CNB FINANCIAL CORP/PA
Form 8-K
December 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 29, 2015

CNB FINANCIAL CORPORATION

(Exact name of Registrant as specified in its Charter)

Pennsylvania	**000-13396**	**25-1450605**
(State or other jurisdiction of incorporation)	**(Commission File No.)**	**(IRS Employer Identification Number)**

CNB BANK

1 South Second Street

PO Box 42

Clearfield, Pennsylvania 16830

(Address of principal executive offices)

Registrant s telephone number, including area code: (814) 765-9621

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.
On December 29, 2015, CNB Financial Corporation (the Company), CNB Bank (the Bank) and Lake National Bank entered into an Agreement and Plan of Merger (the Agreement), pursuant to which the Company will acquire Lake National Bank for $22.50 per share in cash, or approximately $24.75 million in the aggregate.

Under the terms of the Agreement, which has been approved by the boards of directors of each party thereto, Lake National Bank will be merged with and into the Bank with the Bank surviving (the Merger). Following the completion of the Merger, Lake National Bank will operate as part of the ERIEBANK division of CNB.

The Agreement contains customary representations and warranties of the parties. The Agreement also contains certain termination rights for both the Company and Lake National Bank, and further provides that, upon termination of the Agreement upon specified circumstances, Lake National Bank may be required to pay the Company a termination fee of $990,000.

Following the consummation of the Merger, Andrew Meinhold, currently President and Chief Executive Officer of Lake National Bank, will continue with CNB in its ERIEBANK division, Lance F. Osborne and Jerome T. Osborne III will be joining the Advisory Board of ERIEBANK, and Joseph T. Svete, Chairman of Lake National Bank, Richard T. Flenner, Jr., and Richard J. Kessler will begin the ERIEBANK OH Advisory Board of the ERIEBANK division of CNB.

Additionally, concurrently with entering into the Agreement, the Company entered into Voting Agreements with certain Lake National Bank shareholders pursuant to which such shareholders agreed to vote their Lake National Bank shares in favor of the Merger.

The transaction is subject to customary closing conditions, including the receipt of approval from the shareholders of Lake National Bank and regulatory approvals, and is expected to be completed in the third quarter of 2016.

The foregoing is not a complete description of the Agreement and is qualified in its entirety by reference to the full text of the Agreement, which is filed as Exhibit 2.1 hereto and is incorporated herein by reference.

A copy of the related press release is filed as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.
The Company may use the investor presentation concerning the Merger furnished herewith in one or more meetings with investors and/or analysts. A copy of the investor presentation is attached hereto as Exhibit 99.2 and is being furnished herewith pursuant to Item 7.01.

Important Additional Information

In connection with the proposed transaction, Lake National Bank will distribute a proxy statement to its shareholders in connection with a special meeting of shareholders to be called and held for the purposes of voting on approval of the transaction and related matters.

BEFORE MAKING ANY VOTING OR INVESTMENT DECISIONS REGARDING THE PROPOSED TRANSACTION, LAKE NATIONAL S SHAREHOLDERS AND INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND ITS EXHIBITS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT LAKE NATIONAL AND THE PROPOSED TRANSACTION.

Copies of the proxy statement will be mailed to all shareholders prior to the special meeting. Shareholders and investors may obtain additional free copies of the proxy statement when it becomes available by directing a request by telephone or mail to Lake National Bank, 7402 Center Street, Mentor, OH 44060, Attention: Andrew L. Meinhold (telephone: 440-205-8100).

Participants in the Transactions

Lake National Bank and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Lake National Bank in connection with the special meeting of shareholders. Information about the directors and executive officers of Lake National Bank is set forth in the proxy statement for Lake National Bank s 2015 annual meeting of shareholders. Additional information regarding the interests of these participants and other persons who may be deemed participants in the proxy solicitation may be obtained by reading the proxy statement for the special meeting of shareholders when it becomes available.

