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AMERITYRE CORP
Form 10QSB
February 14, 2002

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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 December 31, 2001

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

For the transition period from _____ to _____.

Commission file number: 33-94318-C

AMERITYRE CORPORATION

(Exact name of registrant as specified in its charter)

NEVADA

87-0535207

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

705 YUCCA STREET, BOULDER CITY, NEVADA

89005

(Address of principal executive offices)

(Zip Code)

(702) 293-1930

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), Yes No and (2) has been
subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of each of the issuer's classes of common
stock, was 13,603,282 shares of common stock, par value \$0.001, as of January
31, 2002.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in
accordance with the instructions to Form 10-QSB pursuant to the rules and
regulations of the Securities and Exchange Commission and, therefore, do not
include all information and footnotes necessary for a complete presentation of

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the financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited balance sheet as of December 31, 2001; the related audited balance sheet as of June 30, 2001; the related unaudited statements of operations and cash flows for the three and six month period ended December 31, 2001 and 2000 and from January 30, 1995 (inception) through December 31, 2001 are attached hereto and incorporated herein by this reference.

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AMERITYRE CORPORATION		
(A Development Stage Company)		
BALANCE SHEETS		
ASSETS		
	DECEMBER 31, 2001	JUNE 30, 2001
	-----	-----
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 263,789	\$ 530,052
Accounts receivable - net	26,144	13,678
Inventory	542,132	400,920
Prepaid expenses	25,319	20,160
	-----	-----
Total Current Assets	857,384	964,810
	-----	-----
Property and Equipment		
Land	-	59,000
Building and improvements	41,613	305,532
Equipment	1,322,418	1,265,200
Furniture and fixtures	7,692	7,692
Automobiles	12,153	12,153
Less: accumulated depreciation	(869,894)	(807,460)
	-----	-----
Total Property and Equipment	513,982	842,117
	-----	-----
Other Assets:		
Patents - net	64,812	41,940
Deposits	7,180	7,180
	-----	-----
Total Other Assets	71,992	49,120
	-----	-----
TOTAL ASSETS	\$ 1,443,358	\$ 1,856,047
	=====	=====

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

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AMERITYRE CORPORATION

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(A Development Stage Company)

BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2001	JUNE 30, 2001
	-----	-----
	(Unaudited)	
Current Liabilities:		
Accounts payable	\$ 66,592	\$ 225,872
Accrued expenses	9,139	11,240
Note payable - related party	-	77,000
Interest payable related party	-	16,597
Stock subscription deposit	-	25,000
	-----	-----
Total current liabilities	75,731	355,709
	-----	-----
TOTAL LIABILITIES	75,731	355,709
	-----	-----
Stockholder Equity:		
Preferred stock, par value \$0.001, 5,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common stock, par value \$0.001, 25,000,000 shares authorized, 13,528,281 and 13,291,635 shares issued and outstanding, respectively	13,528	13,292
Additional paid-in capital	17,379,039	16,576,110
Stock subscriptions receivable	(925,743)	(1,458,307)
Prepaid expenses	(262,750)	(65,250)
Deficit accumulated during the development stage	(14,836,447)	(13,565,507)
	-----	-----
Total stockholders' equity	1,367,627	1,500,338
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,443,358	\$ 1,856,047
	=====	=====

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Operations
(Unaudited)

	For the Three Months Ended December 31, 2001	For the Three Months Ended December 31, 2000
	-----	-----
NET SALES	\$ 66,687	\$ 14,423
COST OF SALES	46,713	27,066
	-----	-----
GROSS MARGIN	19,974	(12,643)
	-----	-----
EXPENSES		
Consulting	97,999	158,912

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Payroll and payroll taxes	280,798	408,864
Depreciation and amortization	54,921	61,241
Bad debt expense	-	-
Selling, general and administrative	373,675	445,247
	-----	-----
Total Expenses	807,393	1,074,264
	-----	-----
LOSS BEFORE OTHER INCOME (EXPENSES)	(787,419)	(1,086,907)
	-----	-----
OTHER INCOME (EXPENSES)		
Other income	-	-
Interest income	21,170	28,553
Interest expense	-	(1,649)
Impairment loss	-	-
Inventory impairment loss	-	-
Loss on termination of employment agreement	-	-
Loss on disposition of assets	-	(5,125)
	-----	-----
TOTAL OTHER INCOME (EXPENSES)	21,170	21,779
	-----	-----
NET LOSS BEFORE DISCONTINUED OPERATIONS	\$ (766,249)	\$ (1,065,128)
	=====	=====
DISCONTINUED OPERATIONS		
Loss from discontinued operations	-	-
Gain from disposition of subsidiary	-	-
	-----	-----
Net Discontinued Operations	-	-
	-----	-----
NET LOSS	\$ (766,249)	\$ (1,065,128)
	-----	-----
BASIC LOSS PER SHARE		
Loss from operations	\$ (0.06)	\$ (0.09)
Discontinued operations	-	-
	-----	-----
Basic Loss Per Share	\$ (0.06)	\$ (0.09)
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES	13,528,301	11,791,078
	=====	=====

