ALL AMERICAN PET COMPANY, INC.
Form 10-Q
November 17, 2010

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

Form 10-Q

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

For the quarterly period ended September 30, 2010

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

Commission file number 001-33300

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

Maryland
(State or other jurisdiction of incorporation or organization)

9601 Wilshire Blvd., Suite M200
Beverly Hills, California
(Address of principal executive offices)

(310) 424-1600
(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Ruble 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

Indicate the number of shares of outstanding of each of the Registrant's classes of common equity, as of the last practicable date: As of November 15, 2010, the Registrant had outstanding 207,410,114 shares of Common Stock, no shares of Preferred Stock, and warrants exercisable for 10,237,031 shares of Common Stock.

ALL AMERICAN PET COMPANY, INC.
FOR THE NINE MONTHS ENDED
September 30, 2010

Index to Report on Form 10-Q

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

ALL AMERICAN PET COMPANY, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2010 (unaudited)	December 31, 2009 (audited) RESTATED
ASSETS		
Current assets:		
Cash	$23,380	$948
Prepaid expenses	2,077,393	210,096
Inventory	69,397	730
Total current assets	2,170,170	211,774
Machinery and equipment , net	14,872	4,510
Other assets	42,300	39,000
TOTAL ASSETS	$2,227,342	$255,284
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$1,582,451	$1,584,952
Accounts payable due to related party	6,982	-
Current portion contest prize	33,333	16,500
Current portion of settlement payable	18,852	-
Share guarantee liability	600,000	-
Accrued officers salaries	-	163,677
Accrued payroll taxes	722,196	653,747
Notes payable – others	349,500	284,500
Note payable - related parties	-	14,838
Accrued interest	140,326	122,183
Total current liabilities	3,453,640	2,840,397
Long-term liabilities:		
Net present value contest prize obligation	318,930	336,500
Settlement payable	21,096	-
Total long-term liabilities	340,026	336,500
TOTAL LIABILITIES	3,453,640	3,176,897
COMMITMENTS AND CONTINGENCIES		
Stockholders' deficit		
Common shares, $0.001 par value, authorized 250,000,000 issued and outstanding September 30, 2010 (207,410,114) and December 31, 2009 (95,551,930)	207,410	96,024
Additional paid-in capital	14,918,245	8,329,903
Common stock subscription receivable	-	(70,000)
Common stock receivable	(52,000)	-
Accumulated deficit	(16,639,979)	(11,277,540)

Total stockholders' deficit	(1,324,181)	(2,921,613)
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$2,227,342	$255,284

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

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ALL AMERICAN PET COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	September 30, 2010	September 30, 2009 RESTATED	September 30, 2010	September 30, 2009 RESTATED
REVENUE	$-	$-	$-	$-
Cost of Goods Sold	-	-	(830)	-
GROSS LOSS	-	-	(830)	-
OPERATING EXPENSES				
Sales and marketing	473,313	194,776	889,129	349,193
General and administrative	870,980	320,162	3,231,200	764,902
TOTAL OPERATING EXPENSES	1,344,293	514,938	4,130,329	1,114,095
LOSS FROM OPERATIONS	(1,344,293)	(514,938)	(4,129,499)	(1,114,095)
OTHER INCOME/EXPENSES:				
Gain on forgiveness of debt	-	-	7,330	-
Other income	-	2	-	30
Interest expense	(101,673)	(12,605)	(239,470)	(43,611)
Share guarantee expense	(120,000)	-	(1,000,000)	-
Derivative expense	1,438	-	-	-
TOTAL OTHER INCOME/EXPENSES	(220,235)	(12,603)	(1,232,140)	(43,581)
LOSS BEFORE INCOME TAXES	(1,564,528)	(527,541)	(5,361,639)	(1,157,676)
PROVISION FOR INCOME TAXES	-	-	(800)	(800)
NET LOSS	$(1,564,528)	$(527,541)	$(5,362,439)	$(1,158,476)
NET LOSS PER COMMON SHARE	$(0.016)	$(0.011)	$(0.054)	$(0.020)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (BASIC)	96,687,993	45,914,216	104,517,606	59,291,796

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

ALL AMERICAN PET COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009 RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(5,362,439)	$(1,158,476)
Provision for income taxes	800	-
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	738	13,702
Amortization of contest prize	(737)	-
Amortized finance cost	46,250	-
Gain on debt forgiveness	(7,330)	-
Common shares issued as additional financing cost	276,292	-
Common shares issued for officer compensation	368,090	-
Common shares issued for services	2,204,345	-
Non-cash share guarantee and extension expense	1,000,000	-
Common shares issued for employee bonus	3,000	-
(Increase) decrease in:		
Accrued interest receivable	-	164,420
Prepaid expenses	26,167	-
Inventory	(68,667)	-
Other assets	(3,300)	-
Increase (decrease) in:		
Accounts payable	(7,121)	91,535
Due to related party	116,982	-
Accrued officer/consulting salaries	20,368	225,000
Accrued payroll	-	(2,000)
Accrued payroll taxes	68,449	38,628
Accrued interest	23,781	(126,700)
Other current liabilities	-	2,916
NET CASH USED IN OPERATING ACTIVITIES:	(1,294,332)	(764,676)
CASH FLOW USED BY INVESTING ACTIVITIES:		
Purchases – equipment	(11,100)	(4,920)
CASH FLOW USED BY INVESTING ACTIVITIES:	(11,100)	(4,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	-	(3,194)
Payment of settlement obligation	(12,052)	-
Proceeds from sale of common shares	1,279,216	1,056,119
Proceeds from notes payable – others	100,000	18,991
Repayment of notes payable – others	(35,000)	(18,991)
Repayment of notes payable – officers	(4,300)	500
Advances to officers	-	(278,181)

NET CASH PROVIDED FROM FINANCING ACTIVITIES:	1,327,864	775,244
Increase (decrease) in cash and cash equivalents	22,432	5,648
Cash at beginning of period	948	992
CASH AT END OF PERIOD	$23,380	$6,640
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE PERIOD FOR:		
Interest	$-	$-
Income Taxes	$800	$800
NON-CASH FINANCING ACTIVITIES:		
Shares issued for interest on notes payable	$103,940	$-
Shares issued for conversion of note payable officer	$48,528	$-
Shares issued to employee for bonus	$3,000	$-
Shares issued to consultants various fees	$5,080,410	$-
Common shares issued for extension of share guarantee	$400,000	$-
Dividends payable on Series A preferred shares reversed	$-	$(135,600)
Shares issued to executive officers	$522,135	$-

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

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Organization and Nature of Operations

All-American Pet Company, Inc. ("AAPC' or the "Company") produces healthy products for dogs, with the core product being super premium dog food. We produce, market and sell our super-premium dog food under the brand names Grrrnola™ Natural Dog Food, BowWow Breakfast Cereal™, and a full line of super premium dog nutritional bars that are portable, convenient and healthy.

All-American Pet Company, Inc. was incorporated in New York in 2003 as a Subchapter S Corporation under the Internal Revenue Code of 1986. On January 27, 2006, All-American Pet Company Inc., a New York corporation, merged with and into All American Pet Company, Inc., a Maryland corporation. Prior to the merger, the Company amended the shareholder agreements to accommodate new investors. In addition, two of the four shareholders at December 31, 2005 converted their common shares into Series A preferred stock (see Note 10). In March 2009, the preferred shares were converted into 5,000,000 shares of common stock.

In January 2008, All American PetCo Inc., a Nevada corporation, was formed as a 100% owned subsidiary and became the administrative operating subsidiary. In April 2009, two additional 100% owned subsidiaries were formed; All American Pet Brands Inc., a Nevada corporation, which will become the sales and manufacturing entity and Bow Wow Million, Inc., a Nevada corporation, which is the Company's contest entity.

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial positions, results of operations and cash flows for the interim periods presented have been included. These financial statements should be read in conjunction with the financial statements and related notes for the year ended December 31, 2009 included in the Company's Form 10-K filed with the Securities and Exchange Commission on March 31, 2010 and the Company's Form 10-K/A filed with the Securities and Exchange Commission on August 19, 2010.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Going Concern

The financial statements have been presented on a going concern basis, which contemplates, but does not include adjustments for the realization of assets and satisfaction of liabilities in the normal course of business. The Company has a limited operating history and limited funds. As shown in the financial statements, the Company incurred a net loss of $5,362,439 and cash used by operations of $1,287,054 for the nine months ended September 30, 2010, and had a working capital deficit of $1,283,470 and stockholders' deficit of $1,324,181 as of September 30, 2010. These factors raised substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company believes that it is appropriate for the financial statements to be prepared on a going concern basis. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company is dependent upon outside financing to continue operations. It is management's plans to raise necessary funds via a private placement of its common stock to satisfy the capital requirements of the Company's business plan. There is no assurance that the Company will be able to obtain the necessary funds through continuing equity and debt financing to have sufficient operating capital to support a level of operations to obtain a level of cash flow to sustain continuing operations. If the Company is successful in raising the necessary funds, there is no assurance that the Company will successfully implement its business plan. The Company's continuation as a going concern is dependent on the Company's ability to raise additional funds through a private placement of its common stock or debt sufficient to meet its obligations on a timely basis and ultimately to attain profitable operations.

