

Ethos Environmental, Inc.  
Form 10-Q  
August 14, 2008

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

FORM 10 – Q

[mark one]

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

For the quarterly period ended: June 30, 2008

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-26673

ETHOS ENVIRONMENTAL, INC.  
(Name of Small Business Issuer in Its Charter)

Nevada  
(State or Other Jurisdiction  
of Incorporation or Organization)

88-0467241  
IRS Employer  
Identification Number

6800 Gateway Park  
San Diego, CA 92154  
(619) 575-6800

(Address and Telephone Number of Principal Executive Offices)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class registered:  
None

Name of each exchange on which registered:  
Over-the-Counter Bulletin Board

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$0.0001  
(Title of class)

with a copy to:  
SteadyLaw Group, LLP  
501 W. Broadway, Suite 800

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Indicate by checkmark whether the registrant (1) has 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 o

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 Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller  
reporting company)

Smaller reporting company

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

The registrant has 39,520,174 shares of common stock outstanding as of August 14, 2008.

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Quarterly Report on FORM 10-Q

For The Period Ended  
June 30, 2008

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## PART I.

## Item 1. FINANCIAL STATEMENTS

ETHOS ENVIRONMENTAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

|  | June 30,<br>2008 | December 31,<br>2007 |
|--|------------------|----------------------|
| Assets   |                  |                      |
| Current Assets:  |                  |                      |
| Cash and cash equivalents                              | \$ 133,971       | \$ 74,176            |
| Accounts receivable-trade, net                         | 7,147,495        | 5,951,275            |
| Inventory, net   | 1,128,335        | 1,376,030            |
| Other current assets                                   | 5,000            | -                    |
| Total Current Assets                                   | 8,414,801        | 7,401,481            |
| Property and Equipment, net                            | 217,354          | 228,452              |
| Other Assets   | 705,419          | 699,419              |
| Total Assets   | \$ 9,337,574     | \$ 8,329,352         |
|  |                  |                      |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)         |                  |                      |
| Current Liabilities:                                   |                  |                      |
| Accounts payable                                       | \$ 141,727       | \$ 223,891           |
| Accrued liabilities                                    | 309,221          | 109,300              |
| Notes payable  | 1,300,000        | 350,000              |
| Notes payable-related party                            | 195,997          | 246,521              |
| Total Current Liabilities                              | 1,946,945        | 929,712              |
| Commitments:   | -                | -                    |
| Stockholders' Equity (Deficit):                        |                  |                      |
| Common stock, \$.0001 par value 100,000,000 authorized |                  |                      |
| 39,450,243 issued and outstanding                      | 3,945            | 3,687                |
| Additional Paid in Capital                             | 37,496,371       | 35,615,040           |
| Accumulated deficit                                    | (30,109,687)     | (28,219,087)         |
| Total Stockholders' Equity (Deficit)                   | 7,390,629        | 7,399,640            |
| Total Liabilities and Stockholders' Equity (Deficit)   | \$ 9,337,574     | \$ 8,329,352         |

See notes to consolidated financial statements.

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ETHOS ENVIRONMENTAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

|   | Three Months Ended June 30, |                | Six Months Ended June 30, |                |
|---|-----------------------------|----------------|---------------------------|----------------|
|   | 2008                        | 2007           | 2008                      | 2007           |
| Revenues  | \$ 1,286,884                | \$ 2,599,962   | \$ 2,391,352              | \$ 5,297,095   |
| Cost of Goods Sold                                    | 404,424                     | 785,297        | 751,613                   | 1,709,941      |
| Gross Profit  | 882,460                     | 1,814,665      | 1,639,739                 | 3,587,154      |
| Operating Expenses                                    |                             |                |                           |                |
| Depreciation (Other than Cost of Goods Sold)          | 2,134                       | 5,280          | 4,273                     | 10,273         |
| Selling Expenses                                      | 85,420                      | 200,226        | 173,430                   | 328,929        |
| General and Administrative                            | 2,061,269                   | 2,053,897      | 3,236,696                 | 4,570,510      |
| Debt Extinguishment                                   |                             | 6,646,171      | -                         | 6,646,171      |
| Total Operating Expenses                              | 2,148,823                   | 8,905,574      | 3,414,399                 | 11,555,883     |
| Loss from operations                                  | (1,266,363)                 | (7,090,909)    | (1,774,660)               | (7,968,729)    |
| Other Income (Expense)                                |                             |                |                           |                |
| Other income (loss)                                   | -                           | 35             | 2,500                     | 35             |
| Gain on Sale of Assets                                | -                           | 47,929         | -                         | 179,003        |
| Interest expense                                      | (38,000)                    | (200,632)      | (118,440)                 | (378,292)      |
|   | (38,000)                    | (152,668)      | (115,940)                 | (199,254)      |
| Income (loss) before provision for income taxes       | (1,304,363)                 | (7,243,577)    | (1,890,600)               | (8,167,983)    |
| Provision for income taxes                            | -                           | -              | -                         |                |
| Net Income (Loss)                                     | \$ (1,304,363)              | \$ (7,243,577) | \$ (1,890,600)            | \$ (8,167,983) |
| Basic and Diluted (Loss) per Common Share             | \$ (0.03)                   | \$ (0.30)      | \$ (0.05)                 | \$ (0.35)      |
| Basic and Diluted Weighted Average Shares Outstanding | 38,747,181                  | 23,763,000     | 37,925,961                | 23,570,744     |

See notes to consolidated financial statements

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ETHOS ENVIRONMENTAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

|  | Common Stock |          | Paid in       | Accumulated     | Total                |
|--|--------------|----------|---------------|-----------------|----------------------|
|  | Shares       | Amount   | Capital       | Deficit         | Stockholders' Equity |
| Balance, December 31, 2006                   | 23,107,687   | \$ 2,311 | \$ 11,560,535 | \$ (9,866,577)  | \$ 1,696,269         |
| Common stock issued for cash                 | 2,500,000    | 250      | 2,049,750     | -               | 2,050,000            |
| Common stock cancelled                       | (50,000)     | (5)      | 5             | -               | -                    |
| Warrants issued for extinguishment of debt   |              |          | 6,646,171     | -               | 6,646,171            |
| Common stock issued for services             | 11,314,000   | 1,131    | 15,358,579    | -               | 15,359,710           |
| Net loss                                     | -            | -        | -             | (18,352,510)    | (18,352,510)         |
| Balance, December 31, 2007                   | 36,871,687   | 3,687    | 35,615,040    | (28,219,087)    | 7,399,640            |
| Common stock issued for services and expense | 2,578,556    | 258      | 1,881,331     | -               | 1,881,589            |
| Net Loss                                     | -            | -        | -             | (1,890,600)     | (1,890,600)          |
| Balance, June 30, 2008                       | 39,450,243   | \$ 3,945 | \$ 37,496,371 | \$ (30,109,687) | \$ 7,390,629         |

See notes to consolidated financial statements

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ETHOS ENVIRONMENTAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)