

MODENA 3 INC  
Form 10QSB  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-QSB**

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

For the quarterly period ended April 30, 2006

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

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

**MODENA 3 INC.**

(Exact name of small business issuer as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**000-50495**

(Commission File  
Number)

**98-0412433**

(IRS Employer Identification No.)

**162 M Homestead Avenue, Manchester, Connecticut**

(Address of principal executive offices)

**06040**

(Zip Code)

**(860) 805-0701**

(Issuer's telephone number)

**N/A**

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

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

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act.) **[X]**  
**Yes [ ] No**

State the number of shares outstanding of each of the issuer's classes of common equity, as of April 30, 2006: 100,000 shares of common stock.

Transitional Small Business Disclosure Format (Check one): Yes [ ] **No [X]**

SEC 2334 (9-05)

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MODENA 3 INC.

FORM 10-QSB

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PART I

**Item 1. Financial Information**

BASIS OF PRESENTATION

The accompanying reviewed financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and Item 310 under subpart A of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal occurring accruals) considered necessary in order to make the financial statements not misleading, have been included. Operating results for the six months ended April 30, 2006 are not necessarily indicative of results that may be expected for the year ending October 31, 2006. The financial statements are presented on the accrual basis.





MODENA 3, INC.

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

AS OF APRIL 30, 2006

MODENA 3, Inc.

(a development stage company)

Financial Statements Table of Contents

FINANCIAL STATEMENTS

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MODENA 3, INC.

(a development stage company)

BALANCE SHEET

As of April 30, 2006 and October 31, 2005

ASSETS

April 30, October 31,

CURRENT ASSETS 2006 2005

Cash \$ 0 \$ 0

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TOTAL ASSETS \$ 0 \$ 0

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LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accrued expenses \$ 4,000 \$ 3,300

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TOTAL LIABILITIES	4,000	3,300
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STOCKHOLDER'S EQUITY

Common Stock - par value \$0.001;

100,000,000 shares authorized;

100,000 issued and outstanding	100	100
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Additional paid in capital	0	0
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Accumulated Deficit	(4,100)	(3,400)
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Total stockholder's equity	(4,000)	(3,300)
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TOTAL LIABILITIES AND EQUITY	\$ 0	\$ 0
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The accompanying notes are an integral part of these financial statements.

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MODENA 3, INC.

(a development stage company)

STATEMENT OF OPERATIONS

For the six months ending April 30, 2006 and 2005

From inception (November 18, 2003) through April 30, 2006

	Six Months	Six Months	From Inception
	Apr. 30, 2006	Apr. 30, 2005	Apr. 30,2006

REVENUE

Sales	\$ 0	\$ 0	\$ 0
-------	------	------	------

Cost of sales	0	0	0
---------------	---	---	---

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GROSS PROFIT	0	0	0
--------------	---	---	---

GENERAL AND ADMINISTRATIVE EXPENSES	700	600	4,100
-------------------------------------	-----	-----	-------

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NET LOSS	(700)	(600)	(4,100)
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ACCUMULATED DEFICIT, BEGINNING BALANCE	(3,400)	(1,850)	0
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ACCUMULATED DEFICIT, ENDING BALANCE    \$ (4,100)    \$ (2,450)    \$ (4,100)

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NET EARNINGS PER SHARE

Basic Net Loss Per Share                    (\$ .01)    (\$ .01)

Basic Weighted Average

Number of Common Shares Outstanding      100,000    100,000

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





MODENA 3, INC.

(a development stage company)

STATEMENT OF OPERATIONS

For the three months ending April 30, 2006 and 2005

Three Months Three Months

Apr. 30, 2006 Apr. 30, 2005

REVENUE

Sales	\$	0	\$	0
-------	----	---	----	---

Cost of sales		0		0
---------------	--	---	--	---

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GROSS PROFIT		0		0
--------------	--	---	--	---

GENERAL AND ADMINISTRATIVE EXPENSES			350	350
-------------------------------------	--	--	-----	-----

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NET LOSS		(350)		(350)
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The accompanying notes are an integral part of these financial statements.

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MODENA 3, INC.

(a development stage company)

STATEMENT OF STOCKHOLDER'S EQUITY From inception

(November 18, 2003) through April 30, 2006

	SHARES	COMMON STOCK	ACCUMULATED DEFICIT	TOTAL
	-----	-----	-----	-----
Stock issued on acceptance				
Of incorporation expenses				
November 18, 2003	100,000	\$ 100	\$ 0	\$ 100
Net loss		(1,850)	(1,850)	
	-----	-----	-----	-----
Total at October 31, 2004	100,000	100	(1,850)	(1,750)
Net loss		(1,550)	(1,550)	
	-----	-----	-----	-----
Total at October 31, 2005	100,000	100	(3,400)	(3,300)
	-----	-----	-----	-----
Net loss		(700)	(700)	
	-----	-----	-----	-----

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Total at April 30, 2006	100,000	\$ 100	\$ (4,100)	\$ (4,000)
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The accompanying notes are an integral part of these financial statements.