Significant Accounting Policies

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Management believes that the estimates used are reasonable. Significant estimates made by management include estimates for bad debts, excess and obsolete inventory, coupon liabilities and other trade spending liabilities.

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

Fair Value of Financial Instruments
The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued payroll and employee benefits, accrued slotting fees and other current liabilities, approximate fair value due to the short maturities of these financial instruments. Notes payable and capital lease obligations are also considered financial instruments whose carrying amounts approximate fair values.

Accounts Receivable and Allowances for Uncollectible Accounts
Credit limits are established through a process of reviewing the financial history and stability of each customer. The Company regularly evaluates the collectability of the trade receivable balances by monitoring past due balances. If it

is determined that a customer will be unable to meet its financial obligation, the Company records a specific reserve for bad debts to reduce the related receivable to the amount that is expected to be recovered.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Stock-based compensation
The Company records stock based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

ASC 505, "Compensation-Stock Compensation", establishes standards for the accounting for transactions in which an entity exchanges its equity instruments to non employees for goods or services. Under this transition method, stock compensation expense includes compensation expense for all stock-based compensation awards granted on or after January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of ASC 505.

Inventories
Inventories consist of raw materials, packaging supplies and finished goods and are valued at the lower of cost (first-in, first-out (FIFO) method) or market.

Machinery, Equipment and Leasehold Improvements
Machinery and equipment are stated at cost. Significant improvements are capitalized and maintenance and repairs are expensed. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. Machinery and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable in accordance with ASC Topic 360. The Company evaluates recoverability of property, plant and equipment to be held and used by comparing the carrying amount of an asset to estimated future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Estimated useful lives are as follows:
Computer equipment 3 – 5 years
Warehouse equipment 5 – 10 years

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

Shipping and Freight Charges
The Company incurs costs related to shipping and handling of manufactured products. These costs are expensed as incurred as a component of warehouse expense. The Company also incurs shipping and handling charges related to the receipt of raw materials, which are recorded as a component of cost of goods sold. Payments received from customers for shipping and handling costs are included as a component of net sales upon recognition of the related sale.

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ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Advertising Costs
Advertising costs, including media advertising, design and printing of coupons, and other advertising, which are included in sales and marketing expense, are expensed when the advertising first takes place. Advertising expenses were $461,494 and $84,886 during the nine months ended September 30, 2010 and September 30, 2009, respectively. Advertising expenses were $247,000 and $23,870 during the three months ended September 30, 2010 and September 30, 2009, respectively.

Normal Spoils Costs
Expenses for spoils that are incurred after our products are received by our customers are recorded as a reduction in gross sales. Expenses for spoils that are incurred while raw materials are stored pending orders are included in costs of goods sold.

Research and Development Costs
Research and development costs are expensed as incurred.

Distribution of Free Products
In order to generate interest in the Company's dog food products, the Company sends free products (sample products) to investors, prospective buyers and consumers. The costs related to these samples are expensed as sales and marketing expenses.

Net Loss Attributable to Common Stockholders
Net loss per share is calculated using the weighted average number of common stock outstanding for the period and diluted loss per share is computed using the weighted average number of common stock and dilutive common equivalent stock outstanding. The weighted average number of common stock outstanding totaling 104,517,606 for the nine months ended September 30, 2010 and 59,291,796 for the nine months ended September 30, 2009. Net loss per share and diluted net loss per share are the same for all periods presented because common equivalent shares of and 10,237,031 and 8,437,031 for the nine months ended September 30, 2010 and 2009, respectively, were not used in the computation of net loss per share because the results would be anti-dilutive. Net loss per share and diluted net loss per share are the same for all periods presented because common equivalent shares of and 10,237,031 and 8,437,031 for the three months ended September 30, 2010 and 2009, respectively, were not used in the computation of net loss per share because the results would be anti-dilutive.

Accounting for obligations and instruments potentially settled in the Company's common stock
In connection with any obligations and instruments potentially to be settled in the Company's common stock, the Company accounts for the instruments in accordance with ASC Topic 815. This issue addresses the initial balance sheet classification and measurement of contracts that are indexed to, and potentially settled in, the Company's common stock.

Under ASC Topic 815, contracts are initially classified as equity or as either assets or liabilities, depending on the situation. All contracts are initially measured at fair value and subsequently accounted for based on the then current classification. Contracts initially classified as equity do not recognize subsequent changes in fair value as long as the contracts continue to be classified as equity. For contracts classified as assets or liabilities, the Company reports changes in fair value in earnings and discloses these changes in the financial statements as long as the contracts remain classified as assets or liabilities. If contracts classified as assets or liabilities are ultimately settled in stock, any previously reported gains or losses on those contracts continue to be included in earnings. The classification of a contract is reassessed at each balance sheet date.

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ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Stock-based compensation
The Company records stock based compensation in accordance with the guidance in ASC Topic 505 and 718 which requires the Company to recognize expense related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

Derivative instruments
In connection with the issuances of equity instruments or debt, the Company may issue options or warrants to purchase common stock. In certain circumstances, these options or warrants may be classified as liabilities, rather than as equity. In addition, the equity instrument or debt may contain embedded derivative instruments, such as conversion options or listing requirements, which in certain circumstances may be required to be bifurcated from the associated host instrument and accounted for separately as a derivative liability instrument. The Company accounts for derivative instruments under the provisions of ASC Topic 815.

During the nine months ended September 30, 2010, the Company entered into convertible debts which will be accounted for as a derivative instrument. As of September 30, 2010, the Company had a derivative liability of $0, since the instruments are not convertible until after 180 days from the date of the instrument.

Income taxes
The Company files income tax returns in the U.S. federal jurisdiction and various states. The Company is subject to U.S. federal or state income tax examinations by tax authorities for years after 2006. During the periods open to examination, the Company has net operating loss (NOL) and tax credit carry forwards for U.S. federal and state tax purposes that have attributes from closed periods. Since these NOLs and tax credit carry forwards may be utilized in future periods, they remain subject to examination.

Principles of Consolidation
The consolidated financial statements include the accounts of All American Pet Company, Inc. (a Maryland corporation), and its wholly-owned subsidiaries All American Pet Company (a New York corporation), All American Pet Brands, Inc. (a Nevada corporation) and Bow Wow Million, Inc. (a Nevada corporation). All significant inter-company balances and transactions have been eliminated. All American Pet Company, Inc., All American Pet Company, All American Pet Brands, Inc., and Bow Wow Million, Inc. will be collectively referred to herein as the “Company”.

2. RECENT ACCOUNTING PRONOUNCEMENTS
References to the “ASC”, "FASB", "SFAS" and "SAB" herein refer to the “Accounting Standard Codification”, "Financial Accounting Standards Board", "Statement of Financial Accounting Standards", and the "SEC Staff Accounting Bulletin", respectively.

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-06 (ASU 2010-06), Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This amendment to Topic 820 has improved disclosures about fair value measurements on the basis of input received from the users of financial statements. This is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the provisions of ASU 2010-06 to have a material effect on the financial position, results of operations or cash flows of the Company.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. MACHINERY AND EQUIPMENT

Detail of machinery and equipment at September 30, 2010 and December 31, 2009 is as follows:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Computer equipment and software	$ 27,094	$ 27,094
Warehouse	11,100	-0-
Total	38,194	27,094
Accumulated depreciation	(23,322)	(22,584)
	$ 14,872	$ 4,510

Depreciation expense for the nine months ended September 30, 2010 and 2009 was $738 and $0, respectively. Depreciation expense for the three months ended September 30, 2010 and 2009 was $246 and $0, respectively.

