Amish Naturals, Inc.
Form 10QSB
February 14, 2008

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

FORM 10-QSB

(Mark one)
x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended December 30, 2007

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from to

Commission File No. 000-50662

AMISH NATURALS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	**98-0377768**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8224 County Road 245, Holmesville, OH 44633
(Address of principal executive offices)

(330) 279 2510
(Issuer s telephone number)

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

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 x No o

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

Yes o No x

Number of shares outstanding as of the close of business on February 13, 2008:

TITLE OF CLASS	NUMBER OF SHARES OUTSTANDING

Common Stock, $0.001 par value.	44,179,995

Transitional Small Business Disclosure Format (Check one):
Yes o No x

Amish Naturals, Inc. and Subsidiary
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As of December 30, 2007 and
For the Three-Month Periods Ended December 30, 2007 and December 31, 2006

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements of Amish Naturals, Inc.

Amish Naturals, Inc. and Subsidiary
Consolidated Balance Sheet
As of December 30, 2007

ASSETS	
Current assets:	
Cash	$ 1,540,350
Accounts receivable-trade	165,858
Inventories	800,021
Prepaid insurance	50
Total current assets	2,506,279
Property and equipment, net of accumulated depreciation of $193,829	3,032,601
Intangible assets, net of accumulated amortization of $5,691	323,284
Deposits	138
Total assets	**$ 5,862,302**
LIABILITIES AND SHAREHOLDERS EQUITY	
Current liabilities:	
Accounts payable - trade	$ 86,194
Accrued expenses	133,077
Capital lease obligations - current portion	8,177
Note payable - current portion	13,135
Total current liabilities	410,166
Accrued interest	169,583
Convertible note payable, net of discount of $4,211,595	1,788,405
Capital lease obligations	33,548
Note payable	33,477
Total liabilities	**2,265,596**
Commitments and contingencies	
Shareholders equity:	
Series A convertible preferred, $0.001 par value, 20,000,000 shares authorized, none issued	
Common stock, $0.001 par value, 560,000,000 shares authorized, 44,179,995 shares issued and outstanding	44,180
Additional paid-in capital	10,262,259
Accumulated deficit	(6,709,733)
Total shareholders equity	**3,596,706**
Total liabilities and shareholders equity	**$ 5,862,302**

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

Amish Naturals, Inc. and Subsidiary
Consolidated Statement of Operations
For the Three-Month Periods Ended December 30, 2007 and December 31, 2006

	Three-Month Period Ended December 30, 2007	Three-Month Period Ended December 31, 2006
Gross sales	$ 205,172	
Less: returns and allowances	(9,847)	
Net sales	195,325	
Cost of sales	(217,512)	
Gross profit	(22,187)	
Operating expenses:		
Marketing	188,046	$ 103,674
General and administrative	946,388	221,726
Product development	92,055	136,367
Professional fees	82,048	137,830
Stock-based charges	312,031	90,727
Total operating expenses	1,620,568	690,324
Operating loss	(1,642,755)	(690,324)
Other income (expense):		
Interest income	18,056	2,797
Interest expense	(532,951)	
Total other income (expense)	(514,895)	2,797
Net loss	**$ (2,157,650)**	**$ (687,527)**
Net loss per common share - basic and diluted	**$ (0.05)**	**$ (0.02)**
Weighted average number of shares outstanding - basic and diluted	**44,154,995**	**36,925,062**

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

Amish Naturals, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the Three-Month Periods Ended December 30, 2007 and December 31, 2006

	Three-Month Period Ended December 30, 2007	Three-Month Period Ended December 31, 2006
Cash flows used in operating activities:		
Net loss	$ (2,157,650)	$ (687,527)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	91,497	
Stock-based compensation	312,031	90,727
Interest paid in stock		
Accretion of debt discount	390,764	
Accrued interest	138,750	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable-trade	(89,781)	
Inventory	(350,319)	
Other assets		
Increase (decrease) in:		
Accounts payable - trade	61,380	331,491
Accrued liabilities	48,895	
Accrued payroll taxes		(2,770)
Net cash used in operating activities	**(1,554,433)**	**(268,079)**
Cash flows used in investing activities:		
Acquisition of equipment	(517,448)	(729,948)
Deposits		(18)
Acquisition of intangible assets	(203,975)	
Net cash used in investing activities	**(721,423)**	**(729,966)**
Cash flows provided by financing activities:		
Proceeds from the sale of shares and exercise of warrants and options	50,000	2,945,075
Redemption of shares		(235,000)
Repayment of loans and capital leases	(4,336)	(1,699,930)
Proceeds from loans		
Net cash provided by financing activities	**45,664**	**1,010,145**

