AERO PERFORMANCE PRODUCTS, INC.
Form 10QSB
February 14, 2008

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended	Commission File Number
December 31, 2007	000-26887

AERO PERFORMANCE PRODUCTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada	98-0353403
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

10288 S. Jordan Gateway Suite F
South Jordan, Utah 84095
(Address of principal executive offices)

(801) 495-0882

Issuer's telephone number, including area code

FRANCHISE CAPITAL CORPORATION

(Registrant's Former Name and Address)

Check 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 [ ] No[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 outstanding of each of the issuer's class of common stock, as of the last practicable date.

Class	Outstanding at February 8, 2008
Common Stock, $0.0001 par value	1,793,457,804 shares

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

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AERO PERFORMANCE PRODUCTS, INC.

FINANCIAL STATEMENTS

December 31, 2007

Aero Performance Products, Inc.

Consolidated Balance Sheet

ASSETS

		(Unaudited) December 31, 2007
CURRENT ASSETS:		
Cash and cash equivalents	$	19,921
Accounts Receivable, net		159,140
Inventory		261,783
Total Current Assets		440,844
OTHER ASSTS:		
Fixed Assets, net		109,180
Prepaid Expenses		-
Total Other Assets		109,180
TOTAL ASSETS	$	550,024

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Notes Payable, current portion	$	1,673,909
Accounts payable and accrued expenses		314,928
Total Current Liabilities		1,988,837
TOTAL LIABILITIES		1,988,837
STOCKHOLDERS' EQUITY		
Preferred Stock, Authorized 30,000,000 Shares, $.0001 Par Value, 0 Shares Issued and Outstanding		
Common Stock, Authorized 5,000,000,000 Shares, $.0001 Par Value, 1,793,457,804 Shares Issued and Outstanding		179,346

W/o of Goodwill		-
Paid-in capital		18,340,664
Accumulated deficit		(19,958,823)
Total Stockholders' Equity		(1,438,813)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	550,024

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

Aero Performance Products, Inc.
Consolidated Statements of Operations

(Unaudited)

	For the Six Months Ended		For the Three Months Ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
INCOME:				
Sales	$ 319,208	$ 282,618	$ 149,982	$ 116,440
Cost of Sales	(191,656)	(86,352)	(74,752)	(31,652)
Gross Income	127,552	196,266	75,230	84,788
EXPENSES:				
Freight & Shipping	62,046	42,096	28,447	17,195
Outside Services	137,570	111,700	93,339	50,700
Advertising and Marketing expense	128,322	2,704,347	45,657	1,955,404
Professional & Legal	169,167	41,422	68,063	23,090
Rent	49,871	35,580	24,547	17,932
Salaries	167,424	172,879	83,514	98,467
G&A expenses	172,343	55,955	140,028	35,197
Total Expenses	886,743	3,163,979	483,595	2,197,985
LOSS FROM OPERATIONS	(759,191)	(2,967,713)	(408,365)	(2,113,197)
OTHER INCOME (EXPENSE)				
Interest expense	(33,504)	(324,514)	(33,504)	(289,781)
Settlement costs	(319,850)	-	(319,850)	
			-	
NET LOSS	$ (1,112,545)	$ (3,292,227)	$ (761,719)	$ (2,402,978)
	1,424,973,708	1,020,717,247	1,744,991,137	1,024,167,308

WEIGHTED AVERAGE SHARES				
NET LOSS PER SHARE	(0.0008)	(0.0032)	(0.0004)	(0.0023)

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

Aero Performance Products, Inc.

Consolidated Statements of Cash Flows

	For the Six Months Ended	
	December 31 2007	December 31 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,112,545)	$ (3,292,227)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	1,696	7,000
Settlement costs	319,850	-
Decrease in Accounts Receivable	18,948	44,523
Increase in Inventory	(1,282)	38,600
Increase (decrease) in accounts payable and accrued liabilities	(9,067)	504,245
Net Cash Used by Operating Activities	(782,400)	(2,697,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,850)	-
Net Cash Used by Investing Activities	(1,850)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued for services	545,321	
Bank Overdraft	-	4,396
Proceeds from issuance of short-term debt	218,125	2,700,011
Net Cash Provided by Financing Activities	763,446	2,704,407
INCREASE IN CASH AND EQUIVALENTS	(20,804)	6,548

CASH AND EQUIVALENTS, BEGINNING OF PERIOD		40,177		-
CASH AND EQUIVALENTS, END OF PERIOD	**$**	19,373	**$**	6,548
Non-Cash Financing Activities:				
Common stock issued for debt and accrued interest	$	6,960,773	$	-
Common stock issued for settlement of past due payable	$	80,000	$	-
Note payable recorded for return of stock	$	475,000	$	-

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

AERO PERFORMANCE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Quarter Ended December 31, 2007

Note 1-Background

Aero Performance Products Inc. (Aero or the Company), formerly Franchise Capital Corporation, was incorporated in the State of Nevada in 1999. Aero designs and manufactures highly efficient, technologically superior vehicle exhaust systems for the automotive aftermarket. The Company is headquartered outside of Salt Lake City, Utah.