4. OTHER ASSETS

Other assets include the following at September 30, 2010 and December 31, 2009:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Security Deposits	$ 42,300	$ 39,000
	$ 42,300	$ 39,000

5. PAYROLL TAXES

The Company has not paid federal and state payroll taxes as required and has provided an estimate for any possible penalty assessments and interest. The Company has had preliminary discussion with the Federal and California taxing authorities and as such, it believes that any penalty assessments will be waived upon reaching a cash payment agreement. The amount of payroll taxes due at September 30, 2010 and December 31, 2009 totaled $722,196 and $653,747, respectively.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. ACCRUED INTEREST

Accrued interest include the following at September 30, 2010 and December 31, 2009:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Interest payable	$ 139,526	$ 121,383
State taxes	800	800
	$ 140,326	$ 122,183

7. COMMITMENTS

Operating Leases

Commencing August 1, 2008, the Company entered into a three year lease for its corporate offices. The lease required a security deposit of $15,000 and prepayment of rent of $24,000. Remaining aggregate minimum annual rental commitments under the non-cancelable lease are:

Years ended December 31	Minimum Lease Payments
2010	$ 83,764
2011	65,140

On April 17, 2010, the Company finalized a lease agreement for a bar-forming machine. The quarterly lease payment is $16,935 for a five-year lease with a purchase option of $80,709 at the end of the lease. With a minimum of 90 days prior to the expiration of the initial lease term, the Company can elect (1) to not renew the lease and return the equipment, (2) purchase the equipment for $80,709 or (3) renew the lease for an additional 5 years with quarterly lease payments of $8,468. If the Company does not elect one of the 3 options, then the term of the lease shall be automatically extended for one additional year with quarterly lease payments of $12,701 during the renewal term and any subsequent annual renewal terms. The Company has recorded this as an operating lease.

Years Ended December 31	Minimum Lease Payments
2010	$ 50,805
2011	67,740
2012	67,740
2013	67,740
2014	67,740

Rent expense for the nine months ended September 30, 2010 and September 30, 2009 totaled $33,870 and $0, respectively. Rent expense for the three months ended September 30, 2010 and September 30, 2009 totaled $20,238 and $14,894, respectively.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. NOTES PAYABLE - OTHERS AND NOTE PAYABLE – RELATED PARTY

At September 30, 2010 and December 31, 2009, outstanding debt consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Notes Payable – Non-Related Parties		
Notes payable – In Default. Accrued 10% due on demand	$ 199,500	$ 204,500
Note payable, other, interest at 15% per annum. Interest and principal due on demand	50,000	50,000
Note Payable to other, interest at 8% per annum. Interest and principal due on demand	-	30,000
Convertible Note Payable, interest at 8% per annum. Interest and principal due on March 17, 2011, Convertible into shares of common stock at a discount of 45% based on the average of the lowest 3 trading prices during a 10 day period ending 1 day prior to the conversion date	30,000	-
Convertible Note Payable, interest at 8% per annum. Interest and principal due on February 4, 2011, Convertible into shares of common stock at a discount of 45% based on the average of the lowest 3 trading prices during a 10 day period ending 1 day prior to the conversion date	40,000	-
Convertible Note Payable, interest at 8% per annum. Interest and principal due on May 31, 2011, Convertible into shares of common stock at a discount of 45% based on the average of the lowest 3 trading prices during a 10 day period ending 1 day prior to the conversion date	30,000	-
Total notes payable non related parties	349,500	284,500
Notes payable - related parties		

Notes payable - officer, interest at 15% per annum. Interest and principal due upon demand		-		10,538
Notes payable - related parties other, interest at 12% per annum. Interest and principal due on demand		-		4,300
Total notes payable related parties		-		14,838
Total notes payable	$	349,500	$	299,338

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ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. NOTES PAYABLE - OTHERS AND NOTE PAYABLE – RELATED PARTY (CONTINUED)

Notes Payable - Others

On April 27, 2004, the Company entered into a unsecured note payable agreement with an individual to borrow $150,000 at 10% interest per annum. The note was payable on April 27, 2005. As a condition of entering into the note, the Company was also required to pay additional fees totaling $50,000 upon maturity of the note. The Company considered this amount to be additional interest and, accordingly, recorded it as an expense using the effective interest method over the term. The Company paid $5,000 of interest during the note term and on April 27, 2005 the note was amended to require a five-month repayment of all accrued principal and interest and an additional $30,000 of fees. The additional fees were also accrued as interest expense using the effective interest method. The Company made payments aggregating $10,000 during the new term and on September 30, 2005 became in default of this obligation. All accrued interest as of September 30, 2005 was recorded to reflect the total unpaid principal obligation of $232,000 at December 31, 2005.

The Company paid $12,500 on the principle note during 2006 and $15,000 on the principle note during 2007. As of June 30, 2010 and December 31, 2009 the total unpaid principal obligation was $204,500. The Company had paid no additional principle or interest payments during 2008 and 2009. On September 28, 2010 the Company made payments of $5,000. As of September 30, 2010, the total unpaid principal obligation is $199,500. Accrued interest payable at September 30, 2010 and December 31, 2009 is $95,457 and $80,288, respectively.

During 2006, the Company borrowed additional funds of $62,500 from two unrelated individuals and $1,138 from an unrelated company to fund current operations. The notes were due on October 13, 2007 with accrued interest at 15% per annum. The Company made payments of $2,000 and $1,138 to the unrelated individuals and unrelated company during the years ended December 31, 2006 and 2008. One note of $10,500 was converted into 284,479 shares of common stock including accrued interest of $6,569 on May 31, 2009. The Company is now in default on the obligation to the unrelated individuals totaling $50,000. Accrued interest in the amount of $27,488 and $21,878 is included in interest payable at September 30, 2010 and December 31, 2009, respectively.

Unsecured Note dated November 3, 2009, in the amount of $30,000, was due January 3, 2010, with interest accrued at $500 per month and additional consideration of 400,000 shares of common stock paid. This note was paid in full on March 9, 2010. If the Company failed to pay principal when due and such failure continues for a period of Five (5) days after the end of the grace period, the principal must be paid on/or before the expiration of the Five (5) days grace period. The Holder will get $500.00 every 30 days as additional interest and 100,000 shares of additional Common Stock as a penalty. All will be due and payable along with all principal and interest owing on note as per its terms. The Note Payable was repaid by two payments: one on February 3, 2010 for $15,000 and the last payment on March 8, 2010 for $16,500 which included $1,500 of interest. The shares referenced above have been issued, the value being recorded as additional interest expense.

Convertible Debt

On May 4, 2010, the Company entered into an unsecured, convertible promissory note with an unrelated third party for $40,000. The loan bears interest at 8% per annum and a balloon payment of principal and accrued interest is due on February 4, 2011. At any time 180 days after the date of the note, the lender can convert the principal and accrued interest into shares of the Company’s common stock at a 45% discount based on the average of the lowest three trading prices during a ten day period ending one day prior to the conversion date. As of September 30, 2010, the principal amount due is $40,000.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. NOTES PAYABLE - OTHERS AND NOTE PAYABLE – RELATED PARTY (CONTINUED)

On June 15, 2010, the Company entered into an unsecured, convertible promissory note with an unrelated third party for $30,000. The loan bears interest at 8% per annum and a balloon payment of principal and accrued interest is due on March 17, 2011. At any time 180 days after the date of the note, the lender can convert the principal and accrued interest into shares of the Company's common stock at a 45% discount based on the average of the lowest three trading prices during a ten day period ending one day prior to the conversion date. As of September 30, 2010, the principal amount due is $30,000.

On August 27, 2010, the Company entered into an unsecured, convertible promissory note with an unrelated third party for $30,000. The loan bears interest at 8% per annum and a balloon payment of principal and accrued interest is due on May 31, 2011. At any time 180 days after the date of the note, the lender can convert the principal and accrued interest into shares of the Company's common stock at a 45% discount based on the average of the lowest three trading prices during a ten day period ending one day prior to the conversion date. As of September 30, 2010, the principal amount due is $30,000.

Note Payable – Related Parties

Note Payable- Officer
On August 29, 2006, the Company entered into an unsecured note with an officer/stockholder in the amount of $25,000. The note accrues interest at 15% per annum and is due on demand. The Company made payments of $10,000 during the year ended December 31, 2006 and payments of $4,962 during the year ended December 31, 2007. The officer loaned the company $500 in May 2009 bringing the note balance to $10,538. On April 5, 2010, the Company converted the note amount of $10,538 with interest of $5,638 into 808,793 shares of common stock.

Note Payable- Related party

On May 28, 2008, the Company entered into an unsecured note, 12% interest, in the amount of $6,800. The terms of this note provided that the note holder would from time to time provide funding up to $30,000 balance. There have been a number of advances and repayments of principal and interest during the term of this note. On September 30, 2010 the Company made payments of $4,300 to reduce the principal amount of this note to $0.00

9. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2010, the Company advanced an additional $90,577 as payments towards accrued officers' salaries. As of September 30, 2010 and December 31, 2009, the balance of accrued officer's salaries, totaled $0 and $163,377, respectively. In September 2010 the Company's CFO converted $80,000 of debt and past due salary to 2,000,000 shares of Common stock at a price of $0.04 per share.