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

Amish Naturals, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the Three-Month Periods Ended December 30, 2007 and December 31, 2006

Net increase (decrease) in cash	**(2,230,192)**	**12,100**
Cash - beginning of period	**3,770,542**	**186,258**
Cash - end of period	**$ 1,540,350**	**$ 198,358**

Supplemental Disclosure of Cash Flow Information

	Three-Month Period Ended December 30, 2007	Three-Month Period Ended December 31, 2006
Interest paid	$ 3,347	
Income taxes paid	$	

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

Amish Naturals, Inc. and Subsidiary
Notes to the Consolidated Financial Statements
As of December 30, 2007 and
For the Three-Month Periods Ended December 30, 2007 and December 31, 2006

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1. Description of Business

Amish Naturals, Inc., (the Company) was incorporated in Nevada on September 2, 2005, and commenced operations in January 2006. The Company commenced sales of its products during the three-month period ended December 30, 2007 and is therefore no longer considered to be in the development stage.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Amish Naturals, Inc. and its wholly owned subsidiary. All significant transactions among the consolidated entities have been eliminated upon consolidation.

Definition of Fiscal Year

We report our results of operations on a 52- or 53-week fiscal year ending on the last Sunday in September. Each fiscal three month period contains thirteen weeks.

Basis of Presentation

These financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States.

Use of Estimates

Preparing the Company s financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect 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.

Amish Naturals, Inc. and Subsidiary
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2. Summary of Significant Accounting Policies, Continued

Use of Estimates, Continued

The financial statements include some amounts that are based on management s best estimates and judgments. The most significant estimates are the determination of the useful lives of property and equipment, the valuation of the discount on the convertible note payable and the determination of the valuation reserve of the United States income tax assets. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures About Fair Value of Financial Instruments,* requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS No. 107 as financial instruments. Financial instruments are generally defined by SFAS No. 107 as cash and cash equivalents, evidence of ownership interest in equity, or a contractual obligation that both conveys to one entity a right to receive cash or other financial instruments from another entity and imposes on the other entity the obligation to deliver cash or other financial instruments to the first entity.

At December 30, 2007, the Company s financial instruments are cash and cash equivalents, accounts receivable-trade, accounts payable-trade, accrued liabilities, notes payable and a convertible note payable. The recorded values of cash and cash equivalents, accounts receivable-trade, accounts payable-trade, and accrued liabilities approximate their fair values based on their short-term nature. The recorded value of the convertible note payable before discount approximates the fair value as interest approximates market rates.

Cash

The Company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of December 30, 2007, the Company s cash and cash equivalents were deposited primarily in one financial institution.

At December 30, 2007, the Company had $1,440,350 on deposit that exceeded the United States (FDIC) federally insurance limit.

Inventories

The Company uses the lower of cost (determined using the first-in, first-out method) or market for valuing inventories. Transportation costs are charged to cost of sales when incurred.

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2. Summary of Significant Accounting Policies, Continued

Identifiable Intangible Assets

Identifiable intangible assets with definite lives are amortized over their estimated useful lives and tested for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used in evaluating elements of property, plant and equipment. If impaired, the intangible asset is written down to its fair value. Intangible assets at December 30, 2007 consist of customer lists, acquired recipes and trade names acquired in September and October 2007. Amortization expense is recorded over the estimated life of ten years and commenced in October 2007.

Future amortization of intangible assets is as follows for the years ending December 30:

2008	$	32,897
2009		32,897
2010		32,897
2011		32,897
2012 and beyond	$	197,385

Impairment or Disposal of Long-Lived Assets

The Company accounts for its long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue Recognition and Accounts Receivable-Trade

Revenue is recognized when title and risk of loss are transferred to customers upon delivery based on terms of sale and collectability is reasonably assured. Revenue is recognized as the net amount to be received after deducting estimated amounts for discounts, trade allowances, and returns of damaged and out-of-date products. Collectability is estimated considering the

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2. Summary of Significant Accounting Policies, Continued

Revenue Recognition and Accounts Receivable-Trade, Continued

credit conditions of its customers and the payment history of each customer. Accounts receivable-trade that are considered to be uncollectible will be written off against the allowance for doubtful accounts. No allowance for doubtful accounts was considered necessary at December 30, 2007.