On October 4, 2007, Aero consummated a share exchange with Franchise Capital Corporation (FCCN), a publicly-held Nevada corporation, in a transaction that resulted in Aero becoming the successor issuer to FCCN for SEC reporting purposes. As a result of the transaction, FCCN agreed to issue a total of 1,114,285,700 new shares of restricted common stock in exchange for 6,745,456 shares of Aero common stock, representing 100% of the total issued and outstanding shares of Aero, and the satisfaction of Aero debt of $4,458,519. Since FCCN was essentially a non-operating shell immediately prior to the share exchange, the Company has treated the transaction as a reverse merger for accounting purposes. Accordingly, all financial information presented prior to the date of the share exchange is that of Aero exclusive of FCCN operations or assets. The equity and share information presented is that of Aero and all share information has been adjusted to reflect the share exchange rate (approximately 84:1). In addition, shares held by FCCN shareholders at the time of the share exchange have been treated as shares issued by Aero.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

Cash equivalents consist primarily of cash deposits and highly liquid investments with maturities of three months or less.

Intangible Assets

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, the Company evaluates intangible assets and other long-lived assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets and other long-lived assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including: past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

Revenue Recognition

Revenue is recognized in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. The Company recognizes revenue when the significant risks and rewards of ownership have been transferred to the customer pursuant to applicable laws and regulations, including factors such as when there has been evidence of a sales arrangement, delivery has occurred, or service have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured.

Property and Equipment

Property and equipment are recorded at acquisition cost and increased by the cost of any significant improvements made after purchase. The Company depreciates the cost over the estimated useful lives of the respective assets using straight-line method over the estimated useful life.

Income Taxes

The Company accounts for income taxes under SFAS 109, Accounting for Income Taxes. Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

Basic and Diluted Income/(Loss) Per Share

Statement of Financial Accounting Standards No. 128, Earnings per Share, requires presentation of basic earnings per share (Basic EPS) and diluted earnings per share (Diluted EPS). Basic earnings/(loss) per share is computed by dividing earnings/(loss) available to common stockholders by the weighted average number of common shares outstanding (including shares reserved for issuance) during the period. Diluted earnings per share give effect to all dilutive potential common shares outstanding during the period.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. As of December 31, 2007 the Company had a retained deficit of $19,707,569. This condition raises substantial doubt as to the Company s ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These 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 be necessary should the Company be unable to continue as a going concern. In order to improve the Company s liquidity, the Company has entered into a merger agreement with a public company. There can be no assurance that the Company will be successful in its continuing efforts to secure additional equity financing. If operations and cash flows improve through these efforts, management believes that the Company can continue to operate. However, no assurance can be given that management s actions will result in profitable operations or the resolution of its liquidity problems.

Note 3 Fixed Assets and Patents

Fixed Assets include office and warehouse furniture, fixtures and computer equipment. The Patent is amortized over its life of 21 years and is registered for the construction and composition of the exhaust system.

		As of December 31, 2007	
	Life	**2007**	
Office furniture and equipment	3 7	71,603	
Patent	21	95,884	-
		167,487	
Less Accumulated depreciation		(58,307)	-
			-
		109,180	

Note 4 Notes Payable

As of December 31, 2007, notes payable consisted of the following:

Note payable in the amount of $750,000 and bearing interest at the rate of 12% per annum. The note is past due; however, no demand for payment has been made. During the prior quarter $891,128 of the original loan amount, plus accrued interest of $448,319 was converted into 133,944,727 shares of common stock of FCCN, leaving a balance due of $750,000.

Note payable of $194,063 to a third party. The note bears interest at the rate of 8% per annum and is payable on demand.

Notes payable of $30,000 to two third party individuals. The notes are due on demand and bear interest at the rate of eight percent (8%) per annum.

Note payable of $224,000 to Bryan Hunsaker, the Company s chief executive officer, due March 31, 2008 and bearing interest at the rate of eight percent (8%) per annum. The note stems from the recording of unpaid salary and bonuses from 2002 through December 31, 2007.