10. STOCKHOLDERS' DEFICIT

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

corporation.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. STOCKHOLDERS' DEFICIT (CONTINUED)

Increase in Authorized Common Stock
On October 13, 2009, the Company held a stockholders' meeting and the stockholders voted to increase the authorization of common stock from 50,000,000 shares to 250,000,000 shares.

Private Placement of Common Shares
During the year ended December 31, 2009, the Company raised $1,010,242 (net of $70,000 subscription receivables) from private placement sale of 19,800,114 shares of common stock. During the nine months ended September 30, 2010, the Company raised $1,256,536 from private placement sale of 21,397,084 shares of common stock.

During the period from July 1, 2010 to September 30, 2010, the Company received $696,700 in funds from the private placement of the Company's stock at prices ranging from $0.04 to $0.06 per share and issued 12,842,500 shares of common stock at an average price of $0.058 to the investors.

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

Warrants Issued with Shares of Common Stock
The Company raised $360,000 in 2009 from the sale of 6,000,000 shares of Common Stock. As a result, the Company issued warrants for 1,800,000 shares at an exercise price of $0.10 per share. As an additional consideration, a Black Scholes calculation determined the value of the warrants was $144,000 at December 31, 2009. The Black Scholes calculation takes into consideration the following assumptions: 1,800,000 as number of shares, a stock price of $0.08, an exercise price of $0.10, a two year term, volatility rate of 106%, discount rate of .01%, and immediate vesting

period.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. STOCKHOLDERS' DEFICIT (CONTINUED)

Warrants Outstanding
A summary of the Company's outstanding warrants and activity as of September 30, 2010 and December 31, 2009 is as follows:

	Number of Units		Weighted-Average Exercise Price per Share
Outstanding at December 31, 2007	3,437,031	$	0.15
Granted August 2008	5,000,000	$	0.17
Outstanding December 31, 2008 and June 30, 2009	8,437,031		
Granted December 2009	1,800,000	$	0.10
Outstanding at December 31, 2009 and September 30, 2010	10,237,031	$	0.16

The weighted-average remaining contractual life of the warrants outstanding at September 30, 2010 is from four to ten years.

Common Shares to Vendors and Consultants
On April 5, 2010, an officer converted a note in the amount of $16,176 to 808,793 shares of restricted Common stock. The fair value of the shares was $48,528 and the difference of $32,352 was charged to interest expense.

On April 8, 2010, the Board of Directors reached an agreement with certain officers of the Company to convert their past due accrued salary to shares of common stock. Lisa Bershan, President, converted $90,645 in accrued salary to 4,532,267 shares, Victor Hollander the CFO converted $30,000 to 1,500,000 shares of common stock, and Barry Schwartz, CEO, converted $93,400 in accrued salary to 4,669,986 shares of common stock.

During the nine months ended September 30, 2010, the Company issued 72,228,830 shares of common stock valued at $4,993,181 to various consultants and professionals for services rendered and to be rendered. Since the shares were issued for services to be performed over a period of time the Company recorded prepaid expenses and the value is amortized over the service period. All restricted trading shares were valued based on the price of the ongoing private placement. All free trading shares were valued based on the market price of the shares as quoted on the primary quotation service where the shares are traded on the date of issue. Shares were issued at prices ranging from $0.04 per share to $0.12 per share. Of the total shares issued, the Company issued 2,250,000 shares of its restricted common stock valued at $135,000 to pay finder's fee for referred funding sources. Of the total shares issued, the company negotiated to pay accrued fees to two marketing consultants with shares of restricted common stock. The Board of Directors authorized the transaction on April 7, 2010. Accrued fees of $6,693 were converted to 334,628 shares of common stock and $59,554 in accrued fees was converted to 2,977,714 shares of common stock.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. STOCKHOLDERS' DEFICIT (CONTINUED)

During the period from April 1, 2010 to September 30, 2010, the Company issued 6,000,000 shares of common stock to two individuals related to the conversion of preferred stock to common stock described above. The fair value of the shares was $400,000. See note above in Conversion of Preferred Stock to Common Stock.

In addition to the shares issued for cash the company also used shares to pay for services to retain working capital. The Company issued 11,000,000 shares of its Common stock at a price of $0.06 per share valued at $660,000 on September 30, 2010 to pay for talent, production costs and media time for a series of video advertisements to promote the launch of its products and build brand recognition for the Company and its products. The Company issued 2,500,000 shares of Common stock on September 30, 2010 for technical production expertise from consultants at a price of $0.06 per share valued at $150,000. The Company issued 2,750,000 shares of its Common stock for distribution and manufacturing advisors in the European Community at a price of $0.06 per shares for a value of $165,000. The Company issued 7,000,000 for financial advisory and public relations services from advisors in the European Community in September of 2010 at a price of $0.06 per share for a value of $420,000.The Company issued 4,500,000 shares of Common stock to reimburse the Company's sales and distribution licensee for the costs of delays experienced by the Company in being able to deliver its products. The shares were issued to cover the settlement of these expenses for the 12 months ending September 30, 2010 in the amount of 4,500,000 shares at $0.06 per share valued at $270,000. Shares were issued to the Company's marketing consultant based on converting $80,000 of debt to 2,000,000 shares of Common stock. The Company issued 3,000,000 shares to as a distributor fee for the distribution agreement for sales in the New York Tri-state area in the amount of 3,000,000 shares of Common stock the price was $0.06 per shares and valued at $180,000.

Stock Based Compensation
The Board of Directors adopted the 2010 Non-Qualified Professional, Consultant, & Employee Stock Compensation Plan on September 8, 2010. The purpose of the Plan is to provide compensation in the form of Common Stock of the Company to eligible professionals, consultants and employees that have previously rendered services or that will render services during the term of the 2010 Plan.

The Plan shall be administered by the Board of Directors, subject to the Corporation's Bylaws, all decisions made by the Directors in selecting eligible Common Stockholders, establishing the number of shares, and construing the provisions of this Plan shall be final and conclusive. Shares shall be granted only to Professionals, Consultants and Employees that are within that class for which Form S-8 is applicable.

The total number of shares of Common Stock to be subject to this Plan is 35,000,000. The shares subject to the Plan will be registered with the SEC on or before September 30, 2010 in a Form S-8 Registration.

Stock Receivable
The Company has moved forward with settling former employee litigation, the amount of which was approximately $260,000. See Item 1 of Part II. Even though one matter has been settled and one matter is now not in litigation the final cost to the Company is expected to be considerably less than the full amount of the original litigation. The final outcome of these matters is pending fulfillment of settlement agreements and final terms of a negotiation with the other two parties. On April 6, 2010, the Company settled the litigation with one of these employees who claimed to be

owed $80,000 for $52,000 to be paid over a 27-month period. As part of the settlement, the former employee has returned 400,000 shares of the Company's common stock valued at $52,000 to the escrow agent. The escrow agent will return all of the shares to the Company once all of the payments are made to the former employee. The Company has recorded $52,000 as a common stock receivable for the shares in escrow.

ALL AMERICAN PET COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LITIGATION AND JUDGMENTS

The Company was and is involved in various litigations with trade creditors. Currently there are ten judgments against the Company in the aggregate amount of approximately $189,000.

12. CUTEST DOG COMPETITION

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

The present value of the $1,000,000 obligation payable over 30 years at 7.5% present value is $336,500. The discount of $663,500 is being amortized over 30 years with an annual cash payment of $33,333.

13. SUBSEQUENT EVENTS

Capital Leases-

On April 14, 2010, the Company entered into a lease for equipment to be utilized in its packaging and distribution facility in Nebraska. The capital lease has a bargain purchase option of $1 at the end of the three year lease. The initial payment on the lease was $26,555 with monthly payments of $3,480. However, the Company did not remit the initial deposit and did not receive the equipment and renegotiated the lease to commence during the fourth quarter of 2010.

