior to reverse split -----	Shares after reverse split -----
1	100
10	100
100	100
1,000	100
10,000	100
100,000	100
200,000	100
200,001	101

As a result of the reverse split, the total number of issued and outstanding shares of the Company's common stock decreased from 27,751,500 to 84,467 shares, after giving effect to both the special provisions discussed above and the rounding for fractional shares. The effect of this action is reflected in the Company's financial statements as of the first day of the first period presented.

On November 22, 2005, the Company entered into an agreement to sell

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

approximately 9,410 post-reverse split shares (18,818,017 pre-reverse split shares) of common stock to Glenn A. Little pursuant to a Loan and Purchase Stock Agreement, for gross proceeds of \$18,818.02. The completion of this transaction is subject to the provision of certain documents by the Company and its former officers/directors. All of the transaction provisions were met and this transaction closed on March 31, 2006. The Company relied upon Section 4(2) for an exemption from registration on these shares and no underwriter was used in this transaction.

On November 23, 2005, the Company issued an aggregate 800 post-reverse split shares (730,000 pre-reverse split shares), valued at approximately \$7,300, to various officers and directors for services rendered. The Company relied upon Section 4(2) for an exemption from registration on these shares and no underwriter was used in this transaction.

9

UNITED NATIONAL FILM CORPORATION
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 December 31, 2006 and 2005

NOTE H - INCOME TAXES

The components of income tax (benefit) expense for each of the six month periods ended December 31, 2006 and 2005, respectively, are as follows:

	Six months ended December 31, 2006 -----	Six months ended December 31, 2005 -----
Federal:		
Current	\$ --	\$ --
Deferred	--	--
	-----	-----
	--	--
State:		
Current	--	--
Deferred	--	--
	-----	-----
	--	--
Total	\$ -- =====	\$ -- =====

Due to a change in control on March 31, 2006, the Company has a net operating loss carryforward of approximately \$111,000 to offset future Federal and State income taxes. The amount and availability of any net operating loss carryforwards will be subject to the limitations set forth in the Internal Revenue Code. Such factors as the number of shares ultimately issued within a three year look-back period; whether there is a deemed more than 50 percent change in control; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of any net operating loss carryforward(s).

The Company's income tax expense for each of the six month periods ended December 31, 2006 and 2005, respectively, are as follows:

Six months Six months

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

	ended December 31, 2006 -----	ended December 31, 2005 -----
Statutory rate applied to income before income taxes	\$ (7,000)	\$ (2,500)
Increase (decrease) in income taxes resulting from:		
State income taxes	--	--
Other, including reserve for deferred tax asset and application of net operating loss carryforward	7,000 -----	2,500 -----
Income tax expense	\$ -- =====	\$ -- =====

The Company's only temporary differences as of December 31, 2006 and 2005, respectively, relate to the Company's net operating loss carryforward. Accordingly, any deferred tax asset, as fully reserved, or liability, if any, as of December 31, 2006 and 2005, respectively, is not material to the accompanying financial statements.

NOTE I - SUBSEQUENT EVENTS

On January 25, 2007, the Company completed a private placement of 500,000 shares of restricted, unregistered common stock to the Company's sole officer and director at \$0.08 per share for total proceeds of \$40,000.

On January 29, 2007, the Company repaid the \$40,000 of the \$42,000 outstanding balance on the \$50,000 line of credit payable to the Company's controlling shareholder, officer and director.

10

UNITED NATIONAL FILM CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2006 and 2005

NOTE I - SUBSEQUENT EVENTS - CONTINUED

On January 29, 2007, the Company's sole officer and director converted the \$88,182 note payable and all related accrued interest for an aggregate 1,200,000 shares of restricted, unregistered common stock.

(Remainder of this page left blank intentionally)

11

PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(1) CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this quarterly filing, including, without

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-QSB and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

(2) RESULTS OF OPERATIONS

The Company had no revenue for either of the respective six or three month periods ended December 31, 2006 and 2005, respectively.