Marketing Costs

The Company incurs various types of marketing costs in order to promote its products, including retailer incentives and consumer incentives. The Company recognizes the cost for each of these types of marketing activities as a reduction of net sales or as selling, general and administrative expense in accordance with generally accepted accounting principles.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the Company s accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Vehicles	3 years
Office equipment	3 to 5 years
Machinery and equipment	5 to 15 years
Buildings and improvements	20 years

Property and equipment were placed in service on March 1, 2007, and therefore began recording depreciation on that date.

Share Based Payment

The Company accounts for employee stock-based payments using the fair value method provided in Statement of Financial Accounting Standards (SFAS) No. 123R, *Share-Based Payment.* The fair value of options granted will be recognized as compensation expense over the vesting period of the options.

The Company accounts for non-employee stock-based payments using the fair value method provided by SFAS No. 123R. When stock options are granted to non-employees, the

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2. <u>Summary of Significant Accounting Policies, Continued</u>

Share Based Payment, Continued

Company will estimate the fair value of the award and recognize related expenses over the performance period as prescribed by EITF 96-18: *Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. No share based payments have been granted at December 30, 2007.

Basic and Diluted Loss Per Share

Basic loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed in the same way as basic loss per common share except that the denominator is increased to include the number of additional common shares that would be outstanding if all potential common shares had been issued and if the additional common shares were dilutive. As of December 30, 2007, the Company had outstanding stock options that can be converted into 4,585,000 shares of common stock, warrants to purchase 6,389,322 shares of common stock, and a note payable that can be converted into 3,194,718 shares of common stock. As the Company has recorded a loss in each period since it commenced operations, the options, warrants and conversion feature would have an anti-dilutive effect, and therefore, are not included in diluted loss per share.

Income Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

Deferred tax assets are reduced by a valuation allowance when in the opinion of management it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization of the deferred income tax asset is dependent on generating sufficient taxable income in future years.

The Company has recorded a 100% valuation allowance against net deferred tax assets due to uncertainty of their ultimate realization.

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2. Summary of Significant Accounting Policies, Continued

Advertising Costs

Advertising costs will be expensed when they are incurred. Advertising expense totaled $1,624 and $6,220 for the three-month periods ended December 30, 2007 and December 31, 2006, respectively.

Product Development

The Company s product development activities principally involve product name selection, product shape determination, artistic design of the product packaging, arrangement for the related manufacturing extrusion tools and dies, selection of seasonings, grains and other ingredients considered as recipe development, taste and market testing. The costs of these activities are expensed as incurred.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company s management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the

Company or unasserted claims that may result in such proceedings, the Company s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company s financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

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2. Summary of Significant Accounting Policies, Continued

Comprehensive Income or Loss

The Company has no items of other comprehensive income or loss in the three month period ended December 30, 2007 and December 31, 2006. Therefore, net loss as presented in the Company s Statement of Operations equals the comprehensive loss.

New Accounting Pronouncements

In June 2006, Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for the Company beginning January 1, 2008 (Note 10). The Company believes that adoption of FIN 48 will not have a material effect on its financial position, results of operations or cash flows.

In September 2006 the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This Statement does not require any new fair value measurements. The Company does not expect the adoption of this statement to have a material impact on its financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that the Company quantify misstatements based on their impact on each of the Company s financial statements and related disclosures. The Company adopted SAB 108 effective as of January 1, 2007. The adoption of SAB 108 did not impact the Company s financial statements.

In December 2007, FASB issued SFAS No. 141 (Revised 2007), *Business Combinations*. Under SFAS 141R, the acquiring entity is required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions.

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2. Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

Statement 141R will change the accounting treatment for certain specific items, including: Noncontrolling interests (formerly known as minority interests -- see SFAS 160 discussion below) are valued at fair value as of the acquisition date; Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies; In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date.

3. Inventories

The inventories as of December 30, 2007 are as follows:

Raw materials and packaging	$	430,514
Finished goods		367,324
Supplies and other		2,183
Total	**$**	**800,021**

4. Property and Equipment

The following is a summary of property and equipment, at cost as of December 30, 2007:

Buildings and improvements	$	947,768
Plant equipment		2,084,326
Office equipment		136,441
Assets under capital lease		47,895
Total property and equipment		3,216,430
Less: accumulated depreciation		(193,829)
Land		10,000
Property and equipment, net	**$**	**3,032,601**

Property and equipment was placed in service during March 2007. Depreciation expense for the three-month period ended December 30, 2007 was $85,806.