Included in accounts payable and accrued expenses is accrued interest of $31,985.

Note 5 Capital Stock

On October 4, 2007, the Company issued 600,000,000 shares of common stock to the shareholders of Franchise Capital Corporation FCCN as part of a share exchange under which Aero became the successor issuer to FCCN. Under the terms of the share exchange, a commercial revolving credit line in the amount of $1,870,000 payable to Franchise Capital Corporation was eliminated as partial consideration for the shares issued.

The Company previously had a note payable to Morgan McClure Motorsports (MMM) for prior advertising and promotion associated with the Company s sponsorship of the MMM race team in the amount of $2,613,411. On October 4, 2007, the note was converted into 117,815,306 shares of restricted common stock.

The Company had a note payable of $244,925 to one of the Company s former directors. The note bore interest at the rate of 15% per annum and was past due. On October 4, 2007 the note was converted, together with accrued interest of $170,475 into 41,540,000 shares of restricted common stock.

The Company had notes payable totaling $345,000 to unrelated parties. The notes were past due and bore interest at 12% per annum. On October 4, 2007, the notes were converted, together with accrued interest of $66,667 into 41,166,774 shares of restricted common stock.

On October 4, 2007, the Company converted $891,128 of loan principle owed to a third party, plus accrued interest of $448,319, into 133,944,727 shares of restricted common stock, leaving a principle balance due of $750,000.

On November 7, 2007, the Company agreed to a court-ordered settlement for payment on services previously rendered by a director of the Company valued at $80,000. The director had previously sold the services contract to a third party who then sought payment and brought an action against the Company in the 12th Circuit Court in Sarasota, Florida. Under the terms of the settlement, the Company issued a total of 72,700,000 shares of common stock. As a result, the Company recorded settlement costs of $318,850 which represented the difference between the fair value of the shares issued and the value of the debt obligation.

Note 6 - Subsequent Events

On January 10, 2008, the Company entered into a court-ordered settlement in the amount of $202,197 with regard to a note payable and accrued interest to a third party that was past due. Under the settlement terms, the Company is required to issue a total of 310,000,000 shares of common stock.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, anticipate or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB and Current Reports on Form 8-K.

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

General

Aero Performance Products, Inc. (the Company) was formed as a Nevada corporation on July 6, 2001 under the name Cortex Systems, Inc. They were originally a development stage company that intended to establish memory clinics in several different locations in North America. Unfortunately, the Company was unable to successfully execute its business plan. In July of 2003, the Company changed its name to BGR Corporation. Along with the name change came a new management and ownership team. The intention of management is to acquire new innovative fast-casual restaurant concepts, develop them into a profitable working design, and franchise them across the country. In December of 2004 the Company changed its name to Franchise Capital Corporation. On January 21, 2008 the Company changed its name to Aero Performance Products, Inc. to more accurately reflect its current business of performance exhaust airflow technology, manufacturing and distributing the most technologically advance muffler on the market. The names Aero Performance Products, Inc. , "we", "our" and "us" used in this report refer to Aero Performance Products, Inc. The Company is headquartered outside of Salt Lake, Utah.

On December 23, 2004, the company elected to be regulated as a Business Development Company (BDC) as outlined in the Investment Company Act of 1940 by filing a Form N-54A. As a BDC, the Company focused on investing and developing restaurant franchise companies and made several investments (discussed below). During the fourth quarter of 2006, the Company abandoned its business model and liquidated all of its investment holdings. On March 13, 2007, the Company held a shareholder meeting at which the Company s shareholders voted to withdraw the Company s election to be a business development company as defined by the 1940 Act. On March 13, 2007, the

Company filed for N-54C to formally withdraw the Company s BDC status.

On October 4, 2007, Aero consummated a share exchange with Franchise Capital Corporation (FCCN), a publicly-held Nevada corporation, in a transaction that resulted in Aero becoming the successor issuer to FCCN for SEC reporting purposes. As a result of the transaction, FCCN agreed to issue a total of 1,114,285,700 new shares of restricted common stock in exchange for 6,745,456 shares of Aero common stock, representing 100% of the total issued and outstanding shares of Aero, and the satisfaction of Aero debt of $4,458,519. Since FCCN was essentially a non-operating shell immediately prior to the share exchange, the Company has treated the transaction as a reverse merger for accounting purposes. Accordingly, all financial information presented prior to the date of the share exchange is that of Aero exclusive of FCCN operations or assets. The equity and share information presented is that of Aero and all share information has been adjusted to reflect the share exchange rate (approximately 84:1). In addition, shares held by FCCN shareholders at the time of the share exchange have been treated as shares issued by Aero.