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Operations
(Unaudited)

	For the Six Months Ended December 31, 2001	For the Six Months Ended December 31, 2000	From Inception on January 30, 1995 Through December 31, 2001
	-----	-----	-----
NET SALES	\$ 90,379	\$ 66,746	\$ 349,710
COST OF SALES	61,591	79,784	453,627
	-----	-----	-----
GROSS MARGIN	28,788	(13,038)	(103,917)

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EXPENSES			
Consulting	225,653	423,515	2,447,596
Payroll and payroll taxes	414,079	487,815	4,320,254
Depreciation and amortization	109,251	123,222	1,098,171
Bad debt expense	-	-	52,112
Selling, general and administrative	613,644	670,915	4,249,944
Total Expenses	1,362,627	1,705,467	12,168,077
LOSS BEFORE OTHER INCOME (EXPENSES)	(1,333,838)	(1,718,505)	(12,271,994)
OTHER INCOME (EXPENSES)			
Other income	-	-	2,298
Interest income	44,862	53,100	274,853
Interest expense	-	(3,299)	(637,401)
Impairment loss	-	-	(1,694,111)
Asset impairment loss	-	-	(58,426)
Loss on termination of employment agreement	-	-	(240,000)
Gain (Loss) on disposition of assets	18,036	(5,125)	54,549
TOTAL OTHER INCOME (EXPENSES)	62,898	44,676	(2,298,238)
NET LOSS BEFORE DISCONTINUED OPERATIONS	\$ (1,270,940)	\$ (1,673,829)	\$ (14,570,232)
DISCONTINUED OPERATIONS			
Loss from discontinued operations	-	-	(495,108)
Gain from disposition of subsidiary	-	-	228,893
Net Discontinued Operations	-	-	(266,215)
NET LOSS	\$ (1,270,940)	\$ (1,673,829)	\$ (14,836,447)
BASIC LOSS PER SHARE			
Loss from operations	\$ (0.09)	\$ (0.14)	
Discontinued operations	-	-	
Basic Loss Per Share	\$ (0.09)	\$ (0.14)	
WEIGHTED AVERAGE NUMBER OF SHARES	13,567,718	11,586,741	

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Cash Flows (Continued)
(Unaudited)

	For the Six Months Ended December 31, 2001	For the Six Months Ended December 31, 2000	From Inception on January 30, 1995 Through December 31, 2001

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CASH FLOWS FROM OPERATING ACTIVITIES:

Net Loss	\$ (1,270,940)	\$ (1,673,829)	\$ (14,836,447)
Adjustments to Reconcile Net (Loss) to			
Net Cash (Used) by Operating Activities:			
Depreciation and amortization	109,251	123,222	1,098,171
Bad debt expense	-	-	52,112
(Gain) loss on disposition of assets	(18,036)	5,125	(54,549)
Asset Impairment loss	-	-	1,752,537
(Gain) on disposition of subsidiary	-	-	(228,893)
Loss on termination of employment contract	-	-	240,000
Loss from discontinued operations	-	-	495,108
Additional expense on stock options granted	-	-	313,818
Common stock issued for services	300,000	333,750	2,115,038
Services provided in lieu of cash payment on subscriptions receivable	-	-	75,000
Common stock issued in lieu of interest	-	-	499,519
Interest on subscriptions receivable	(6,427)	(46,720)	(114,520)
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable and accounts receivable - related party	(12,466)	5,566	(78,256)
(Increase) decrease in inventory	(141,211)	(9,131)	(542,131)
(Increase) decrease in prepaid expenses	17,341	(3,094)	1,053,931
(Increase) decrease in other assets	2,252	(19,304)	(17,609)
Increase (decrease) in accounts payable and accrued expenses	(42,813)	(124,642)	64,092
	-----	-----	-----
Net Cash (Used) by Operating Activities	(1,063,049)	(1,409,057)	(8,113,079)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash paid for patents	(23,905)	-	(101,647)
Sale of Equipment	322,919	-	398,419
Purchase of property and equipment	(57,218)	(119,686)	(1,827,207)
Purchase of subsidiary	-	-	(400,000)
	-----	-----	-----
Net Cash Provided (Used) by Investing Activities	\$ 241,796	\$ (119,686)	\$ (1,930,435)