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5. Long Term Debt

Convertible Note Payable

In September 2007, the Company entered into a convertible note payable with principal balance of $6 million. The note bears interest at 9.25% per annum and is due September 10, 2010. Interest is payable in arrears quarterly in shares of the company s common stock with the first interest date being October 1, 2007. The note is convertible into 3,194,718 shares of the Company s common stock at any time. As part of the transaction, the Company issued warrants to purchase an aggregate of 6,389,322 shares of the Company s common stock at exercise prices ranging from $1.88 to $3.00 per share. The warrants may be exercised at any time and expire on September 10, 2014. The exercise price of the warrants may be reduced if the Company does not achieve certain financial objectives in the future. The Company has pledged all of its assets as collateral on this note and is precluded from declaring dividends until the note is repaid. The Company may repay without penalty up to one third of the principal balance of the note on each anniversary date. The Company incurred a placement fee and incurred legal and other costs totaling $530,000 related to this loan.

The Company is required to achieve certain financial milestones during the term on this note. The Company did not achieve the milestone requirements for the period ended December 30, 2007 and therefore the conversion price of this note will be changed to lower of the current conversion price, the arithmetic weighted average price of the Company s common shares for the fifteen consecutive trading days prior to February 24, 2008, or the arithmetic average of the weighted average price of the Company s common shares for the three days with the lowest weighted average price during the fifteen trading days ended February 24, 2008. As the price of the Company s shares of common stock is currently less than the initial conversion price, the Company expects the conversion price of note will decrease and the number of shares to be issued upon conversion will increase.

The values of the imbedded conversion feature of the note and the warrants together with the costs associated with the loan have been recorded as a discount on the note and is being accreted as interest expense over the life of the note.

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5. Long Term Debt, Continued

At December 30, 2007, the balances of the note and discount are:

Note payable		$ 6,000,000
Note discount:		
Imbedded conversion feature	$ 1,162,802	
Warrants	2,994,736	
Costs	530,000	
Total	4,687,538	
Accretion through December 30, 2007	475,943	
Unaccreted balance		4,211,595
Balance, December 30, 2007		**$ 1,788,405**

Note Payable

Note payable, with interest at 10.25% per annum, payable in monthly installments of $1,599 per month with the final payment due November 1, 2010, and collateralized by software	$ 46,612
Less: amount due within one year	13,135
Note payable, due after one year	**$ 33,477**

Capital Lease Obligations

Capital lease obligations, due in sixty monthly installments of $992 with the final payment due April 2012, and collateralized by equipment	$ 41,725
Less: amount due within one year	8,177
Capital lease obligations, due after one year	**$ 33,548**

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5. Long Term Debt, Continued

Long-term debt, excluding unamortized discount and capital lease obligations mature in each of the following years ending December 30:

	Long-Term Debt	Capital Lease Obligations
2008	$ 13,135	$ 11,940
2009	16,251	11,940
2010	6,017,226	11,940
2011		11,940
2012 and thereafter		3,968
Total	$ 6,046,612	51,728
Less: amount representing interest on capital lease payments		10,003
Present value of minimum capital lease payments		**$ 41,725**

6. Contingencies, Risks, Uncertainties, Managements Plan and Concentrations

Financial Results, Liquidity and Management s Plan

At December 30, 2007, the Company has incurred losses for the three-month periods ended December 30, 2007 and for the year ended September 30, 2007 of $2,157,650 and $4,151,041, respectively. Despite its negative cash flows from operations of $1,554,433 and $3,819,077 for the three-month period ended December 30, 2007 and the year ended September 30, 2007, respectively, the Company has been able to obtain operating capital through private equity and debt funding sources. Management s plans include the continued development and eventual implementation of its business plan. The Company has relied upon equity and debt funding since inception.

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6. Contingencies, Risks, Uncertainties, Managements Plan and Concentrations, Continued

No assurances can be given that the Company can obtain sufficient working capital through the sale of the Company s common stock and borrowing or that the continued implementation of its business plan will generate sufficient revenues in the future to sustain ongoing operations. These factors raise substantial doubt about the Company s ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Operating Leases

The Company leases the property on which its facilities are located. The lease is for 5 years with a 5 year renewal option and annual evergreen renewals thereafter. The Company has the option to purchase the property for $280,000. The lease was entered into by the shareholders of the Company and was assigned to the Company in October 2006. Future minimum lease payments are as follows at December 30, 2007:

2008	$ 16,200
2009	16,200
2010	16,200
2011	1,350
2012 and after	
Total minimum lease payments	**$ 49,950**

6. Contingencies, Risks, Uncertainties, Managements Plan and Concentrations, Continued

Concentration of Suppliers

The Company purchases its raw materials from producers of organic produce and grains. There is a regionally limited supply of these products. If the Company is unable to obtain these products from the supplier, the Company believes that the impact on its financial statements from such an uncertainty could be substantial.