Years Ended December 31	Minimum Capital Lease Payments
2010	$ 54,395
2011	41,760
2012	41,760
2013	13,920

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

Overview

The Company produces healthy products for dogs, with the core product being super premium dog food. We produce, market and sell super-premium dog food under the brand names Grrrnola™ Natural Dog Food, BowWow Breakfast Cereal™, and a full line of super premium dog nutritional bars (a full 8 ounce meal serving) in a 4 ounce bar that are portable, convenient and healthy. We believe that this new form of super premium dog food will revolutionize the industry for the dog "on the go". They bring the convenience of a dog food without the bag and the bowl as well as the opportunity of selling the bars not only to mass merchants, supermarkets and pet centers but in drug stores and convenience stores which carry a limited range of dog food. Baby boomers and two family earners are shopping more frequently in full service drug and expanded convenience stores. Convenience of prescriptions, health and beauty with expanded food choices from a smaller conveniently located store location has sparked a proliferation of new product opportunities for new product forms for the consumers. Informed consumers know that their health and well-being of their dogs are linked, so the heart healthy Grrrnola Natural Dog Food Bar as well as the Breakfast Bars, double as a heart healthy snack as well. Just as Kellogg revolutionized the industry with their Nutra-Grain Bars for humans, creating a $3.4 billion category, the All American Branded Bars for Dogs will be the industry phenomenon in pet food. We plan on expanding these product lines with additional packaging alternatives, additional flavors and additional bars (e.g. Nutritional Bars, Energy Bars, Food Supplement Bars and Power Bars) if we are able to secure adequate funding to do so.

Based on our review of the available products in the dog food market, we believe we have also developed the first line of commercial super premium dog food specifically targeted for the morning meal. As part of our marketing strategy, we have shaped and packaged our products similar to breakfast cereals. Bow Wow Breakfast™ Cereal provides a complete and balanced start to any dog's day. Our premium blend of natural ingredients provides essential nutrients optimized to promote dog nutrition, health and vitality. Bow Wow Breakfast is available in three flavors and textures; Chompions,™ Chewabunga™ and Fido Flakes.™

Grrr-nola™ Natural dog food is a multi-meal every-day super premium dog food formula. Veterinary health experts recommend feeding dogs twice a day— breakfast being one of those meals—to lower the risks of obesity, diabetes, cardiac stress and minimizing bloating. It is the same natural formula as Bow Wow Breakfast Cereals without the food coloring and flavoring.

Unlike most dry dog foods, all of our dog food products have chicken as the main ingredient. All our products are made in the U.S.A., are 100% safe and Wheat Gluten Free and have never been affected by any pet food recall.

We have arrangements with non-affiliated dog food manufacturers to produce our products according to our specific instructions. We have approached mass merchants, pet centers, supermarket chains, drug store chains, and convenience store chains to shelve and sell our products in their stores. Through this process, we have developed an internal sales team as well as a network of food brokers with strong relationships with retail chain stores nationwide with over 75,000 stores that carry pet food and pet snack products. We have also brought in outside merchandising experts to market our products, and to increase public awareness of our products. If our efforts to shelve our products are successful, we will enter into purchase orders with manufacturers for the delivery of specified amounts of our products, which we will in turn distribute to stores that have agreed to shelve our products.

We are currently the only dog food company which recommends on its packaging that dogs should be fed two meals a day, and we are the only dog food company that is endorsed by a cardiac veterinarian surgeon. In addition, we are the only dog food company in the United States, which has developed a proprietary formula for a dog food bar that has the consistency of a candy bar with the nutritional content of our super premium formula.

Educating the public regarding our products and the benefits dogs will receive from our products is an important aspect of our business. We have used the latest media and promotional techniques to educate consumers about the health benefits of our dog food products, which will in turn, we believe, lead to sales of our products. The current media driven tools we have used include, direct marketing and data gathering programs, internet marketing, strategic media, promotional alliances, traditional and non-traditional advertising campaigns and national, local and print news interviews. We also intend to use loyalty mass mailers, "end cap" displays and related sales promotions, and high profile shopping center publicity events.

We began developing the formulation of our line of super-premium dog food in March 2003, and spent 18 months developing production in the U.S. with the strictest adherence to government regulations and domestic raw materials to insure the highest quality product. Management also developed the packaging and marketing materials and launched its sales strategy in late 2005 and 2006. During the product launch the company developed distribution channels that resulted in the placement of the Bow Wow Breakfast product line in 7,800 supermarket chain stores.

Manufacturing

We currently rely on one non-affiliated dog food manufacturer, C.J Foods, Inc., which produces our dog food, and three non-affiliated packaging companies (two that produces the cartons for our products, and two of which will produce the bags for packaging our products and one that produces the wrappers for our bars). We purchase approximately 86% of the materials necessary for the production of our products from these six parties. We purchase the other 14% of the materials necessary for the production of our dog food, which includes the master cases to house our dog food bags and boxes, as well as the pallets on which our cases of dog food are shipped, from various packaging and shipping companies. We do not maintain supply agreements with these parties, but instead purchase products through the use of purchase orders in the ordinary course of business. During the first quarter of 2010, AAPT obtained a human food-grade forming machine through a leasing agreement with an option to purchase. This equipment will be used to produce the “Bars” at our dog food manufacturer’s facility. We also obtained packaging equipment to wrap, carton and case pack our “Bars”. This equipment was also purchased through a lease agreement with an option to buy. In addition, we signed a warehouse lease in Nebraska City, Nebraska where we will do all of our “Bar” packaging, as well as receive, store, stage and ship all of our products.

Sales and Marketing

The wholesale price for the Company's dry product is expected to be approximately $1.00 per pound, and the Company has never operated at a profit. The lack of sales in 2009 resulted from the fact that we did not have the funds necessary to manufacture or promote any of our products in a proper manner, and we did not have any funds to pay any other costs necessary to place our products in stores where they could be sold.

Our ability to successfully market our products is essential to our business. During 2009, we did not have sufficient financial resources to support an effective marketing program, and consumers were largely unaware of our products. In addition, because we did not have adequate financial resources to distribute marketing materials to consumers, develop internet viral marketing programs and social network programs that were available to us, we were unable to disseminate information about our products on a broad scale, and we were unable to "target-market" possible consumers.

Marketing All American Pet's brands began in 2009 with running trade advertising to build the presence of our product line with buyers and retail merchandisers. We started building awareness for our brands in every way using every media, mostly through editorials about our product lines through Public Relations, which included TV appearances that were virally distributed. We started promoting multi location charity events that raised funds for canine cardiac care for dogs and we have supported people with dogs who are contemplating giving up their dogs due to today's economics of rising unemployment, rising foreclosures, higher costs of veterinary care and overflow of shelters. We started a program of "Keeping Family's Together" which assists people and their dogs that have a need for help. At the end of the third quarter of 2010, our products were accepted in approximately 12,000 stores, ranging from mass merchants, supermarkets and drug store chains. To achieve our sales goals in 2010, we will need to shelve our products in approximately 15,000 stores by the end of 2010. In order to shelve our products in stores, we will require significant additional capital to be able to pay slotting fees and to manufacture and deliver our products, which we currently do not have. There is no assurance that we will be able to raise sufficient capital to meet our sales goals.

The Company entered into a license agreement in August 2009 that expands the Company's sales and marketing capacity. The agreement grants AAP Sales and Distribution Inc., a non-affiliated company, a non-exclusive license agreement to sell, distribute under certain conditions and with the supervision of All American Pet Company Inc. manufacture the Company's products, which will augment our ability to cover the market place. The non-exclusive agreement allows the licensee the use of AAP's intellectual property and branding to manufacture and sell a specific list of AAP's product lines. The agreement allows the company to leverage its properties and AAP will receive advance payments, minimum royalties and a royalty on all sales of product by the licensee based on sales and guaranteed payments providing an attractive economic benefit to AAP.

AAP retains the rights to all of its formulas trade secrets and brands. The license covers AAP's products "Heart Healthy" Dry Dog Food, the Grrr-nola™ Natural Food Bar, 4oz bags, 4 lb. bags, 8 lb. bags, 17.6 lb. bags, and 30 lb. bags of dry dog food. In addition, the licensee has the right to use the trademarks as well as the brand names, All American Pet Brands™, Grrrnola™ Natural Dog Food, Chewabunga™ Healthy Breakfast For Dogs, Bow Wow Breakfast™ and Grrr-no Multi-Grain Food Bar and others to be mutually agreed upon. The agreement provides that AAP receive advance payments, minimum royalties and a royalty on all sales of product by the licensee based on sales and guaranteed payments. As of September 30, 2010, $0 has been earned in revenue.

We are now focused on selling to supermarkets, big box retailers, pet specialty stores, convenience and drug stores. In addition, to our internal sales team, we have hired six (6) Sales Broker Organizations that cover the country with their sales teams to promote All American Pet Company Products. These Companies are compensated on receipt of purchase orders as well as reorders. This select group has been hand picked based on their experiences in the pet category, and their relationships that they have built over the years in the entire industry (Supermarket, Mass Merchant, Big Box, Drug Store, Convenience Stores, Dollar Stores and Truck Stops). The AAP selling team along with our food broker coverage will speed the introduction of our products to more major chains and help us realize our goals of a national distribution footprint in 2010.