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

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AMERITYRE CORPORATION
(A Development Stage Company)
Statements of Cash Flows (Continued)
(Unaudited)

	For the Six Months Ended December 31, 2001	For the Six Months Ended December 31, 2000	From Inception on January 30, 1995 Through December 31, 2001
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of common stock	\$ -	\$ -	\$ (439,862)
Receipt of subscription receivable	36,990	41,175	136,776
Payment of stock offering costs	-	-	(160,400)

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Proceeds from notes payable	-	-	2,298,838
Increase (decrease) in stock subscription deposit	(25,000)	561,397	-
Payments made on notes payable and line of credit	-	-	(429,838)
Payments made to related parties	-	-	(16,000)
Common stock issued for cash	543,000	1,079,450	8,917,790
	-----	-----	-----
Net Cash Provided (Used) by Financing Activities	554,990	1,682,022	10,307,303
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(266,263)	153,279	263,789
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	530,052	22,483	-
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 263,789	\$ 175,762	\$ 263,789
	=====	=====	=====

SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES

CASH PAID FOR:

Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -

NON-CASH FINANCING ACTIVITIES

Common stock issued for services rendered	\$ 300,000	\$ 333,750	\$ 2,115,038
Common stock issued in lieu of debt and interest	\$ 80,000	\$ -	\$ 2,321,519
Common stock issued for acquisition of subsidiary	\$ -	\$ -	\$ 1,550,000
Common stock issued as prepaid expenses	\$ 220,000	\$ -	\$ 1,582,000
Common stock issued for equipment	\$ -	\$ -	\$ 12,500
Common stock issued for subscription receivable	\$ -	\$ -	\$ 1,040,000

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

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AMERITYRE CORPORATION
(A DEVELOPMENT STAGE COMPANY)
Notes to the Unaudited Financial Statements
December 31, 2001 and June 30, 2001

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its June 30, 2001 Annual Report on Form 10-KSB. Operating results for the three and six months ended December 31, 2001 are not necessarily indicative of the results that may

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be expected for the year ending June 30, 2002.

NOTE 2 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has historically incurred significant losses which have resulted in an accumulated deficit of \$14,836,447 at December 31, 2001 which raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty. It is the intent of management to create additional revenues through the development and sales of its patented tires and to obtain additional equity financing if required to sustain operations until revenues are adequate to cover the costs.

NOTE 3 - MATERIAL EVENT

In April 2000 the Company filed an action in the United States District Court, District of Nevada, Case No. CV-S 00-0540-DWH-LRL, against Roger A. Fleming ("Fleming"), a former officer, director and current shareholder. In December 2001, the Company reached a definitive settlement agreement with Mr. Fleming, wherein he agreed to return for cancellation a total of 300,000 shares of the 630,000 shares that received in connection with his employment agreement. A final Dismissal with Prejudice was filed in the United States District Court for the Northern District of Ohio, Eastern Division, on December 26, 2001.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-looking Statements

This report may contain "forward-looking" statements. Examples of forward-looking statements include, but are not limited to: (a) projections of our revenues, capital expenditures, growth, prospects, dividends, capital structure and other financial matters; (b) statements of our plans and objectives; (c) statements relating to our future economic performance; (d) statements of our assumptions underlying other statements and statements about us relating to the future; and (e) any statements we may make using the words "anticipate," "expect," "may," "project," "intend" or similar expressions.

General

We have proprietary and nonproprietary technology for the manufacturing of flat-free specialty tires for bicycles and lawn and garden tires ("Products") from polyurethanes. Our primary marketing strategy has been to introduce our Products through sales to original equipment manufacturers, tire distributors and dealers, and direct market to customers via our internet website www.amerityre.com.

In October 2001, we implemented a plan to place our Products in bicycle shops, hardware stores and tire stores. Since implementing the plan we have placed our products in over 1,000 retail outlets in 30 states. We are presently negotiating with retail chains representing several thousand more retail outlets and our goal is to have our Products carried in 10,000 such outlets throughout the United States by the end of December 2002. Dealer locations can be accessed through our website.

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Our Results of Operations for the Three and Six Month Periods ended December 31, 2001 compared to the Three and Six Month Periods ended December 31, 2000

Revenue: Our net sales for the three and six month periods ended December 31, 2001 were \$66,687 and \$90,379, respectively, compared to \$14,423 and \$66,746 for the comparable periods ended December 31, 2000. We have seen an increase in the sales of our Products since implementing our direct marketing plan to retail outlets in October 2001. Further, our increase in sales during the six month period ended December 31, 2001 as compared to the same six month period in 2000 is directly attributed to our shift from marketing "Lazer"