Litigation

The Company, on an ongoing basis, will be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

7. Equity Transactions

Common Stock

Stock Split

In October 2006 the Company forward split its common stock 2.8 for 1, resulting in 25 million shares of common stock outstanding at the time. At the same time, the Company changed the par value of its common stock to $0.001 per share. All per share amounts reflect this forward split as if it had occurred at January 1, 2006.

Reverse Merger

In connection with the reverse merger with FII in October 2006, the Company issued 25,200,250 and redeemed 11,200,000 shares of its common stock from a former officer for a payment of $235,000.

Sale of Common Stock

In October 2006, the Company sold 2.9 million shares of its common stock and warrants to purchase 1,450,000 shares of its common stock at $0.90 per unit for total proceeds of $2,628,022.

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7. Equity Transactions, Continued

Common Stock, Continued

Sale of Common Stock, Continued

In February 2007, the Company sold in a private placement 664,745 shares of its common stock for cash at $2.10 per share to 26 investors. The net proceeds of this placement were $1,395,965.

Excerise of Options

In November 2007, the Company issued 50,000 shares of its common stock upon exercise of stock options at $1.00 per share.

Options Activity

A summary of the option activity as of December 30, 2007, and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at September 30, 2007	2,975,000	$ 1.12	$ 2.25	$ 3,331,050
Granted	1,835,000	1.87	4.75	3,431,450
Exercised	(50,000)	1.00		(50,000)
Forfeited	(175,000)	1.00		(175,000)
Expired				
Outstanding at December 30, 2007	4,585,000	$ 1.12	2.25	$ 6,537,500
Exercisable at December 30, 2007	1,037,500	$ 1.05	3.80	$ 1,037,500

The Company recognizes compensation expense using the straight-line method over the requisite service period.

At December 30, 2007, the Company had $3,391,830 of unrecognized compensation expense related to stock options that will be recognized over a weighted average period of 24 months.

Exercise of Warrants

In December 2006, the Company issued 388,889 shares of its common stock upon exercise of warrants at a price of $0.90 per share. The net proceeds of this exercise were $350,000.

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7. Equity Transactions, Continued

Common Stock, Continued

Exercise of Warrants, Continued

In February 2007, warrants to purchase 500,000 shares of the Company s common stock were exercised. The exercise price of $0.90 per share resulted in net proceeds to the Company of $449,980.

In June 2007, warrants to purchase 561,111 shares of the Company s common stock were exercised. The exercise price of $0.90 per share resulted in net proceeds to the Company of $504,880.

Warrants Outstanding

	Number of Warrants	Weighted Average Warrants Price
Outstanding, September 30, 2007	6,389,322	$ 2.10
Issued		
Exercised		
Outstanding, December 30, 2007	**6,389,322**	**$ 2.10**
Exercisable, December 30, 2007	**6,389,322**	**$ 2.10**

Shares Reserved for Future Issuance

The Company has reserved shares for future issuance upon exercise of outstanding options, warrants and the conversion of the note payable as follows:

Options	4,585,000
Warrants	6,389,322
Conversion feature	3,194,718
Reserved shares at December 30, 2007	**14,169,040**

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8. Share Based Payment

The weighted average estimated fair value of the stock options granted for the three-month periods ended December 30, 2007 and December 31, 2006 were $1.32 and $0.59, respectively. The amount was determined using the Black-Scholes option pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments, and the risk-free interest rate over the expected life of the option.

The assumptions used in the Black-Scholes option pricing model for the stock options granted during the three-month periods ended December 30, 2007 and December 31, 2006 were as follows:

	For the Three-Month Period Ended December 30, 2007	For the Three-Month Period Ended December 31 2006
Risk-free interest rate	3.81%	4.23%
Expected volatility of common stock	88%	68%
Dividend yield	$0.00	$0.00
Expected life of options	5 years	5 years
Weighted average fair market value of options granted	$1.32	$0.59

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9. Earnings Per Share

In accordance with FASB Statement No. 128, Earnings Per Share, the Company calculates basic and diluted net loss per share using the weighted average number of common shares outstanding during the periods presented and adjust the amount of net loss, used in this calculation, for preferred stock dividends declared during the period.