Cautionary Note Regarding Forward-Looking Statements

This report contains statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and this statement is included for purposes of complying with these safe harbor provisions. Readers should not place undue reliance on such forward-looking statements, which speak only as of the date made. These forward-looking statements are based on current plans and expectations, which are subject to a number of risk factors and uncertainties that could cause future results to differ materially from historical performance or future expectations. These differences may be the result of various factors, including, among others: (1) failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all; (2) failure of the shareholders of Lake National Bank to approve the merger agreement; (3) failure to obtain governmental approvals for the merger; (4) disruptions to the parties businesses as a result of the announcement and pendency of the merger; (5) costs or difficulties related to the integration of the business following the proposed merger; (6) the risk that the anticipated benefits, cost savings and any other savings from the transaction may not be fully realized or may take longer than expected to realize; (7) changes in general business, industry or economic conditions or competition; (8) changes in any applicable law, rule, regulation, policy, guideline or practice governing or affecting financial holding companies and their subsidiaries or with respect to tax or accounting principles or otherwise; (9) adverse changes or conditions in the capital and financial markets; (10) changes in interest rates or credit availability; (11) the inability to realize expected cost savings or achieve other anticipated benefits in connection with the proposed merger; (12) changes in the quality or composition of loan and investment portfolios; (13) adequacy of loan loss reserves and changes in loan default and charge-off rates; (14) increased competition and its effect on pricing, spending, third-party relationships and revenues; (15) loss of certain key officers; (16) continued relationships with major customers; (17) deposit attrition, necessitating increased borrowings to fund loans and investments; (18) rapidly changing technology; (19) unanticipated regulatory or judicial proceedings and liabilities and other costs; (20) changes in the cost of funds, demand for loan products or demand for financial services; and (21) other economic, competitive, governmental or technological factors affecting operations, markets, products, services and prices.

The foregoing list should not be construed as exhaustive, and CNB Financial Corporation and Lake National Bank undertake no obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events or circumstances.

For additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements, please see filings by CNB Financial Corporation with the SEC, including CNB Financial Corporation s Annual Report on Form 10-K for the year ended December 31, 2014.

Item 9.01 Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits.

Exhibit No.	Description
2.1*	Agreement and Plan of Merger, dated as of December 29, 2015, by and among CNB Financial Corporation, CNB Bank and Lake National Bank.
99.1	Press release dated December 30, 2015.
99.2	Investor presentation dated December 30, 2015.

* Schedules omitted. The Company will furnish supplementally a copy of any omitted schedule to the SEC upon request.

SIGNATURES

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

	CNB Financial Corporation
Date: December 30, 2015	By: /s/ Joseph B. Bower, Jr. Joseph B. Bower, Jr. President and Chief Executive Officer

EXHIBIT INDEX

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Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission"). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Annual Report on Form 10-K, previously filed with the Commission on March 31, 2009.

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Excaliber Enterprises, Ltd.
(a Development Stage Company)
Condensed Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Assets		
Current assets		
Cash	$ 3,042	$ 21,812
Total current assets	3,042	21,812
Fixed assets, net of accumulated depreciation of $357		
and $36 as of 9/30/09 and 12/31/08, respectively	927	1,248
Total assets	$ 3,969	$ 23,060
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,186	$ 2,186
Note payable – related party	500	500
Total current liabilities	2,686	2,686
Stockholders' equity		
Common stock, $0.001 par value, 200,000,000 shares		
authorized, 5,848,707 shares issued and outstanding		
as of 9/30/09 and 12/31/08, respectively	5,849	5,849
Additional paid-in capital	42,686	41,186
(Deficit) accumulated during development stage	(47,252)	(26,661)
	1,283	20,374
Total liabilities and stockholders' equity	$ 3,969	$ 23,060

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

Excaliber Enterprises, Ltd.
(a Development Stage Company)
Condensed Statements of Operations

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	October 6, 2005 (Inception) to September 30, 2009
Revenue	$ -	$ -	$ -	$ -	$ -
Expenses:					
Depreciation expense	107	-	321	-	250
Executive compensation	-	-	-	-	5,000
General and administrative expenses	1,186	93	20,240	3,409	41,805
Total expenses	1,293	93	20,561	3,409	47,162
(Loss) before provision for income taxes	(1,293)	(93)	(20,561)	(3,409)	(47,162)
Provision for income taxes	-	-	(30)	(30)	(90)
Net (loss)	$ (1,293)	$ (93)	$ (20,591)	$ (3,439)	$ (47,252)
Weighted average number of common shares outstanding – basic and fully diluted	5,848,707	5,100,000	5,848,707	5,100,000	
Net (loss) per share – basic and fully diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	

