

Puppy Zone Enterprises, Inc
Form 10QSB
February 14, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2006

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

For the transition period from _____ to _____

Commission file number **333-129371**

PUPPY ZONE ENTERPRISES, INC.

(Name of small business issuer as in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

Suite 200, 8275 S. Eastern Avenue, Las Vegas, Nevada 89123-259

(Address of principal executive offices)

702-938-0486

(Issuer's telephone number)

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

days. Yes No

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of February 9, 2007, there were 3,000,000 shares of the issuer's common stock and outstanding, par value \$0.001.

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

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

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements.****PUPPY ZONE ENTERPRISES, INC.****(A Development Stage Company)****Balance Sheets**

| | December 31, 2006 (Unaudited) | June 30, 2006 (Audited) |
|---|--|----------------------------|
| Assets | | |
| Current | | |
| Cash | \$ 1,056 | \$ - |
| | \$ 1,056 | \$ - |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 11,389 | \$ 7,058 |
| Due to Shareholder (Note 2) | 29,773 | 22,473 |
| Total Liabilities | 41,162 | 29,531 |
| Stockholders' Equity (Deficiency) | | |
| Capital stock | | |
| Authorized - 100,000,000 common shares, \$0.001 par value | | |
| Issued and outstanding - 3,000,000 common shares (June 30, 2006 - 3,000,000) | 3,000 | 3,000 |
| Deficit accumulated during the exploration stage | (43,106) | (32,531) |
| | (40,106) | 29,531 |
| | \$ 1,056 | \$ - |

Going concern (Note 1)**Subsequent event (Note 3)**

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The accompanying notes are an integral part of these interim financial statements

PUPPY ZONE ENTERPRISES, INC.**(A Development Stage Company)****Interim Statements of Operations****(Unaudited)**

| | Three Months Ended | | Six Months Ended | | Cumulative from April 27, 2005 (Inception) to December 31, 2006 |
|--|-----------------------------|-------------|-----------------------------|-------------|--|
| | December 31, 2006 | 2005 | December 31, 2006 | 2005 | |
| Expenses | | | | | |
| Accounting & legal | \$ 2,124 | \$ 15,771 | \$ 9,863 | \$ 15,771 | \$ 39,850 |
| Bank charges | 58 | 75 | 128 | 90 | 393 |
| Office & miscellaneous | 450 | 1,089 | 543 | 1,089 | 2,863 |
| | (2,632) | (16,935) | (10,534) | (16,950) | (43,106) |
| Net loss | \$ (2,632) | \$ (16,935) | \$ (10,534) | \$ (16,950) | \$ (43,106) |
| Weighted average number of common shares outstanding: | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | |
| Basic and diluted net loss per common share | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.00) | |

The accompanying notes are an integral part of these interim financial statements

PUPPY ZONE ENTERPRISES, INC.**(A Development Stage Company)****Interim Statement of Cash Flows****(Unaudited)**

| | Six Months Ended December 31, 2006 | Six Months Ended December 31, 2005 | Cumulative from April 27, 2005 (Inception)to December 31, 2006 |
|--|---|---------------------------------------|--|
| Operating Activities | | | |
| Net loss | \$ (10,534) | \$ (16,950) | \$ (43,106) |
| Changes in non-cash working capital items | | | |
| Increase in accounts payable and accrued liabilities | 4,290 | 7,404 | 11,389 |
| Increase in amount due to a shareholder | 7,300 | 8,428 | 29,773 |
| Decrease in Prepaid expenses | - | 2,724 | - |
| Net cash used in operations | 1,056 | 1,606 | (1,944) |
| Financing Activities | | | |
| Proceeds from issuance of common shares | - | - | 3,000 |
| Net cash provided financing activities | - | - | 3,000 |
| Net increase in cash | 1,056 | 1,606 | 1,056 |
| Cash, beginning | - | 2,985 | - |
| Cash, ending | \$ 1,056 | \$ 4,591 | \$ 1,056 |
| <u>Supplemental disclosure</u> | | | |
| Cash paid for: | | | |
| Interest | \$ - | \$ - | \$ - |
| Income taxes | \$ - | \$ - | \$ - |

:

The accompanying notes are an integral part of these interim financial statements

PUPPY ZONE ENTERPRISES, INC.