General and administrative expenses for each of the respective three month periods ended December 31, 2006 and 2005 were nominal, consisting of professional and filing fees related to the Company's periodic reporting obligation pursuant to the Securities Exchange Act of 1934, as amended.. In March 2006, concurrent with the change in management and ownership, the Company cured all prior delinquencies with respect to the filing of various required periodic reports pursuant to the Securities Exchange Act of 1934. It is anticipated that future expenditure levels will increase as the Company intends to fully comply with it's periodic reporting requirements.

Earnings per share for the respective six and three month periods ended December 31, 2006 and 2005 were approximately \$(0.30), \$(0.14), \$(0.19) and \$(0.13) based on the post-reverse split weighted-average number of shares issued and outstanding at the end of each respective period.

The Company does not expect to generate any meaningful revenue or incur operating expenses for purposes other than fulfilling the obligations of a reporting company under the Securities Exchange Act of 1934 unless and until such time that the Company's operating subsidiary begins meaningful operations.

At December 31, 2006 and 2005, the Company had working capital of approximately \$(1,636) and \$(39,500), respectively.

On January 25, 2007, the Company completed a private placement of 500,000 shares of restricted, unregistered common stock to Glenn A. Little, the Company's sole officer and director, at \$0.08 per share for total proceeds of \$40,000.00

On January 29, 2007, the Company repaid the \$40,000 outstanding balance on the \$50,000 line of credit payable to Glenn A. Little.

On January 29, 2007, the Company's sole officer and director converted the

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

\$88,182 note payable and all related accrued interest for an aggregate 1,200,000 shares of restricted, unregistered common stock.

It is the belief of management and significant stockholders that sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

12

The Company's need for working capital may change dramatically as a result of any business acquisition or combination transaction. There can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires.

PLAN OF BUSINESS

GENERAL

The Company intends to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

Pending negotiation and consummation of a combination, the Company anticipates that it will have, aside from carrying on its search for a combination partner, no business activities, and, thus, will have no source of revenue. Should the Company incur any significant liabilities prior to a combination with a private company, it may not be able to satisfy such liabilities as are incurred.

If the Company's management pursues one or more combination opportunities beyond the preliminary negotiations stage and those negotiations are subsequently terminated, it is foreseeable that such efforts will exhaust the Company's ability to continue to seek such combination opportunities before any successful combination can be consummated. In that event, the Company's common stock will become worthless and holders of the Company's common stock will receive a nominal distribution, if any, upon the Company's liquidation and dissolution.

COMBINATION SUITABILITY STANDARDS

In its pursuit for a combination partner, the Company's management intends to consider only combination candidates which are profitable or, in management's view, have growth potential. The Company's management does not intend to pursue any combination proposal beyond the preliminary negotiation stage with any combination candidate which does not furnish the Company with audited financial statements for at least its most recent fiscal year and unaudited financial statements for interim periods subsequent to the date of such audited financial statements, or is in a position to provide such financial statements in a timely manner. The Company will, if necessary funds are available, engage attorneys and/or accountants in its efforts to investigate a combination candidate and to consummate a business combination. The Company may require payment of fees by such combination candidate to fund the investigation of such candidate. In the

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

event such a combination candidate is engaged in a high technology business, the Company may also obtain reports from independent organizations of recognized standing covering the technology being developed and/or used by the candidate. The Company's limited financial resources may make the acquisition of such reports difficult or even impossible to obtain and, thus, there can be no assurance that the Company will have sufficient funds to obtain such reports when considering combination proposals or candidates. To the extent the Company is unable to obtain the advice or reports from experts, the risks of any combined enterprise's being unsuccessful will be enhanced. Furthermore, to the knowledge of the Company's officers and directors, neither the candidate nor any of its directors, executive officers, principal stockholders or general partners:

- (1) will not have been convicted of securities fraud, mail fraud, tax fraud, embezzlement, bribery, or a similar criminal offense involving misappropriation or theft of funds, or be the subject of a pending investigation or indictment involving any of those offenses;
- (2) will not have been subject to a temporary or permanent injunction or restraining order arising from unlawful transactions in securities, whether as issuer, underwriter, broker, dealer, or investment advisor, may be the subject of any pending investigation or a defendant in a pending lawsuit arising from or based upon allegations of unlawful transactions in securities; or
- (3) will not have been a defendant in a civil action which resulted in a final judgement against it or him awarding damages or rescission based upon unlawful practices or sales of securities.