The Company incurred a net loss in each period presented, and as such, did not include the effect of potentially dilutive common stock equivalents in the diluted net loss per share calculation, as their effect would be anti-dilutive for all periods. Potentially dilutive common stock equivalents would include the common stock issuable upon the conversion of the convertible note payable and the exercise of warrants and stock options that have conversion or exercise prices below the market value of the Company s common stock at the measurement date. As of December 30, 2007, all potentially dilutive common stock equivalents amounted to14,179,040 shares.

The following table illustrates the computation of basic and diluted net loss per share:

	For the Three-Month Period Ended December 30, 2007	For the Three-Month Period Ended December 31, 2006
Numerator:		
Net loss	$ (2,157,650)	$ (687,527)
Denominator:		
Denominator for basic and diluted net loss per share-weighted average number of common shares outstanding	44,154,995	36,925,062
Basic and diluted net loss per share	**$ (0.05)**	**$ (0.02)**

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9. Earnings Per Share, Continued

The following table sets forth potential shares of common stock that are not included in the diluted net loss per share because to do so would be antidilutive since the Company reported net losses in all the reporting periods:

	For the Three-Month Period Ended December 30, 2007	For the Three-Month Period Ended December 31, 2006
Options to purchase shares of common stock	4,585,000	2,680,000
Warrants to purchase shares of common stock	6,389,322	
Convertible note payable	3,194,718	
Total	**14,169,040**	**2,680,000**

10. Business Combinations

In October 2007, the Company acquired substantially all of the assets of two entities; Prima Pasta, Inc. and Schlabach Amish Wholesale Bakery, LLC. The combined purchase prices of the assets of the two entities was $750,000 and consisted of cash and the repayment of an existing note receivable. The assets acquired consisted of inventory, equipment, customer lists, trade names and other intellectual properties.

The Company will allocate the purchase price of the assets acquired as follows:

Land and building	$ 50,000
Inventory	50,000
Equipment	350,000
Intangible assets	300,000
Total	**$ 750,000**

The combined revenue of the two entities was approximately $350,000 during their last fiscal years and each recorded a small profit or loss.

The acquisition of Prima Pasta, Inc. provides the Company with additional equipment and a second brand name that has shelf space and existing customers. The Company believes that the additional brand will enhance its market presence and the equipment will provide additional productive capacity.

The acquisition of Schlabach Amish Wholesale Bakery, LLC provides the Company with a complimentary line of products.

11. <u>Subsequent Events</u>

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Issuance of Common Stock

In February 2008 the Company issued 193,818 shares of its common stock in payment of interest accrued on its convertible note in the amount of $169,583.

Convertible Debenture

In February 2008, the Company entered into a letter of intent to issue a convertible debenture with face value of $3.125 million. The proposed debenture will bear interest at 10% and be convertible into shares of the Company s common stock at $1.75 per share and be due in two years. In connection with this debenture, the Company will issue to the investor 2.5 million shares of its common stock and warrants to purchase 5 million shares of its common stock. The warrants will have a life of 7 years and will have an exercise price based upon the value of the Company s common shares at the date of issuance. The Company will be required to file a registration statement covering the shares to be issued in connection with this transaction and the shares to be issued upon conversion of the debenture and exercise of the warrants.

Item 2. Management s Discussion and Analysis or Plan of Operation.

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. See Forward Looking Statements elsewhere in this report. Because this discussion involves risk and uncertainties, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview of Amish Naturals

Amish Naturals, Inc. commenced sales of its products, and therefore is no longer considered to be a development stage enterprise. During the period from January 1, 2006 (commencement of operations) to December 30, 2007, Amish Naturals raised capital in the form of short-term notes payable, the sale of shares of our common stock, the exercise of warrants to purchase shares of our common stock, and through the issuance of long term convertible debt. The proceeds of the notes payable were used to acquire a production facility site and the equipment that management believes is necessary for Amish Naturals to commence operations. The proceeds of the sale of shares of our common stock were used to retire one of the short-term notes payable and acquire additional production equipment. The proceeds from the exercise of warrants were used for working capital. The proceeds from the long term convertible debt were used to retire short term debt and for working capital, expansion of distribution and production facilities and product development. Management s plan is to produce a line of natural organic, kosher pasta products and related items to be sold through food product distributors.