On October 4, 2007, the Company accepted the resignations of Steven Peacock as the Company s Chief Executive Officer, Chief Financial Officer and Secretary, Robert McCoy as the Company s Chairman of the Board of Directors, James Bickel as a member of the Board of Directors and Gary Nerison as a member of the Board of Directors. These resignations are in connection with the consummation of the Share Exchange Agreement with Aero and the appointment of new directors do not arise from any disagreement on any matter relating to the Company s operations, policies or practices, nor regarding the general direction of the Company. None of these directors served on any subcommittees of the Board of Directors. Effective as of the same date the Company elected and appointed Bryan Hunsaker as Chairman and Chief Executive Officer of the Company, Shane Traveller as Interim Chief Financial Officer and Secretary, and Robert McMichael as a Director.

RESULTS OF OPERATIONS

Three months ended December 31, 2007 compared to three months ended December 31, 2006.

Revenues

The Company reported revenues of $149,982 for the three months ended December 31, 2007 compared to $116,440 for the three months ended December 31, 2006. The revenues were generated from the sale of the Company s line of performance exhaust systems. The increase in revenue is attributed to the implementation of a more aggressive sales strategy through new International distribution channels and an increased North American distribution network.

Operating Expenses

Operating expenses were $483,595 for the three months ended December 31, 2007 compared to operating expenses of $2,197,985 for the three months ended December 31, 2006. Current period operating expenses consisted principally of $208,091 in administrative and professional fees, $45,657 in advertising and marketing expenses and $176,853 in salary and outside services expense. The prior period operating expenses consisted principally of $1,955,404 in advertising and marketing expenses, the majority of which related to the Company s sponsorship of the Morgan McClure Motorsports NASCAR team and related NASCAR sponsorship.

Other Income/(Loss)

Other income/(loss) for the three months ended December 31, 2007 was ($353,354) as compared to ($289,781) for the three months ended December 31, 2006. Current period loss consisted primarily of ($319,850) in settlement costs.

Net Loss

The Company incurred a net loss of $761,719 or $(0.0004) per share for the three months ended December 31, 2007, compared to a loss of $2,402,978 or $(0.0023) for the three months ended December 31, 2006. The decrease in loss was primarily due to a decrease in advertising and marketing expenses of $1,909,747.

Six months ended December 31, 2007 compared to six months ended December 31, 2006.

Revenues

The Company reported revenues of $319,208 for the six months ended December 31, 2007 compared to $282,618 for the six months ended December 31, 2006. The revenues were generated from the sale of the Company s line of performance exhaust systems. The increase in revenue is attributed to the implementation of a more aggressive sales strategy through new International distribution channels and an increased North American distribution network.

Operating Expenses

Operating expenses were $886,743 for the six months ended December 31, 2007 compared to operating expenses of $3,163,979 for the six months ended December 31, 2006. Current period operating expenses consisted principally of $341,510 in administrative and professional fees, $128,322 in advertising and marketing expenses and $304,994 in salary and outside services expense. Prior period operating expenses consisted principally of $2,704,347 in advertising and marketing expenses, the majority of which related to the Company s sponsorship of the Morgan McClure Motorsports NASCAR team and related NASCAR sponsorship.

Other Income/(Loss)

Other income/(loss) for the six months ended December 31, 2007 was ($353,354) as compared to ($324,514) for the six months ended December 31, 2007. Current period loss consisted primarily of $319,850 in settlement costs associated with the value of shares of common stock issued to satisfy delinquent payables, whereas prior period loss resulted from interest expense on debt that was converted into common stock on October 4, 2007.

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Net Loss

The Company incurred a net loss of $1,112,545 or $(0.0008) per share for the six months ended December 31, 2007, compared to a loss of $3,292,227 or $(0.0032) for the six months ended December 31, 2006. The decrease in loss was primarily due to a decrease in advertising and marketing expenses of $2,576,025.

Liquidity and Capital Resources

The Company s financial statements present an impairment in terms of liquidity. As of December 31, 2007 the Company had $1,988,837 in current liabilities and $437,446 in current assets. As of December 31, 2007, the Company has a note payable in the amount of $750,000 payable on demand and bearing interest at twelve percent (12%) annum. In addition, the Company has a note payable in the amount of $194,063 payable on demand and bearing interest at the rate of eight percent (8%) per annum. The Company has accumulated $19,707,569 of net operating losses through December 31, 2007 which may be used to reduce taxes in future years through 2027. The use of these losses to reduce future income taxes will depend on the generation of sufficient taxable income prior to the expiration of the net operating loss carry forwards. The potential tax benefit of the net operating loss carry forwards have been offset by a valuation allowance of the same amount. The Company has not yet established revenues to cover its operating costs. Management believes that the share exchange with Aero Exhaust will result in the Company s achieving profitability in the short term; however, there is no guarantee that Aero s operations will prove profitable. In the event the Company is unable to generate profits and if suitable financing is unavailable, there is substantial doubt about the Company s ability to continue as a going concern.