(A Development Stage Company)

Notes to Interim Financial Statements

December 31, 2006

(Unaudited)

1. Basis of Presentation and Continuance of Operations:

The Company was incorporated under the laws of the State of Nevada on April 28, 2005 as Puppy Zone Enterprises, Inc. The Company's has developed a franchise system to offer high quality, integrated and consistent dog day care services under the brand name The Puppy Zone .

These financial statements have been prepared on a going concern basis. The Company has incurred losses since inception resulting in an accumulated deficit of \$43,106 at December 31, 2006 and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has plans to seek additional finance through private placements of its common stock and/or loans from directors. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue.

The accompanying unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They may not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended June 30, 2006 included in the Company's Form SB-2 filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form SB-2. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three and six months ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007.

2. Related Party Transactions

The shareholders' advance is unsecured, bears no interest and has no fixed terms of repayment.

On April 27, 2005, the Company purchased goodwill and intellectual property from TPZ Enterprises for \$5. A director of the Company is a partner in TPZ Enterprises.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

3. Subsequent Event

Subsequent to December 31, 2006 the Company completed a private placement of 1,000,000 of its shares of common stock at \$0.05 per share for proceeds of \$50,000.

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

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, should, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this quarterly report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report, the terms "we", "us", "our", and "Puppy Zone" mean Puppy Zone Enterprises, Inc., unless otherwise indicated.

Our Business

We were incorporated in Nevada on April 27, 2005. Our principal executive office is located at 8275 South Eastern Avenue, Suite 200, Las Vegas, Nevada 89123. We will also operate out of our directors' home offices in British Columbia. Our telephone number is (702) 938-0486 and our Internet address is www.puppyzone.com.

Our company, Puppy Zone Enterprises, Inc., has developed a franchise system to offer high quality, integrated and consistent dog day care services under the brand name The Puppy Zone. We are the successor business to TPZ Enterprises, a Canadian partnership. Our mission is to enhance the quality of life for dogs and their owners through the operation of our dog day care franchises. Our research has indicated that our franchise system is unique in the pet care industry. We believe that our franchise system leads the pet care industry in that it applies sound commercial practices with a focus to create a strong corporate brand through sale of franchises, provision of onsite training and rigorous observance of our training and operating guides and manuals.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

You should read the following discussion of our financial condition and plan of operations together with the audited financial statements and the notes to audited financial statements included elsewhere in this filing. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report, particularly in the section entitled Risk Factors.

General Overview

We are a development stage company focused on developing a franchise system that provides unique methods, documents, marketing and training for the development, opening and operation of distinctive dog day cares. We have only just completed our Puppy Zone franchise system and we have not yet generated or realized any revenues from our business operations.

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Our key to success is to develop a recognized chain of totally integrated dog service businesses. Our research has indicated that this concept is unique in the industry. In addition, we will lead the industry by applying sound commercial practices with a focus to creating a strong corporate brand through the sale of franchises and providing onsite training and training and operating documentation and manuals.

Our niche and experience is focusing on dog owners and their daily activities in a resort community. Our strengths lie in the unique concept, convenience to owners, our experience and the high quality service we intend to provide, and the added value service this provides to hotels and other businesses in a resort while developing a database for the neighboring major urban centers for our companion daycares.

In order to meet our need for cash we are attempting to raise money from this offering. There is no assurance that we will be able to raise enough money through this offering to stay in business. Whatever money we do raise, will be applied first to our offering expenses and then to pay ongoing wireless service provider and marketing costs. If we do not raise all of the money we need from this offering, we will have to find alternative sources, such as a second public offering, a private placement of securities, or loans from our officers or others. At the present time, we have not made any arrangements to raise additional cash, other than through this offering. If we need additional cash and cannot raise it we will either have to suspend operations until we do raise the cash, or cease operations entirely.

Plan of Operations

Subject to financing from this offering, over the next 12 months, our primary objectives in regards to our efforts to maintain and expand our business and generate our revenues are:

To sell ten franchises in at least five major urban areas and at least five proximate resort locations, these may include Whistler/Vancouver, Banff/Calgary, Mont Tremblant/Montreal, Lake Tahoe/Reno/Sacramento/San Francisco, Copper Mountain/Denver, Bend/Portland, or Seattle/Snoqualmie/Crystal Mountain.