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

Excaliber Enterprises, Ltd.
(a Development Stage Company)
Condensed Statements of Cash Flows

	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008	October 6, 2005 (Inception) to September 30, 2009
Cash flows from operating activities			
Net (loss)	$(20,591)	$(3,439)	$(47,252)
Adjustments to reconcile net (loss) to			
net cash (used) by operating activities:			
Shares issued for executive compensation	-	-	5,000
Depreciation	321	-	357
Changes in operating assets and liabilities:			
(Decrease) increase in accounts payable	-	3,000	2,186
Net cash (used) by operating activities	(20,270)	(439)	(39,709)
Cash flows from investing activities			
Purchase of fixed assets	-	-	(1,284)
Net cash (used) by investing activities	-	-	(1,284)
Cash flows from financing activities			
Proceeds from note payable	-	500	500
Donated capital	1,500	-	1,600
Issuances of common stock	-	-	41,935
Net cash provided by financing activities	1,500	500	44,035
Net increase (decrease) in cash	(18,770)	61	3,042
Cash – beginning	21,812	95	-
Cash – ending	$3,042	$156	$3,042
Supplemental disclosures:			
Interest paid	$-	$-	$-
Income taxes paid	$30	$30	$90
Non-cash transactions:			
Shares issued for executive compensation	$-	$-	$5,000
Number of shares issued for executive compensation	-	-	5,000,000

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

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Excaliber Enterprises, Ltd.
(a Development Stage Company)
Notes to Condensed Financial Statements

Note 1 – Basis of presentation

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these condensed interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2008 and notes thereto included in the Company's annual report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

Note 2 – History and organization of the company

The Company was organized October 6, 2005 (Date of Inception) under the laws of the State of Nevada, as Excaliber Enterprises, Ltd. The Company is authorized to issue up to 200,000,000 shares of its common stock with a par value of $0.001 per share.

The business of the Company is to sell specialty gift baskets to health care professionals, organizations and patients, and real estate agents and firms. The Company has limited operations and in accordance with Statement of Financial Accounting Standards No. 7 (SFAS #7), "Accounting and Reporting by Development Stage Enterprises," the Company is considered a development stage company.

Note 3 – Going concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred a net loss of ($47,252) for the period from October 6, 2005 (inception) to September 30, 2009, and had no sales.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. On August 19, 2009, the Company secured a Revolving Line of Credit for $20,000 with a non-related third-party entity, the terms of which are discussed in Note 6 – Debt and Interest Expense. Nonetheless, the Company is significantly dependent upon its ability, and will continue to attempt, to secure equity and/or debt financing. There are no assurances that the Company will be successful and without sufficient financing it would be unlikely for the Company to continue as a going concern.

The 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 in existence. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might arise from this uncertainty.

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Excaliber Enterprises, Ltd.
(a Development Stage Company)
Notes to Condensed Financial Statements

Note 4 – Stockholders' equity

The Company is authorized to issue 200,000,000 shares of its $0.001 par value common stock.

On June 23, 2006, the Company issued 5,000,000 shares of its $0.001 par value common stock as founders' shares to an officer and director in exchange for services rendered valued at $5,000.

On August 2, 2006, an officer and director of the Company donated cash in the amount of $100. The entire amount was donated, is not expected to be repaid and is considered to be additional paid-in capital.

On September 25, 2006, the Company issued 100,000 shares of its $0.001 par value common stock to one individual in exchange for cash in the amount of $5,000.

On November 12, 2008, the Company issued 748,707 shares of its par value common stock in a public offering for total gross cash proceeds in the amount of $37,435. Total offering costs related to this issuance was $500.

On September 1, 2009, an officer and director of the Company donated cash in the amount of $1,500. The entire amount was donated, is not expected to be repaid and is considered to be additional paid-in capital.