On October 27, 2006 we completed a merger with FII, Inc. As the now-former stockholders of the former private company hold the majority of our outstanding common stock after the merger, the transaction has been accounted for as a reverse merger and the financial statements are those of the former private company. In connection with the merger, we raised $2,628,022 through the sale of 2.9 million equity units. Each unit includes one share of our common stock and a warrant to purchase ½ share of our common stock. Each unit sold for $.90. Neither the shares nor the warrants have any registration rights. We used a portion of the proceeds of this private placement to repay the note payable in full and to redeem shares of FII held by the former majority stockholder of FII. During the year ended September 30, 2007 all of the warrants were exercised with net proceeds of $1,301,814. In February 2007, we raised $1,395,965 through the sale of 664,745 shares of our common stock and obtained $300,000 from a short-term note payable. In July and August 2007 we obtained an additional $600,000 from short term notes payable. In September 2007 we closed on the sale of a senior secured convertible note in the principal amount of $6,000,000. The $900,000 of short term notes payable were repaid with a portion of the proceeds of the convertible note payable.

In March 2007, we commenced producing product for sale. During the three month period ended December 30, 2007, we shipped products with total gross sales price of $205,172 and during January and February 2008, we had gross sales of over $365,000. At December 30, 2007 we had inventories of finished goods and raw materials with total cost of $800,021.

There is no historical financial information about us upon which to base an evaluation of our performance. Although we have started to realize revenues from our operations, we cannot guarantee we will be successful in our core business, or in any business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources.

Results of Operations for the three month periods ended December 30, 2007 and 2006

During the three month periods ended December 30, 2007 and 2006, we had a loss of $2,157,060 and $687,527, respectively. Our expenses relate to the development of a sales and marketing plan, product development activities, commercial production of inventory, costs associated with implementation of the infrastructure necessary to support our operations as they mature, initial sales and marketing activities and stock option expenses, as detailed below. In addition, we incurred legal and accounting fees related to our reverse merger transaction with FII in October 2006. During the three month period ended December 31, 2006 our operations were limited to the acquisition and installation of certain of our equipment and introducing our products to distributors and retail organizations.

We commenced commercial production in March 2007 and had our initial sales in May 2007. Since we commenced production, many of the expenditures recorded as product development costs through February 2007 are now recorded as inventory and cost of sales. We continue to incur product development costs as we expand our product lines.

Our Board of Directors authorized the grant of options to purchase 4,820,000 shares of our common stock to officers, directors, employees, and consultants. The exercise price of these options ranged from $1.00 per share to $3.09 per share and vest at various times over four years. We determined the value of these options using the Black Scholes Merton option valuation model to be $3,391,830. We are amortizing this amount over the vesting period of each option. We charged $312,031 and $90,727 to expense during the three month periods ended December 30, 2007 and 2006, respectively, related to these options.

We allocated $4,159,178 of the proceeds of our $6 million convertible note payable and incurred $530,000 of costs related to this financing. We are amortizing these amounts as interest expense over the three year life of the financing. We recorded $390,764 as interest expense during the three month period ended December 30, 2007. In addition, we accrued interest expense of $138,750 during the three month period in 2007. The interest accrued through December 30, 2007 of $169,583 was paid in February 2008 through the issuance of 193,818 shares of our common stock.

We commenced sales of our products during the year ended September 30, 2007 and recorded net sales of our products totaling $195,325 during the three month period ended December 30, 2007. We have recorded net sales of our products of about $365,000 During January and the middle of February 2008.

Marketing expenses increased from $103,674 during the three month period in 2006 to $188,046 during the same period in 2007. This increase is consistent with our increasing sales, and we expect these expenses to continue to increase as our sales increase.

General and administrative expenses increased $724,662 to $946,388 for the three month period in 2007 compared to the same period in 2006. The following describes the increases in these costs during the three month period in 2007 compared to the same period in 2006:

Administrative salary and related costs increased $423,138 as a result of the increase in the number of employees required by our increasing activities and the employment of our Chief Operating Officer in late December 2006.

We started recording depreciation and amortization expenses in March. These costs were $91,497 in the three month period in 2007.

Rent expense increased $25,464 as we increased the amount of space that we lease in 2007.

Travel and lodging costs increased $55,908 as we increased our efforts to implement our business plan.

We incurred moving expenses of $34,142 in 2007 related to the relocation of our administrative and shipping activities to a new location.

The balance of the increase relates to general office expenses as a result of our increase in administrative activities.

Product development costs decreased as we commenced sales of our products. During the three month period in 2006, all production costs were recorded as product development.

Professional fees were lower in 2007 as a result of fees associated with our merger with FII during the three month period in 2006 that did not recur in 2007.

Stock based charges increased as a result of the increase in the number of options that we have granted to employees and a full three month amortization of the value of these options during the three month period in 2007.

Interest expense increased $532,951 which resulted from the accretion of the debt discount on our convertible note entered into in September 2007.