To raise between \$50,000 and \$150,000 in additional operating capital.

To obtain referral agreements or alliances with dog friendly hotels, restaurants and other pet service providers.

To develop a database of potential franchise owners.

To establish the brand name recognition in North America of The Puppy Zone .

We plan to charge a franchise start up fee of \$35,000 per franchise. We also plan to charge a royalty fee in the amount of 5% of the gross revenue of each future franchisee. We estimate that each future franchisee will generate an average revenue of \$150,000 per year. Accordingly, we estimate that we will be able to generate a royalty fee of approximately \$7,500 per future franchisee per year.

In the view of our management, to achieve the objectives of our business operations in the next 12 months, we will have the following capital resource requirements:

| | |
|---|----------|
| Video Equipment | \$1,000 |
| Miscellaneous Office Equipment and supplies | \$1,000 |
| Legal & Accounting Startup | \$25,000 |
| Rent (5 months) | \$1,500 |
| Website design | \$2,000 |
| Marketing and Advertising Startup | \$20,000 |
| Total | \$50,500 |

Employees

In addition to the expertise of our directors, we intend to initially hire one experienced sales person to promote the sale of franchises and to screen and respond to franchise inquiries. Upon the sale of a franchise, we will hire a further employee as a franchise trainer.

Liquidity and Capital Resources

As of the date of this quarterly report, we have not yet sold any franchise rights under our Puppy Zone franchise system or generated any revenues from our business operations.

We issued 3,000,000 shares of common stock through a Section 4(2) and Regulation S Rule 903 offering in April 2005 and received subscription proceeds in the amount of \$3,000.

Our material commitments for capital expenditures for the next 12 months totals approximately \$50,500 as described above. We require funds from additional financings to pay all of these costs. However, any administrative or other costs such as legal and accounting fees, rent, printing, phone services and so forth which must be paid prior to the completion of any financing will be paid by the directors in the form of short-term advances on behalf of the company.

We will require proceeds from additional financings to pay the costs which will be associated with the marketing and sales of our Puppy Zone franchise system. If we are not able to raise money to pay these costs we will go out of business. If we do not raise at least \$100,000 from additional financings we will not be able to achieve our business objectives for the next 12 months. In particular, we will not be able to pay our offering expenses, market our services or deploy our franchise system unless we achieve sufficient financing.

As of December 31, 2006 we had \$1,056 in assets and our total liabilities were \$41,162. We will need at least \$100,500 to pay our offering expenses and commence the marketing of our franchise system. Of this amount, \$50,000 will be used to pay our offering expenses and \$50,500 will be used to operate our business to achieve our business objectives for the next 12 months.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Going Concern Statement

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on the audited financial statements for the period from our inception on April 27, 2005 to June 30, 2006, our independent registered public accounting firm included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our audited financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further financing, successful and sufficient market acceptance of our services and products, the continuing successful development of our franchise system and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to obtain further funds required for our continued operations. We are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to proceed with our expansion program and may not be able to meet our other obligations as they become due.

New Accounting Pronouncements

During September 2006, the FASB issued SFAS No. 157, Fair Value Measures. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial

statements issued for fiscal years beginning after November 15, 2007, which for the Company would be the fiscal year beginning September 1, 2008. The Company is currently evaluating the impact of SFAS No. 157 but does not expect that it will have a material impact on its financial statements.

During September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. This Statement requires an employer to recognize the over funded or under funded status of a defined benefit post retirement plan (other than a multi employer plan) as an asset or liability in its statement of financial position, and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company does not expect that the implementation of SFAS No. 158 will have any material impact on its financial position and results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on its financial statements.

Application Of Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials.

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

RISK FACTORS

Much of the information included in this quarterly report includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumption or other future performance suggested herein.

Such estimates, projections or other "forward looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward looking statements".

We have a limited operating history that you can use to evaluate us and therefore we may not survive if we meet some of the problems, expenses, difficulties, complications and delays frequently encountered by a start up company.