As of September 30, 2009, there have been no other issuances of common stock.

Note 5 – Warrants and options

As of September 30, 2009, there were no warrants or options outstanding to acquire any additional shares of common stock.

Note 6 – Debt and interest expense

On January 22, 2008, the Company issued an aggregate of $500 in debt securities to a related party. The note bears no interest, is due on demand and contains no prepayment penalty.

On August 19, 2009, the Company entered into a Revolving Line of Credit Promissory Note with a non-related, third party entity for a total of $20,000. Any principal balance borrowed against the Note accrues interest at a rate of 10% per year. The entire unpaid balance and interest accrued thereupon are due on September 1, 2010.

Note 7 – Related party transactions

The Company issued 5,000,000 shares of its par value common stock as founders' shares to an officer and director in exchange for services rendered in the amount of $5,000.

The Company issued 100,000 shares of its par value common stock to an affiliated shareholder in exchange for cash in the amount of $5,000.

A shareholder, officer and director of the Company donated cash to the Company in the amount of $100. This amount has been donated to the Company, is not expected to be repaid and is considered additional paid-in capital.

In January 2008, the Company borrowed $500 from a relative of the officers and directors of the Company. The note bears no interest, is due on demand and contains no prepayment penalty.

On September 1, 2009, an officer and director of the Company donated cash in the amount of $1,500. The entire amount was donated, is not expected to be repaid and is considered to be additional paid-in capital.

Excaliber Enterprises, Ltd.
(a Development Stage Company)
Notes to Condensed Financial Statements

Note 7 – Related party transactions (continued)

The Company does not lease or rent any property. Office services are provided without charge by an officer and director of the Company. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report contains forward-looking statements about Excaliber Enterprises, Ltd.'s business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, Excaliber Enterprise's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, "believes,""expects," "intends,""plans,""anticipates,""estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Management's Discussion and Results of Operation

We were incorporated in the State of Nevada on October 6, 2005. Since our inception on October 6, 2005 to September 30, 2009, we did not generate any revenues and have incurred various general and administrative costs related to the costs of start-up operations and the execution of our business. In prior periods, the state of the economy has impeded our ability to develop our operations. However, our officers and directors have received informal interest in our gift baskets from prior personal contacts. As a result, we are in the process of rethinking our operational approach, infrastructure and financing requirements.

Operating Expenses

We incur operating expenses composed primarily of depreciation, executive compensation and general and administrative costs. We recognize depreciation expense on our computer equipment. Executive compensation is related specifically to the issuance of 5,000,000 shares of common stock to Stephanie Jones, an officer and director, for services rendered in June 2006. General and administrative expenses are essentially the cost of doing business, and include: licenses; general office expenses and supplies; bank charges; website costs; and professional fees such as accounting, legal and other various business consulting fees.

During the three months ended September 30, 2009, total expenses were $1,293, consisting of depreciation expense of $107, related specifically to our computer equipment, and general and administrative costs in the amount of $1,186. In the comparable three month period ended September 30, 2008, expenses were $93, all of which were attributable to general and administrative expenses. We attribute the relatively significant increase to the fact that we conducted minimal operations in 2008 as we awaited funds from a private placement offering of our common equity, which offering was closed in November 2008.

In the nine month period ended September 30, 2009, total expenses were $20,561, as opposed to $3,409 in the comparable nine months ended September 30, 2008. As stated similarly above, we conducted limited operations leading up to our private offering of common equity, which explains why expenses were relatively materially higher during the nine months ended September 30, 2009 as opposed to the comparable period ended September 30, 2008.

Since our inception, we have incurred aggregate operating expenses in the amount of $47,162, of which $357 is due to depreciation expense, $5,000 in executive compensation and general and administrative expenses in the amount of $41,805. No development related expenses have been or will be paid to our affiliates. We expect to continue to incur general and administrative expenses for the foreseeable future. Although we cannot estimate the extent of these costs, we do anticipate expenses rising during the fourth quarter of 2009 and the first half of 2010, related to our renewed pursuit of our business objectives.