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MODENA 3, INC.

(a development stage company)

STATEMENT OF CASH FLOWS

For the six months ended April 30, 2006 and 2005

From inception (November 18, 2003) through April 30, 2006

	April 30,	April 31,	From	
CASH FLOWS FROM OPERATING ACTIVITIES	2006	2005	Inception	
Net income (loss)	\$ (700)	\$ (600)	\$ (4,100)	
Stock issued as compensation	0	0	100	
Increases (Decrease) in accrued expenses	(700)	600	4,000	
	-----	-----	-----	
NET CASH PROVIDED OR (USED) IN OPERATIONS	0	0	0	
CASH FLOWS FROM INVESTING ACTIVITIES				
None	0	0	0	
CASH FLOWS FROM FINANCING ACTIVITIES				
Stock issued on incorporation expenses	0	0	0	



CASH RECONCILIATION

Net increase (decrease) in cash	0	0	0
Beginning cash balance	0	0	0
	-----	-----	-----
CASH BALANCE AT END OF PERIOD		\$ 0	\$ 0 \$ 0
	=====	=====	=====

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

MODENA 3, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies:

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Industry:

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MODENA 3, Inc. (the Company), a Company incorporated in the state of Delaware as of November 18, 2003, plans to locate and negotiate with a business entity for the combination of that target company with The Company. The combination will normally take the form of a merger, stock-for-stock exchange or stock-for-assets exchange. In most instances the target company will wish to structure the business combination to be within the definition of a tax-free reorganization under Section 351 or Section 368 of the Internal Revenue Code of 1986, as amended. No assurances can be given that The Company will be successful in locating or negotiating with any target company.

The Company has been formed to provide a method for a foreign or domestic private company to become a reporting ("public") company whose securities are qualified for trading in the United States secondary market.

The Company has adopted its fiscal year end to be October 31.

Results of Operations and Ongoing Entity:

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The Company is considered to be an ongoing entity for accounting purposes; however, there is substantial doubt as to the Company's ability to continue as a going concern. The Company's shareholders fund any shortfalls in The Company's cash flow on a day to day basis during the time period that The Company is in the development stage.

Liquidity and Capital Resources:

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In addition to the stockholder funding capital shortfalls; The Company anticipates interested investors that intend to fund the

Company's growth once a business is located.

Cash and Cash Equivalents:  
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The Company considers cash on hand and amounts on deposit with financial institutions which have original maturities of three months or less to be cash and cash equivalents.

Basis of Accounting:  
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The Company's financial statements are prepared in accordance with U.S. generally accepted accounting principles.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

Income Taxes:

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The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or refundable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

Fair Value of Financial Instruments:

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The Company's financial instruments may include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and liabilities to banks and shareholders. The carrying amount of long-term debt to banks approximates fair value based on interest rates that are currently available to The Company for issuance of debt with similar terms and remaining maturities. The carrying amounts of other financial instruments approximate their fair value because of short-term maturities.

Concentrations of Credit Risk:

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Financial instruments which potentially expose The Company to concentrations of credit risk consist principally of operating demand deposit accounts. The Company's policy is to place its operating demand deposit accounts with high credit quality financial institutions. At this time The Company has no deposits that are at risk.

Recent Accounting Pronouncements:

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In March 2005, the FASB issued FSP No. 46(R) 5, "Implicit Variable Interests under FASB Interpretation No. ("FIN") 46 (revised December 2003), Consolidation of Variable Interest Entities" ("FSP FIN 46R 5"). FSP FIN 46R 5 provides guidance for a reporting enterprise on whether it holds an implicit variable interest in Variable Interest Entities ("VIEs") or potential VIEs when specific conditions exist. This FSP is effective in the first period beginning after March 3, 2005 in accordance with the transition provisions of FIN 46 (Revised 2003), "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51" ("FIN 46R"). The Company has determined that the adoption of FSP FIN 46R 5 will not have an impact on its results of operations and financial condition.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which will result in (a) more consistent recognition of liabilities relating to asset retirement obligations, (b) more information about expected future cash outflows associated with those obligations, and (c) more information about investments in long lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Early adoption of this interpretation is encouraged. As FIN 47 was recently issued, the Company has not determined whether the interpretation will have a significant effect on its financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), which replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28". SFAS No. 154 provides guidance on the accounting for and reporting of changes in accounting principles and error corrections. SFAS No. 154 requires retrospective application to prior period financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS No. 154 also requires certain disclosures for restatements due to correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and is required to be adopted by the Company as of January 1, 2006. The impact that the adoption of SFAS No. 154 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes adopted by the Company and the nature of transitional guidance provided in future accounting pronouncements.