We were incorporated in April 2005 and on April 27, 2005 we acquired the business assets of TPZ Enterprises, including various trademarks associated with the Puppy Zone franchise system, franchise agreements and the training and operating manuals of the Puppy Zone franchise system. To date, we have focused our attention on fine tuning and marketing our Puppy Zone franchise system. Accordingly, you can evaluate our business, and therefore our future prospects, based only on a limited operating history. You must consider our prospects in light of the risks and uncertainties encountered by start up companies. To date, we have completed only part of our plan to become a successful dog day care

franchisor. As a start-

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up company, we can provide no assurances that we will be able to make the necessary steps to achieve profitability in the future, such as expanding our customer base.

We are subject to all the substantial risks inherent in the commencement of a new business enterprise with new management. We can provide no assurance that we will be able to successfully generate revenues, operate profitably, or make any distributions to the holders of our securities. We have a limited business history for you to analyze or to aid you in making an informed judgment as to the merits of an investment in our securities. Any investment in our common stock should be considered a high risk investment because you will be placing funds at risk in an unseasoned start-up company with unforeseen costs, expenses, competition and other problems to which start-up ventures are often subject.

As we have such a limited history of operation, you will be unable to assess our future operating performance or our future financial results or condition by comparing these criteria against our past or present equivalents.

We may require additional funds to achieve our current business strategy and our inability to obtain additional financing will inhibit our ability to expand or even maintain our business operations .

We may need to raise additional funds through public or private debt or sale of equity to achieve our current business strategy. The financing we need may not be available when needed. Even if this financing is available, it may be on terms that we deem unacceptable or are materially adverse to your interests with respect to dilution of book value, dividend preferences, liquidation preferences, or other terms. Our inability to obtain financing will inhibit our ability to implement our development strategy, and as a result, could require us to diminish or suspend our development strategy and possibly cease our operations.

If we are unable to obtain financing on reasonable terms, we could be forced to delay, scale back or eliminate certain product and service development programs. In addition, such inability to obtain financing on reasonable terms could have a negative effect on our business, operating results, or financial condition to such extent that we are forced to restructure, file for bankruptcy, sell assets or cease operations, any of which could put your investment dollars at significant risk.

If we are unable to generate significant revenues from our operations, we may be unable to expand our Puppy Zone franchise system and may be forced to cease operations.

If we are unable to generate significant revenues from our future franchise arrangements with franchisees, we could be forced to delay, scale back or eliminate certain services and product development programs. We intend to develop and sell franchises in the dog day care industry. Ultimately the expansion of our franchises and featured destinations may allow us to become profitable. However, if we fail to generate significant revenues in the future, then we will not be able to expand our product line as we anticipate. This failure to expand may hurt our ability to raise additional capital which could have a negative effect on our business, operating results, or financial condition to such extent that we are forced to restructure, file for bankruptcy, sell assets or cease operations, any of which could put your investment dollars at significant risk.

We expect to experience significant and rapid growth in the scope and complexity of our business as our Puppy Zone franchise system gains acceptance in the market. If we are unable to hire additional staff to handle sales and marketing of our services and manage our operations, our growth could harm our future business results and may strain our managerial and operational resources.

If our Puppy Zone franchise gains acceptance in the market after our marketing campaigns, we expect to experience significant and rapid growth in the scope and complexity of our business. We will need to hire staff to market our franchise system, manage operations, handle sales and marketing efforts and perform finance and accounting functions. We will be required to hire a broad range of personnel in order to successfully advance our operations. This growth is likely to place a strain on our management and operational resources. If we fail to develop and implement effective systems, or hire and retain sufficient personnel for the performance of all of the functions necessary to effectively service and manage our future franchise relationships, or fail to manage growth effectively, our business will fail and you will lose your entire investment in our company.

If we are unable to hire and retain key personnel, then we may not be able to implement our business plan.

We depend on the services of our officers and directors, Tamara Huculak and Maria Estrada. Our success depends on the continued efforts of these individuals to manage our business operations. At the present time, Ms. Huculak devotes approximately 15 hours per week and Ms. Estrada devotes approximately 5 hours per week to the business affairs of our

company. The loss of the services of either Ms. Huculak or Ms. Estrada could have a negative effect on our business, financial condition and results of operations. In addition, our success in expanding our business operations is largely dependent on our ability to hire highly qualified personnel. In addition, we may lose employees or consultants that we hire due to higher salaries and fees being offered by competitors or other businesses in the industry.

Tamara Huculak's control of our company may prevent you from causing a change in the course of our operations and may affect the market price of our common stock.