Provision of Income Taxes

Although we are incorporated in the State of Nevada, we do business in the State of Idaho, which charges a minimum tax payable for $30. In the three months ended September 30, 2009 and 2008, we did not record any provisions for taxes. During the nine months ended September 30, 2009 and 2008, we recorded a provision for income taxes of $30 and $30, respectively. Since our inception to September 30, 2009, we recorded total provisions for income taxes of $90.

Net Loss

As a result of our lack of revenues and incurring ongoing expenses related to the implementation of our business, we have experienced net losses in all periods since our inception. In the three month period ended September 30 2009, our net loss totaled $1,293, compared to a net loss of $93 in the three month period ended September 30, 2008.

During the nine month periods ended September 30, 2009 and 2008, our net losses were $20,591 and $3,439, respectively.

Since our inception, we have accumulated a deficit in the amount of $47,252.

Liquidity

Our management believes that our cash on hand as of September 30, 2009 in the amount of $3,042 is not sufficient to maintain our current minimal level of operations and to execute our planned objectives for the next approximately 12 months. As of September 30, 2009, we owed $2,186 in accounts payable to vendors and service providers. Additionally, we have a note payable of $500, owed to a related party that bears no interest and is due on demand. We may be unable to satisfy any of our financial obligations. Our ability to fund our operating expenses are in doubt, and we cannot guarantee that we will be able to satisfy such. As a result, our independent auditors have expressed substantial doubt about our ability to continue as a going concern in the independent auditors' report to the financial statements included in our 10-K. If our business fails, our investors may face a complete loss of their investment.

In an effort to obtain working capital and funds in anticipation of pursuing our plan to establish our brand, which is set forth herein, on August 19, 2009, we entered into a Revolving Line of Credit with a non-related, third party entity for a total of $20,000. Any principal balance borrowed against the Note accrues interest at a rate of 10% per year. The entire unpaid balance and interest accrued thereupon are due on September 1, 2010. As September 30, 2009, we have not drawn any funds on this line of credit and our balance owed is $0.

Unfortunately, despite having secured a line of credit for $20,000, there can be guarantee that we can implement our new strategy or that our strategy will lead to revenues and positive cash flows. If we are unable to generate cash flows with which to repay the line of credit, as well as our other existing liabilities, or if we require additional capital to maintain or expand our operations, we may need to sell additional equity or debt securities, which may be on terms unfavorable to us.

Plan of Operation

During the second and third quarters of 2009, our officers and directors have received inquiries about our products and services. Our management believes that, while inquiries do not directly equal sales, these are signs of a resurgent market for corporate and personal gifts and could potentially lead to sales. Our management attributes this resurrected interest to the recovery of the stock market and various segments of the economy stabilizing. For instance, the real estate activity has shown a pickup in activity and an easing of price declines. Our management believes this turn around in the general business climate has led to a slight recovery in discretionary spending, as well as an availability of investment capital and business credit.

In anticipation of the improving market for gift baskets and increased consumer and business spending, we have secured a revolving line of credit in the amount of $20,000. We intend to use the funds from this line of credit to implement the following objectives:

Improve our website: We have a website located at www.ExcaliberStore.com to serve as our primary method of attracting customers and generating sales. The website is merely functional without e-commerce capability at this time. We are in the process of improving our website through adding e-commerce functionality and improving the user interface. There are options we are evaluating in terms of software for and outsourcing the processing of payments. We have budgeted up to $6,000 to the redesign of our site and for the purchase of software.

We are also contemplating creating accounts with websites that already have e-commerce functionality enabled, whereby we would pay either a nominal fee or commission for sales and payment processing. This option would allow us to conserve capital in that: (a) we would not have to hire a web developer to redesign the site; (b) we would not have to purchase special software; and (c) we would not have to set-up a merchant account.

Implement marketing and advertising: Once we determine our approach to e-commerce, we will implement a web advertising campaign using services provided by Google, Bing and Yahoo. The amount we budget to undertake web advertising activities will depend substantially upon whether we invest in developing an e-commerce website or enter into partnerships with other websites. At this time, we have allocated up to $10,000 of our line of credit, if necessary, toward web advertising.