The Company's officers and directors will make these determinations by asking pertinent questions of the management of prospective combination candidates. Such persons will also ask pertinent questions of others who may be involved in the combination proceedings. However, the officers and directors of the Company will not generally take other steps to verify independently information obtained in this manner which is favorable. Unless something comes to their attention which puts them on notice of a possible disqualification which is being

13

concealed from them, such persons will rely on information received from the management of the prospective combination candidate and from others who may be involved in the combination proceedings.

(4) LIQUIDITY AND CAPITAL RESOURCES

In October 2005, the Company signed a Loan and Purchase Stock Agreement with Glenn A. Little (Little) in which Little agreed to purchase 18,818,017 shares of restricted common stock for \$18,818.02 and provide a working capital loan of \$88,181.98 at an interest rate of 6% per annum. The Promissory note shall be convertible at any time prior to maturity, solely at Little's option, into restricted and unregistered shares of the Company's common stock at par value. The proceeds of the approximately \$88,000 note were used to retire the note payable to former controlling stockholder(s), retire all outstanding accounts payable and to pay various costs and expenses related to the reorganization of the Company and change in control.

Additionally, the Company and it's current controlling shareholder, Glenn A. Little, agreed that additional funds may be necessary in the future to support the corporate entity and comply with the periodic reporting requirements of the Securities Exchange Act of 1934, as amended. To this end, Little has agreed to lend the Company up to an additional \$50,000 with a maturity period not to exceed two (2) years from the initial funding date at an interest rate of 6.0% per annum. As of December 31, 2006, Little has advanced approximately \$42,000 under this agreement.

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

On January 25, 2007, the Company completed a private placement of 500,000 shares of restricted, unregistered common stock to Glenn A. Little, the Company's sole officer and director, at \$0.08 per share for total proceeds of \$40,000. The proceeds of this private placement were used to repay \$40,000 of the outstanding balance on the \$50,000 line of credit payable to Glenn A. Little on January 29, 2007.

On January 29, 2007, Glenn A. Little, the Company's sole officer and director, converted the \$88,182 note payable and all related accrued interest for an aggregate 1,200,000 shares of restricted, unregistered common stock.

It is the belief of management and significant stockholders that sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

The Company has no current plans, proposals, arrangements or understandings with respect to the sale or issuance of additional securities prior to the location of a merger or acquisition candidate. Accordingly, there can be no assurance that sufficient funds will be available to the Company to allow it to cover the expenses related to such activities.

Regardless of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash.

ITEM 3 - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, on the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to information relating to the Company required to be included in the Company's Exchange Act reports.

While the Company believes that its existing disclosure controls and procedures have been effective to accomplish their objectives, the Company intends to continue to examine, refine and document its disclosure controls and procedures and to monitor ongoing developments in this area.

Edgar Filing: UNITED NATIONAL FILM CORP - Form 10QSB

(b) Changes in Internal Controls

During the quarter ended December 31, 2006, there were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 2 - RECENT SALES OF UNREGISTERED SECURITIES AND USE OF PROCEEDS

On January 25, 2007, the Company completed a private placement of 500,000 shares of restricted, unregistered common stock to Glenn A. Little, the Company's sole officer and director, at \$0.08 per share for total proceeds of \$40,000. The proceeds of this private placement were used to repay \$40,000 of the outstanding balance on the \$50,000 line of credit payable to Glenn A. Little on January 29, 2007.

On January 29, 2007, Glenn A. Little, the Company's sole officer and director, converted the \$88,182 note payable and all related accrued interest for an aggregate 1,200,000 shares of restricted, unregistered common stock.

ITEM 3 - DEFAULTS ON SENIOR SECURITIES

None.

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

The Company has held no regularly scheduled, called or special meetings of stockholders during the reporting period.

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED NATIONAL FILM CORPORATION

Dated: February 5, 2007

By: /s/ Glenn A. Little

Glenn A. Little
Chairman, Chief Executive Officer,
Chief Financial Officer and Director