As discussed elsewhere in this 10Q, our marketing and promotional activities have been severely constrained due to a lack of funding. In 2009 we entered into a marketing partnership with Disney/Pixar to promote their first joint animated 3D movie "UP". We placed over 150,000 samples of our products in close to one hundred theatre locations nationwide that premiered the movie. In 2010, because of the success of this promotion, we are in discussions with Disney to partner with them on future movie premieres as well as partnering discussions with Warner Brothers and Fox Studios. In the last 4 months of 2009 we created a nationwide viral marketing contest known as the "Cutest Dog Competition" in which AAPT accumulated over a quarter of a million (250,000) registered voters with more than sixty thousand (60,000) active photo entries. In the last eight weeks of the "Cutest Dog Competition", AAP received an average of two million five hundred thousand-page views per day with over one hundred and fifty four million (154,000,000) total page views. In this time period this website moved into the top three thousand (3,000) most visited websites on the Internet. The winner of the "Cutest Dog Competition was announced on our website as well as at a media event on Thanksgiving Day. Prizes were distributed for regional winners, and the top regional winners qualified for the final event. Regional winners then competed for the title of the "Cutest Dog Competition" and the $1 million winner was announced on Thanksgiving Day. We intend to participate in other events to enhance our position in an attempt to secure corporate promotional alliances and sponsorships, and to create a virtual community on the Company's website through interactive consumer participation. AAP's marketing department has planned a viral marketing campaign, along with the other activities, contests, promotions to create "Buzz" and brand recognition for the company's products.

It is important to recognize that although we have expended significant resources to market our products as described above, we will not be able to implement or utilize these opportunities and arrangements unless we obtain enough additional capital necessary for the implementation of the planned activities for sales and marketing in the near future.

Competition

The pet food business is highly competitive. Virtually all of the manufacturers, distributors and marketers of pet food have substantially greater management, financial, brand recognition, research and development, marketing and manufacturing resources than we do. Competitors in the super-premium pet food market include, among others: Colgate-Palmolive Co. whose major brands include Hills' Science Diet; Proctor and Gamble whose major dog food brands are Iams and Eukanuba and Nestle Corporation whose major dog food brands are Purina.

In addition, we compete with current private label supermarket high-priced dog foods, as well as private label premium dog foods offered in the specialty pet stores and mass merchants. We believe that the dog food recalls that occurred in 2009 has led to the opening of some shelf space in supermarket stores and mass merchants, pet centers as well as drug store locations. Although dominant existing premium pet food brands are not currently available in supermarkets and mass merchants, there can be no assurance that this situation will continue because barriers to entry in our industry are relatively low especially for existing brands with greater financial and marketing capabilities than us.

Regulation

We are subject to a broad range of federal, state and local laws and regulations intended to protect public health, natural resources and the environment. Our operations are subject to regulation by the Occupational Safety and Health Administration ("OSHA"), the Food and Drug Administration ("FDA"), the Department of Agriculture ("DOA") and various state and local authorities regarding the processing, packaging, storage, distribution, advertising and labeling of our products, including food safety standards. Due to the widely publicized pet food recalls from 2007-2009, both our Company and our dog food supplier are doing more quality assurance testing for melamine, and other potential microbial contaminants. A task force has been established to assert more stringent "country of origin" labeling. We will be working with our supplier and the FDA in solving this industry wide issue. In addition, our Manufacturer tests all production runs for microbial contaminants as well as salmonella testing on all lot numbers. Our manufacturer will also be researching amino acid profiling of new suppliers to validate the legitimacy of protein sources.

Employees

As of September 30, 2010, we had six full-time employees of which two are founding officers. We also have three consultants who work with us on a part-time basis to assist in local marketing, public relations activities, and financial matters.

Results of Operations

The statements contained in this report that are not purely historical are forward-looking statements. "Forward-looking statements" include statements regarding our expectations, hopes, intentions, or strategies regarding the future. Forward-looking statements include: statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending, and our product development strategy; statements regarding future capital expenditures and financing requirements; and similar forward-looking statements. It is important to note that our actual results could differ materially from those in such forward-looking statements.

Summary of the Company and its Current Status

The Company has never operated at a profit, the total liabilities have increased in the nine month period by $276,743 and Notes Payables-Others increased by $100,000 and decreased by $35,000. The Company has continued to seek and obtained substantial new equity investment, however, the company remains under significant financial strain primarily because its lack of sales and limited operating funds. The lack of significant sales results from the Company not having enough funds necessary to support the manufacture of its products, and not having all of the funds necessary to market its products or to pay the other costs required to place its products in stores where they can be sold.

The Company's Business Model

At this time the Company does not operate its own dog food manufacturing facility. We currently contract with one non-affiliated dog food manufacturer that has the capacity to enable the company to reach sales in excess of 50 million dollars annually. We plan to use this company for all of the production of our dog food in the near future along with five non-affiliated packaging companies (two that produce the cartons for our products, two that produce the bags for packaging our products and one that produces the wrappers for our bars). We maintain strict quality assurance and quality control standards when producing all our products. With respect to our dog food manufacturer, for example, when we produce any of our dog food products, at least one of our employees is present at the manufacturing facility to supervise production, and to test the quality and ingredients of the dog food. We have leased warehouse space to store our products. The warehouse space requires meeting government standards and very strict quality control benchmarks.

We intend to generate revenue from the sales of our super-premium dog food products to mass merchants, supermarkets, pet centers, and drug store customers, which we refer to in this section as retail customers. Our focus initially is to concentrate on the mass merchants and pet centers, because they do not require their retail suppliers to advance or spend funds on sales incentives and other promotional costs. In addition these types of retail chains do not charge slotting fees for placement of products on their shelves. We will follow this strategy with refocusing our sales to supermarket and drug store customers. Revenue arrangements with supermarket and drug store customers include sales incentives and other promotional costs such as coupons, volume-based discounts and off-invoice discounts. In addition, we may pay "slotting fees," which are upfront fees paid based on an oral arrangement with a supermarket customer to have our products placed on its shelves. Slotting fees are a one-time fee paid to a supermarket customer. Additional slotting fees may be incurred with a supermarket and grocery store customer in the future if additional products are sold. As we continue to build out our distribution network to the supermarket customers, we anticipate incurring additional slotting fees. We record slotting fees as a reduction of gross sales. We do not currently have sufficient funds to pay the slotting fees necessary to shelve our products with retail customers at a level necessary to sustain our operations or generate revenue and that is why we re-strategized our position to do business with the mass merchants, pet centers and drug stores.

Results of Operations for the Nine Months Ended September 30, 2010 compared with the Nine Months Ended September 30, 2009

The following discussion of the results of operations should be read in conjunction with our financial statements and notes thereto for nine and three month periods ended September 30, 2010 and September 30, 2009 (restated) included in this Quarterly Report as well as the financial statements included in our Form 10-K/A for the year ended December 31, 2009 (restated).

For the nine months ended September 30, 2010, there were no sales. Sales and marketing expenses increased by $539,936, which consisted mainly of an increase of $434,407 in advertising and an increase of $292,500 in local marketing. General and administrative expenses increased $2,466,298. This amount consisted mainly of the increase of $1,852,075 in consulting expenses, an increase of $116,353 for payroll and payroll taxes, an increase of $357,420 for professional fees and an increase of $125,577 in officers expenses and salaries,.

Results of Operations for the Three Months Ended September 30, 2010 compared with the Three Months Ended September 30, 2009

For the three months ended September 30, 2010, there were no sales. Sales and marketing expenses increased by $278,537, which consisted mainly of a decrease of $47,140 in PR/Website, an increase of $233,130 in advertising and an increase of $292,500 in local marketing. General and administrative expenses increased $550,818. This amount consisted mainly of the increase of $514,993 in consulting expenses, an increase of $74,708 for business expenses and an additional increase of $92,385 of other general and administrative expenses.

Because of our lack of funding and lack of promoting our products sufficiently, we have incurred high costs while generating no revenues. As a result, we have experienced large operating losses and negative cash flow. At September 30, 2010 and December 31, 2009, we had a working capital deficit of $1,056,327 and $2,628,623, respectively, and a stockholder’s deficit of $1,339,181 and $2,921,613, respectively. We have funded our operations primarily through the issuance of equity securities and debt. Ongoing working capital requirements will primarily consist of marketing, promotional and advertising expense and reducing our liabilities. We believe that our revenue growth and future profitability will depend on the success of our funding, sales strategies with the mass merchants and pet centers and marketing strategies. Our limited operating history makes it difficult to evaluate our prospects for success and our revenue and profitability potential is unproven.