2. Related Party Transactions and Going Concern:

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The Company's financial statements have been presented on the basis that it is a going concern in the development stage, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. At this time The Company has not identified the business that it wishes to engage in.

The Company's shareholders fund The Company's activities while The Company takes steps to locate and negotiate with a business entity for combination; however, there can be no assurance these activities will be successful.

3. Accounts Receivable and Customer Deposits:

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Accounts receivable and Customer deposits do not exist at this time and therefore have no allowances accounted for or disclosures made.

4. Use of Estimates:

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Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Management has no reason to make estimates at this time.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

5. Revenue and Cost Recognition:

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The Company uses the accrual basis of accounting in accordance with generally accepted accounting principles for financial statement reporting.

6. Accrued Expenses:

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Accrued expenses consist of accrued legal, accounting and office costs during this stage of the business.

7. Operating Lease Agreements:

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The Company has no agreements at this time.

8. Stockholder's Equity:

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Common Stock includes 100,000,000 shares authorized at a par value of \$0.001, of which 100,000 have been issued for the amount of \$100 on November 18, 2003 in acceptance of the incorporation expenses for the Company.



9. Required Cash Flow Disclosure for Interest and Taxes Paid:

-----

The company has paid no amounts for federal income taxes and interest. The Company issued 100,000 common shares of stock to its sole shareholder in acceptance of the incorporation expenses for the Company.

10. Income Taxes:

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The Company has had a loss from inception in the amount of \$4,100 that will expire if not used during the years 2024, 2025, and 2026 in the amounts of \$1,850, \$1,550 and \$700, respectively. The net tax asset is \$750 of which the Company's management has set an offsetting allowance for the doubtful use of this asset in the amount of \$820.

11. Earnings Per Share:

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Basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding for the period as required by the Financial Accounting Standards Board (FASB) under Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Shares". Diluted EPS reflects the potential dilution of securities that could share in the earnings.



**Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations**

*Plan of Operation*

The Company is continuing its efforts to locate a merger Candidate for the purpose of a merger. It is possible that the Company will be successful in locating such a merger candidate and closing such merger. However, if the registrant cannot effect a non-cash acquisition, the registrant may have to raise funds from a private offering of its securities under Rule 506 of Regulation D. There is no assurance the registrant would obtain any such equity funding.

*Results of Operation*

The Company did not have any operating income from inception (November 18, 2003) through April 30, 2006. For the six months ended April 30, 2006, the Company recognized a net loss of \$700. Some general and administrative expenses during the year were accrued. Expenses for the year were comprised of costs mainly associated with legal, accounting and office.

*Liquidity and Capital Resources*

At April 30, 2006, the Company had no capital resources and will rely upon the issuance of common stock and additional capital contributions from shareholders to fund administrative expenses pending acquisition of an operating company.

*Off Balance-Sheet Arrangements*

During the six months ended April 30, 2006, the Company did not engage in any off-balance sheet arrangements as defined in Item 303(c) of the SEC's Regulation S-B.

**Item 3. Controls and Procedures**

(a) Evaluation of disclosure controls and procedures.

The Chief Executive Officer of Modena 3, Inc. maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information which is required to be disclosed is accumulated and communicated to management in a timely manner. Under the supervision and with the participation of management, the certifying officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule [13a-14(c)/15d-14(c)] under the Exchange Act) within 90 days prior to the filing date of this report. Based upon that evaluation, the certifying officer concluded that the Company's disclosure controls and procedures are effective in timely alerting management to material information relative to the Company required to be disclosed in periodic filings with the SEC.

(b) Changes in internal controls.

The Chief Executive Officer has indicated that there were no significant changes in internal controls or other factors that could significantly affect such controls subsequent to the date of his evaluation, and there were no such control actions with regard to significant deficiencies and material weaknesses.

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The Company is currently not a party to any pending legal proceedings and no such action by or to the best of its knowledge, against the Company has been threatened.

**Item 2. Changes in Securities.**

None

**Item 3. Defaults Upon Senior Securities.**

None

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

No matter was submitted during the quarter ending April 30, 2006 covered by this report to a vote of the Company's shareholders, through the solicitation of proxies or otherwise.

**Item 5. Other Information.**

None

**Item 6. Exhibits.**

(a) Exhibits

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

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



**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

**MODENA 3 INC.**

Registrant

Date: July 31, 2006

By: /s/ Abraham Pierce

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Abraham Pierce

President, Chief Executive Officer,

Chief Financial Officer