In October 2007 we acquired substantially all of the assets of two entities: Prima Pasta, Inc. and Schlabach Amish Wholesale Bakery, LLC. The combined purchase prices of the assets of the two entities was $750,000 and consisted of cash and the repayment of an existing note receivable. The assets acquired consisted of inventory, equipment, customer lists, trade names and other intellectual property.

We allocated the purchase price of the assets acquired as follows:

Land and Building	$	50,000
Inventory		50,000
Equipment		350,000
Intangible assets		300,000
Total	$	750,000

The combined revenue of the two entities approximated $350,000 during their last fiscal years and each recorded a small profit or loss.

The acquisition of Prima Pasta, Inc. provides us with additional equipment and a second brand name that has shelf space and existing customers. We believe that the additional brand will enhance Amish's market presence and the equipment will provide additional productive capacity.

The acquisition of Schlabach Amish Wholesale Bakery, LLC provides us with a complementary line of products.

Liquidity and Capital Resources

At December 30, 2007, our total assets were $5,862,302, which included cash balances of $1,540,350. We invested $3,226,430 in property and equipment, which was placed in service on March 1, 2007. Our total liabilities were $2,265,596, which is net of discount on our convertible note payable of $4,211,595. Our working capital was $2,096,113 at December 30, 2007.

Despite our negative cash flows from operations of $1,544,433 and $4,020,197 for the three month period ended December 30, 2007 and the year ended September 30, 2007, we have been able to obtain operating capital through private debt funding sources, the sale of shares of our common stock and the exercise of warrants to purchase shares of our common stock. In September 2007 we closed on the sale of a senior secured convertible note in the principal amount of $6,000,000. We received approximately $5,470,000 of net proceeds of which $900,000 was used to repay debt.

We are required to achieve certain financial milestones during the term on this note. We did not achieve the milestone requirements for the period ended December 30, 2007 and therefore the conversion price of this note will be changed to lower of the current conversion price, the arithmetic weighted average price of our common shares for the fifteen consecutive trading days prior to February 24, 2008, or the arithmetic average of the weighted average price of our common shares for the three days with the lowest weighted average price during the fifteen trading days ended February 24, 2008. As the price of our shares of common stock is currently less than the initial conversion price, we expect the conversion price of note will decrease and the number of shares to be issued upon conversion will increase.

In February 2008 we entered into a letter of intent to issue a convertible debenture with face value of $3.125 million. The proposed debenture will bear interest at 10% and be convertible into shares of our common stock at $1.75 per share and be due in two years. In connection with this debenture, we will issue to the investor 2.5 million shares of our common stock and warrants to purchase 5 million shares of our common stock. The warrants will have a life of 7 years and will have an exercise price based upon the value of our common shares at the date of issuance. We will be required to file a registration statement covering the shares to be issued in connection with this transaction and the shares to be issued upon conversion of the debenture and exercise of the warrants.

The terms of the warrants issued in connection with the $6 million convertible note will have their exercise price adjusted to the exercise price of the warrants issued in connection with the new financing.

As of the date of this report, we have begun to generate revenues from our business operations. However, revenues that we are realizing are not sufficient to sustain our operations.

Plan of Operation for the Next 12 Months

During the next 12 months, we plan to continue producing and commence sales of our line of pasta products. We have executed distribution agreements for our products with national food product distributors and will continue our development of products that are complementary to our pasta lines. We commenced sales to our distributors and retail stores in May 2007.

Since inception, we have funded our operations from the proceeds of short-term borrowings, some of which were repaid in October 2006 from the proceeds of private placements of common stock, and the sale of common stock and warrants. Although we expect that, during the next 12 months, our operating capital needs will be met by our current economic resources and, if required, by additional private capital stock transactions, there can be no assurance that funds required will be available on terms acceptable to us or at all. If we are unable to raise sufficient funds on terms acceptable to us or on a timely basis, we may be unable to continue with our business plan. If equity, or convertible debt, financing is available to us on acceptable terms, it could result in additional dilution to our stockholders.

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements at December 30, 2007.

Item 3A(T). Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified under the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Our management, including our Principal Executive Officer and our Principal Financial Officer, does not expect that our disclosure controls or procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within us have been detected.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 6. Exhibits

Exhibit Number	**Description**
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this report.

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.

Amish Naturals, Inc.

(Registrant)

February 14, 2008

/s/ *David C. Skinner, Sr.*

David C. Skinner, Sr.
President, Chief Executive Officer, and Director

Exhibit Index

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