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Liquidity, Capital Resources and Going Concern

The Company incurred a net loss of $5,362,439, and cash used from operations of $1,294,332, for the nine month period ended September 30, 2010, and a working capital deficiency of $1,283,470 and a stockholder deficiency of $1,324,181 at September 30, 2010. These matters raise substantial doubt about our ability to continue as a going concern.

In their report in connection with our 2009 financial statements, our independent registered public accountants included an explanatory paragraph stating that, because we incurred a net loss of $2,013,798 and a negative cash flow from operations of $1,000,450 for the year ended December 31, 2009, and a working capital deficiency of $2,965,123 and a shareholders' deficiency of $2,921,613 at December 31, 2009, there was substantial doubt about our ability to continue as a going concern.

Our principal sources of liquidity have been sales of equity securities and borrowings. To meet our current requirements to operate, the Company is currently attempting to undertake the sale of additional equity and debt to raise these funds. There are currently no commitments or other known sources for this funding. If these funds are obtained, our principal uses would be to meet our debt service requirements, marketing and advertising expenditures, and operating expenses. Until cash generated from operations is sufficient to satisfy our future liquidity requirements, we are investigating purchase order and accounts receivable funding from different sources. In addition, we will be looking to seek additional funds through the issuance of additional common stock with another round of funding. There are currently no commitments or other known sources for this funding. If these funds are obtained, it would result in additional dilution to our stockholders. Financing may not be available in the future in amounts or on terms acceptable to us, if at all.

There were accounts payable of $1,584,952 on December 31, 2009 and $1,582,451 on September 30, 2010. There is a certain portion of these accounts payable of $501,702 that may no longer be due based on the fact that these creditors have made no effort to collect or settle and the ability of these creditors to collect because of Statute of Limitations laws. Based on the advice of legal counsel and the confirmation of the company’s yearend audit procedures it is expected that payables will be reduced by an amount of between $501,702 to $627,127 in the fourth quarter subject to final audit confirmation at year end. The company is also taking aggressive action to reduce payables and debt utilizing shares of its common stock when it is favorable to do so and cash from funding efforts as well. We realize that it is difficult to predict the amount of payables and debt that will be reduced or may be paid off at a discount, however we believe that we will have some level of success in the process of reducing our debt and payables to improve the balance sheet.

During the year 2009, 10,293,150 shares of Common Stock were issued for consultants’ fees of $617,588 and 50,000 shares of common stock was issued for an Employee Bonus of $3,000.

On May 4, 2010, the Company entered into an unsecured, convertible promissory note with an unrelated third party for $40,000. The loan bears interest at 8% per annum and a balloon payment of principal and accrued interest is due on February 4, 2011. At any time 180 days after the date of the note, the lender can convert the principal and accrued interest into shares of the Company’s common stock at a 45% discount based on the average of the lowest three trading prices during a ten day period ending one day prior to the conversion date. As of September 30, 2010, the principal amount due is $40,000.

On June 15, 2010, the Company entered into an unsecured, convertible promissory note with an unrelated third party for $30,000. The loan bears interest at 8% per annum and a balloon payment of principal and accrued interest is due on March 17, 2011. At any time 180 days after the date of the note, the lender can convert the principal and accrued interest into shares of the Company’s common stock at a 45% discount based on the average of the lowest three trading prices during a ten day period ending one day prior to the conversion date. As of September 30, 2010, the principal amount due is $30,000.

On August 27, 2010, the Company entered into an unsecured, convertible promissory note with an unrelated third party for $30,000. The loan bears interest at 8% per annum and a balloon payment of principal and accrued interest is due on May 31, 2011. At any time 180 days after the date of the note, the lender can convert the principal and accrued interest into shares of the Company's common stock at a 45% discount based on the average of the lowest three trading prices during a ten day period ending one day prior to the conversion date. As of September 30, 2010, the principal amount due is $30,000.

During the nine months ended September 30, 2010, the Company issued 72,228,830 shares of common stock valued at $4,993,181 to various consultants and professionals for services rendered. All shares were valued based on the market price of the shares as quoted on the primary quotation service where the shares are traded on the date of issue. Shares were issued at prices ranging from $0.04 per share to $0.12 per share.

The Company has moved forward with settling former employee litigation, the amount of which was approximately $260,000. See Item 1 of Part II. Even though one matter has been settled and one matter is now not in litigation the final cost to the Company is expected to be considerably less than the full amount of the original litigation. The final outcome of these matters is pending fulfillment of settlement agreements and final terms of a negotiation with the other two parties. On April 6, 2010, the Company settled the litigation with one of these employees who claimed to be owed $80,000 for $52,000 to be paid over a 27-month period. As part of the settlement, the former employee has returned 400,000 shares of the Company's common stock valued at $52,000 to the escrow agent. The escrow agent will return all of the shares to the Company once all of the payments are made to the former employee. The Company has recorded $52,000 as a common stock receivable for the shares in escrow.

In addition to the shares issued for cash the Company also used shares to pay for services to retain working capital. The Company issued 11,000,000 shares of its Common stock at a price of $0.06 per share valued at $660,000 on September 30, 2010 to pay for talent, production costs and media time for a series of video advertisements to promote the launch of its products and build brand recognition for the Company and its products. The Company issued 2,500,000 shares of Common stock on September 30, 2010 for technical production expertise from consultants at a price of $0.06 per share valued at $150,000. The Company issued 2,750,000 shares of its Common stock for distribution and manufacturing advisors in the European Community at a price of $0.06 per shares for a value of $165,000. The Company issued 7,000,000 for financial advisory and public relations services from advisors in the European Community in September of 2010 at a price of $0.06 per share for a value of $420,000.The Company issued 4,500,000 shares of Common stock to reimburse the Company's sales and distribution licensee for the costs of delays experienced by the Company in being able to deliver its products. The shares were issuec to cover the settlement of these expenses for the 12 months ending September 30, 2010 in the amount of 4,500,000 shares at $0.06 per share valued at $270,000. Shares were issued to the Company's marketing consultant based on converting $80,000 of debt to 2,000,000 shares of Common stock. The Company issued 3,000,000 shares to as a distributor fee for the distribution agreement for sales in the New York Tri-state area in the amount of 3,000,000 shares of Common stock the price was $0.06 per shares and valued at $180,000.

During the nine months ended September 30, 2010, the Company issued 72,228,830 shares of common stock valued at $4,993,181 to various consultants and professionals for services rendered. All shares were valued based on the price per share of the private placement shares on the date of issue. Shares were issued at prices ranging from $0.04 per share to $0.12 per share.

On April 5, 2010, an officer converted a note in the amount of $16,176 to 808,793 shares of restricted common stock. The fair value of the shares was $48,528 and the difference of $32,352 was recorded to interest expense.

On April 8, 2010, the Board of Directors reached an agreement with certain officers of the Company to convert their past due accrued salary to shares of common stock. Lisa Bershan, President converted $90,645 in accrued salary to 4,532,267 shares, Victor Hollander, CFO, converted $30,000 to 1,500,000 shares of Common stock, and Barry

Schwartz, CEO, converted $93,400 in accrued salary to 4,669,986 shares of common stock.

During the period from July 1, 2010 to September 30, 2010, the Company received $696,770 in funds from the private placement of the Company's common stock at prices of $0.06 and $0.04 per share and issued 12,842,500 shares of Common stock at an average price of $0.058 to the investors.

During the period from April 1, 2010 to September 30, 2010, the Company issued 6,000,000 shares of common stock to two individuals as penalty related to the conversion of preferred stock to common stock. The fair value of the shares is $400,000.

Historical Trends

Cash Flows from Operating Activities. We used $1,294,332 of cash flows from operating activities during the nine months ended September 30, 2010 compared to using $764,676 in the comparable period in 2009.

Cash Flows used by Investing Activities. We used $11,100 for the purchase of equipment during the nine months ended September 30, 2010. We used $4,920 for the purchase of equipment during the nine months ended September 30, 2009.

Cash Flows from Financing Activities. Cash flow provided by financing activities totaled $1,327,864 and $775,244 for the nine months ended September 30, 2010 and 2009, respectively. The primary sources of cash for the nine month period ended September 30, 2010 were proceeds from the sale of common stock of $1,279,216 net of costs, and proceeds from notes payable of $100,000. The primary sources of cash for the nine months ended September 30, 2009 were proceeds from the sale of Common stock of $1,056,119, and proceeds from notes payable of $18,991.

Critical Accounting Policies/Estimates

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Management believes that the estimates used are reasonable. Significant estimates made by management include estimates for bad debts, excess and obsolete inventory, coupon liabilities and other trade spending liabilities.