Tamara Huculak beneficially owns approximately 66.67% of our common stock. Accordingly, for as long as Ms. Huculak continues to own more than 50% of our common stock, she will be able to elect our entire board of directors, control all matters that require a stockholder vote (such as mergers, acquisitions and other business combinations) and exercise a significant amount of influence over our management and operations. Therefore, depending on the number of our securities sold, your ability to cause a change in the course of our operations may be impeded. As such, the value attributable to the right to vote is limited. This concentration of ownership could result in a reduction in value to the common stock you own because of the ineffective voting power, and could have the effect of preventing us from undergoing a change of control in the future.

Other than trademarks registrations in Canada of the trademark The Puppy Zone, The Puppy Zone Dog Day Care and Adventure Centre and the related designs and the trademark registration in the United States of the trademark The Puppy Zone, we currently do not have any other formal protection for our intellectual property. If we are unable to protect our trade names, know how and trade secrets, our efforts to increase public recognition of our Puppy Zone franchise system may be impaired and we may be required to incur substantial costs to protect our name, know how and trade secrets.

Other than the trademark registrations described above, we have not made any applications for the protection of our intellectual property rights. As a consequence we may not be able to prevent the unauthorized use of our trade names, know how and trade secrets. We may be unable to prevent third parties from acquiring and using names or business methods that are similar to, infringe upon or otherwise decrease the value of our name, our know how, our trade secrets and other proprietary rights that we may hold. We may need to bring legal claims to enforce or protect any intellectual property rights that we assert. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources. Any claims, by or against us, could be time consuming and costly to defend or litigate, divert our attention and resources and result in the loss of goodwill associated with our trade names, know how, and trade secrets.

Because our directors have foreign addresses this may create potential difficulties relating to service of process in the event that you wish to serve them with legal documents.

Neither of our current directors and officers have resident addresses in the United States. They are both resident in Canada. Because our officers and directors have foreign addresses this may create potential difficulties relating to the service of legal or other documents on any of them in the event that you wish to serve them with legal documents.

Trading of our stock may be restricted by the SEC's penny stock regulations, which may limit a stockholder's ability to buy and sell our stock.

The Securities and Exchange Commission has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment

for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

Item 3. Controls and Procedures.

As required by Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of the end of the period covered by this quarterly report, being December 31, 2006. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief executive officer. Based upon that evaluation, our company's president and chief executive officer concluded that our company's disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management, including our company's president as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

Subsequent Events - Sale of Registered Securities

On October 19, 2006, the Securities and Exchange Commission declared our Form SB-2 Registration Statement (Commission File No. 333-129371) effective. Our offering commenced on October 19, 2006, and will expire on April 16, 2007. On February 9, 2007, we received subscriptions for 1,000,000 shares through the offering at a price of \$0.05 per share, for gross proceeds of \$50,000. We are in the process of

issuing share certificates to these shareholders.

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Item 6. Exhibits.

Exhibits Required by Item 601 of Regulation S-B

(3) Articles of Incorporation and By-laws

3.1 Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

3.2 Bylaws (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

(10) Material Contracts

10.1 Form of Subscription Agreement (Subscribers resident in the United States) (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

10.2 Form of Subscription Agreement (Subscribers resident in British Columbia) (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

10.3 Form of The Puppy Zone Franchise Application (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

10.4 Form of The Puppy Zone Franchise Agreement (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

(14) Code of Ethics

14.1 Code of Business Conduct and Ethics (incorporated by reference from our Registration Statement on Form SB-2 filed on November 2, 2005).

(31) Section 302 Certification

31.1 Section 302 Certification of Tamara Anne Huculak

31.2 Section 302 Certification of Maria Estrada

(32) Section 906 Certification

32.1 Section 906 Certification of Tamara Anne Huculak

32.2 Section 906 Certification of Maria Estrada

SIGNATURES

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

PUPPY ZONE ENTERPRISES, INC.

By: /s/ Tamara Huculak
Tamara Anne Huculak, President & Director
(Principal Executive Officer)
Date: February 14, 2007

By: /s/ Maria Estrada
Maria Estrada, Secretary, Treasurer & Director
(Principal Financial Officer, and Principal Accounting Officer)
Date: February 14, 2007