In addition to web marketing, we also plan to take a direct sales approach, whereby our officers will attempt to generate interest and awareness of our brand. Direct sales is not expected to require a material outlay of funds, other than for business cards, brochures and other print materials. As such, we have allotted up to $2,000 to use for direct sales materials.

Our management does not anticipate the need to hire additional full- or part- time employees over the next 12 months, as the services provided by our current officers and directors appear sufficient at this time. Our officers and directors work for us on a part-time basis, and are prepared to devote additional time, as necessary. We do not expect to hire any additional employees over the next 12 months.

Our management does not expect to incur research and development costs.

We do not have any off-balance sheet arrangements.

We currently do not own any significant plant or equipment that we would seek to sell in the near future.

We have not paid for expenses on behalf of our directors. Additionally, we believe that this fact shall not materially change.

We currently do not have any material contracts and or affiliations with third parties.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations.

Controls and Procedures

Management's Report On Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of September 30, 2009, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that our management considered to be a material weakness under the standards of the Public Company Accounting Oversight Board was a lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures. The aforementioned material weakness was identified by our Chief Executive Officer in connection with the review of our financial statements as of September 30, 2009. Management believes that the lack of a functioning audit committee did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our board of directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Management's Remediation Initiatives

In an effort to remediate the identified material weakness and enhance our internal controls, we plan to establish a formal audit committee of the Board of Directors. We are also seeking an at least one additional person to serve as an outside Director, as well as sit on the audit committee, thereby providing oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management when funds are available to us.

Changes in internal controls over financial reporting

There was no change in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

Unregistered Sales of Equity Securities

On September 22, 2006, we issued 5,000,000 shares of our common stock to Stephanie Y. Jones, our founding shareholder and an officer and director. This sale of stock did not involve any public offering, general advertising or solicitation. The shares were issued in exchange for services performed by the founding shareholder on our behalf in the amount of $5,000. Mrs. Jones received compensation in the form of common stock for performing services related to the formation and organization of our Company, including, but not limited to, designing and implementing a business plan and providing administrative office space for use by the Company; thus, these shares are considered to have been provided as founder's shares. Additionally, the services are considered to have been donated, and have resultantly been expensed and recorded as a contribution to capital. At the time of the issuance, Mrs. Jones had fair access to and was in possession of all available material information about our company, as is the President and a director of Excaliber Enterprises, Ltd. The shares bear a restrictive transfer legend. On the basis of these facts, we claim that the issuance of stock to our founding shareholder qualifies for the exemption from registration contained in Section 4(2) of the Securities Act of 1933.

On September 25, 2006, we sold 100,000 shares of our common stock to Nicole Jones, sister-in-law of our founding shareholder, Stephanie Jones. The shares were issued for total cash in the amount of $5,000. The shares bear a restrictive transfer legend. At the time of the issuance, Mrs. Nicole Jones had fair access to and was in possession of all available material information about our company, as she is the sister-in-law of the president and director of Excaliber Enterprises, Ltd. The shares bear a restrictive transfer legend. On the basis of these facts, we claim that the issuance of stock to our founding shareholder qualifies for the exemption from registration contained in Section 4(2) of the Securities Act of 1933.

Exhibits and Reports on Form 8-K

Exhibit Number	Name and/or Identification of Exhibit
3	Articles of Incorporation & By-Laws
	(a) Articles of Incorporation *
	(b) By-Laws *
10	Line of Credit Loan Agreement
31	Rule 13a-14(a)/15d-14(a) Certifications
	(a) Stephanie Y. Jones
	(b) Matthew L. Jones
32	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

* Incorporated by reference herein filed as exhibits to the Company's Registration Statement on Form SB-2 previously filed with the SEC on September 11, 2007, and subsequent amendments made thereto.

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SIGNATURES

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

EXCALIBER ENTERPRISES, LTD.
(Registrant)

Signature	Title	Date
/s/ Stephanie Y. Jones Stephanie Y. Jones	President and Chief Executive Officer	November 16, 2009
/s/ Matthew L. Jones Matthew L. Jones	Chief Financial Officer	November 16, 2009
/s/ Matthew L. Jones Matthew L. Jones	Chief Accounting Officer	November 16, 2009