Fair Value of Financial Instruments

The carrying amounts of the financial instruments, including cash and cash equivalents, accounts receivable, bank overdraft, accounts payable, accrued payroll and employee benefits, accrued slotting fees and other current liabilities, approximate fair value due to the short maturities of these financial instruments. The notes payable and capital lease obligations are also considered financial instruments whose carrying amounts approximate fair values.

Stock-based compensation

The Company records stock based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

ASC 505, "Compensation-Stock Compensation", establishes standards for the accounting for transactions in which an entity exchanges its equity instruments to non employees for goods or services. Under this transition method, stock compensation expense includes compensation expense for all stock-based compensation awards granted on or after January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of ASC 505.

Accounts Receivable and Allowances for Uncollectible Accounts

Credit limits are established through a process of reviewing the financial history and stability of each customer. The Company regularly evaluates the collectability of the trade receivable balances by monitoring past due balances. If it is determined that a customer will be unable to meet its financial obligation, the Company records a specific reserve for bad debts to reduce the related receivable to the amount that is expected to be recovered.

Inventories

Inventories consist of raw materials, packaging supplies and finished goods and are valued at the lower of cost (first-in, first-out (FIFO) method) or market.

Machinery, Equipment and Leasehold Improvements

Machinery and equipment are stated at cost. Significant improvements are capitalized and maintenance and repairs are expensed. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. Machinery and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable in accordance with ASC Topic 360. The Company evaluates recoverability of property, plant and equipment to be held and used by comparing the carrying amount of an asset to estimated future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Estimated useful lives are as follows:

Computer equipment	3 – 5 years
Warehouse equipment	5 – 10 years

Revenue Recognition, Sales Incentives and Slotting Fees

In accordance with Staff Accounting Bulletin No. 104, Revenue Recognition (“SAB 104”), revenues are recognized upon passage of title to the customer, typically upon product pick-up, shipment or delivery to customers. The Company’s revenue arrangements with its customers often include sales incentives and other promotional costs such as coupons, volume-based discounts, slotting fees and off-invoice discounts. These costs are typically referred to collectively as “trade spending”. Pursuant to ASC Topic 605, these costs are recorded when revenue is recognized and are generally classified as a reduction of revenue. Slotting fees refer to oral arrangements pursuant to which the retail grocer allows our products to be placed on the store’s shelves in exchange for a slotting fee. Given that there are no written contractual commitments requiring the retail grocers to allocate shelf space for twelve months we expense the slotting fee at the time orders are first shipped to customers.

Shipping and Freight Charges

The Company incurs costs related to shipping and handling of manufactured products, which amounted to $0 and $0 for the nine months ended September 30, 2010 and 2009, respectively. These costs are expensed as incurred as a component of warehouse expense. The Company also incurs shipping and handling charges related to the receipt of raw materials, which are recorded as a component of cost of goods sold. Payments received from customers for shipping and handling costs are included as a component of net sales upon recognition of the related sale.

Advertising Costs

Advertising costs, including media advertising, design and printing of coupons, and other advertising, which are included in sales and marketing expense, are expensed when the advertising first takes place. Advertising expenses were $461,494 and $84,886 during the periods ended September 30, 2010 and September 30, 2009.

Normal Spoils Costs

Expenses for spoils that are incurred after our products are received by our customers are recorded as a reduction in gross sales. Expenses for spoils that are incurred while raw materials are stored pending orders are included in costs of goods sold. The Company regularly evaluates the cost of spoils in relationship to sales to determine if its allowance is adequate. As of the period ended September 30, 2010 and September 30, 2009, the Company had not booked an allowance for these costs.

Distribution of Free Products

In order to generate interest in the Company’s dog food products, the Company sends sample products to investors, prospective buyers and consumers. The costs related to these samples are expensed as sales and marketing expenses.

Off-Balance Sheet Arrangements

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

Forward Looking Statements

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

- our business plan;
- the commercial viability of our technology and products incorporating our technology;
- the effects of competitive factors on our technology and products incorporating our technology;
- expenses we will incur in operating our business;
- our liquidity and sufficiency of existing cash;
- the success of our financing plans; and
- the outcome of pending or threatened litigation.

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

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

The information contained in this Quarterly Report is as of September 30, 2010, unless expressly stated otherwise.

As used in this report, the term Company refers to All American Pet Company, Inc., a Maryland corporation and its 100% owned subsidiaries All American Pet Brands Inc., a Nevada corporation, All American PetCo, Inc., a Nevada Corporation, and Bow Wow Millions Inc., a Nevada Corporation.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

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

Item 4(T). Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report.

Based on this evaluation, our chief executive officer and chief financial officer concluded that as of the evaluation date our disclosure controls and procedures were not effective. Our procedures were designed to ensure that the information relating to our company, including our consolidated subsidiaries, required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow for timely decisions regarding required disclosure. Management is currently evaluating the current disclosure controls and procedures in place to see where improvements can be made.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in "Internal Control Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, management has concluded that our internal control over financial reporting was not effective as of September 30, 2010 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Steps that the Company believes it must undertake is to retain a consulting firm to, among other things, design and implement adequate systems of accounting and financial statement disclosure controls during the current fiscal year to comply with the requirements of the SEC. We believe that the ultimate success of our plan to improve our disclosure controls and procedures will require a combination of additional financial resources, outside consulting services, legal advice, additional personnel, further reallocation of responsibility among various persons, and substantial additional training of those of our officers, personnel and others, including certain of our directors such as our committee chairs, who are charged with implementing and/or carrying out our plan.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as required in Rule 13a-15(b). In October 2007, our Controller was terminated as the result of our ceased operation. We hired a full time controller in November 2009. We will retain a consulting firm and are conducting an evaluation to design and implement adequate systems of accounting and financial statement disclosure controls. We expect to complete this review during 2010 to comply with the requirement of the SEC. We believe that the ultimate success of our plan to improve our internal control over financial reporting will require a combination of additional financial resources, outside consulting services, legal advice, additional personnel, further reallocation of responsibility among various persons, and substantial additional training of those of our officers, personnel and others, including certain of our directors such as our Chairman of the Board and Chief Financial Officer, who are charged with implementing and/or carrying out our plan. It should also be noted that the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting, or any system we design or implement in the future, will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control

There have not been any changes in our internal control over financial reporting during the nine month period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is currently involved in litigation with several of its vendors, several of which have had default judgments issued in prior years. These judgments including costs were approximately $189,000 and are being accrued in accounts payable at the estimated amount that the Company may still be liable. As of September 30, 2010, no collection efforts have been made by the vendors.

The Company is also currently involved in former employee litigation the amount of $260,000. Shares of common stock were issued in settlement of the obligations in 2007, and appropriately expensed at the time the shares were issued. Subsequent to the settlement, the Company was subject to an additional judgment for which the outcome is still uncertain and unestimatable. In both cases the Company has made appropriate provision for the final outcome of these litigation matters.

Item 1a. Changes in Risk Factors.

The Company filed restated 10Q's for the March 31, 2009, June 30 2009, September 30, 2009 and March 31, 2010. In addition, the Company filed restated 10-K's for years ended December 31, 2008 and December 31, 2009. The Company has noted the reason for these changes in each of the filing with footnotes describing the financial impact of these changes on the Company's financials.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

During the nine month period ending September 30, 2010, the Company issued 110,359,043 shares of Common stock for a value of $7,299,560. Shares were issued at prices ranging from $0.04 per share to $0.12 per share. All shares purchased through the Company's private placement activities were issued at a price of $0.06 per share. All shares issued for conversion of debt or payments for services were issued at the price of the shares as quoted on the quotation service where the majority of shares of the Company's share transactions occur.

Item 3. Defaults Upon Senior Securities

The Company is currently is default on a total of $50,000 in promissory notes. The loans bear interest at 15% per annum.

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

There were no matters submitted to a vote of security holders during the period

Item 5. Other Information

None.

Item 6 Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by reference Form	Period ending	Exhibit	Filing date
31.1	Certification of PEO pursuant to Section 302 of the Sarbanes-Oxley Act	X				
31.2	Certification of PEO pursuant to Section 302 of the Sarbanes-Oxley Act	X				
32.1	Certification of PFO pursuant to Section 906 of the Sarbanes-Oxley Act	X				
32.2	Certification of PFO pursuant to Section 906 of the Sarbanes-Oxley Act	X				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALL AMERICAN PET COMPANY, INC.
(Registrant)

By:/S/ Barry Schwartz
Barry Schwartz, CEO
(On behalf of the registrant and as
principal executive officer)

By:/S/ Victor Hollander
Victor Hollander, CFO
(On behalf of the registrant and as
principal financial officer)

Date: November 17, 2010

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