Item 3. Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, Bryan Hunsaker, our chief executive officer and Shane Traveller, our chief financial officer evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Mr. Hunsaker and Mr. Traveller concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

It should be noted, however, that no matter how well designed and operated, a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems (including faulty judgments in decision making or breakdowns resulting from simple errors or mistakes), there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Additionally, controls can be circumvented by individual acts, collusion or by management override of the controls in place.

PART II.

Other Information

Item 1. Legal Proceedings

None

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

On October 4, 2007, the Company issued 600,000,000 shares of common stock to the shareholders of Franchise Capital Corporation FCCN as part of a share exchange under which Aero became the successor issuer to FCCN. Under the terms of the share exchange, a commercial revolving credit line in the amount of $1,870,000 payable to Franchise Capital Corporation was eliminated as partial consideration for the shares issued.

The Company previously had a note payable to Morgan McClure Motorsports (MMM) for prior advertising and promotion associated with the Company s sponsorship of the MMM race team in the amount of $2,613,411. On October 4, 2007, the note was converted into 117,815,306 shares of restricted common stock.

The Company had a note payable of $244,925 to one of the Company s former directors. The note bore interest at the rate of 15% per annum and was past due. On October 4, 2007 the note was converted, together with accrued interest of $170,475 into 41,540,000 shares of restricted common stock.

The Company had notes payable totaling $345,000 to unrelated parties. The notes were past due and bore interest at 12% per annum. On October 4, 2007, the notes were converted, together with accrued interest of $66,667 into 41,166,774 shares of restricted common stock.

On October 4, 2007, the Company converted $891,128 of loan principle owed to a third party, plus accrued interest of $448,319, into 133,944,727 shares of restricted common stock, leaving a principle balance due of $750,000.

On November 7, 2007, the Company agreed to a court-ordered settlement for payment on services previously rendered by a director of the Company valued at $80,000. The director had previously sold the services contract to a third party who then sought payment and brought an action against the Company in the 12th Circuit Court in Sarasota, Florida. Under the terms of the settlement, the Company issued a total of 72,700,000 shares of common stock. As a result, the Company recorded settlement costs of $318,850 which represented the difference between the fair value of the shares issued and the value of the debt obligation.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

The exhibits listed below are required by Item 601 of Regulation S-B.

Exhibit No.	**Description**	**Location**
3.1	Articles of Incorporation	*
3.2	Bylaws	*
3.3	Amendment to the Articles of Incorporation dated January 21, 2008	***
14	Code of Ethics adopted December 23, 2004	**
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	****
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	****
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	****
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	****
99(i)	Audit Committee Charter adopted December 23, 2004	**

* Incorporated by reference from Aero Performance Products, Inc.'s Registration Statement on Form SB-2 filed on October 29, 2001.

** Incorporated by reference from Aero Performance Products, Inc. s Quarterly Report on Form 10-QSB for the quarter ended March 31, 2007 filed on June 7, 2007.

*** Incorporated by reference from Aero Performance Products, Inc. s Current Report on Form 8-K filed on January 23, 2008.

****Filed herewith.

SIGNATURE PAGE

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.

Dated: February 13, 2008

/s/ Bryan Hunsaker

Bryan Hunsaker

Chief Executive Officer

EXHIBIT 31.1

SECTION 302

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Bryan Hunsaker, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Aero Performance Products, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2008

By*: /s/ Bryan Hunsaker*

Bryan Hunsaker, Chief Executive Officer

EXHIBIT 31.2

SECTION 302

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Shane Traveller, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Aero Performance Products, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2008 *By:* *<u>/s/ Shane Traveller</u>*

Shane Traveller, Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aero Performance Products, Inc. (the "Company") on Form 10-QSB for the period ending December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan Hunsaker, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operation of the Company.

/s/ Bryan Hunsaker

Bryan Hunsaker

Chief Executive Officer

February 13, 2008

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aero Performance Products, Inc. (the "Company") on Form 10-QSB for the period ending December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shane Traveller, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operation of the Company.

/s/ Shane Traveller

Shane Traveller

Chief Financial Officer

February 13, 2008