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AMERITYRE CORP
Form 10KSB
September 29, 2003

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

FORM 10-KSB

(Mark One)

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

For the fiscal year ended June 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number 33-94318-C

AMERITYRE CORPORATION

(Exact name of registrant as specified in charter)

Nevada 87-0535207

State or other jurisdiction of incorporation or organization (I.R.S. Employer I.D. No.)

1501 Industrial Road, Boulder City, Nevada 89005
(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code (702) 294-2689

Securities registered pursuant to section 12(b) of the Act:

Title of each class Name of each exchange on which registered
None N/A

Securities registered pursuant to section 12(g) of the Act:

Common Stock
(Title of class)

Check whether the Issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Exchange Act during the past 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. (1) Yes [X] No [] (2) Yes [X] No []

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

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State issuer's revenues for its most recent fiscal year: \$1,040,246

State the aggregate market value of the voting stock held by nonaffiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days:

Based on the average of the high and low bid prices of our common stock at September 22, 2003, of \$4.15 per share, the market value of shares held by nonaffiliates (14,463,379 shares) would be approximately \$60,023,023.

As of September 26, 2003, we had 17,384,868 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the part of the form 10-KSB (e.g., part I, part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or other information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) under the Securities Act of 1933: NONE

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

We were incorporated as a Nevada corporation on January 30, 1995 under the name American Tire Corporation, to take advantage of certain proprietary and nonproprietary technology available for the manufacturing of Flatfree[TM] tires from polyurethane. We changed our name to Amerityre Corporation in December 1999. Since our inception, we have developed additional proprietary technology relating to Flatfree[TM] tires so that we have completed the fundamental technical development of the processes to manufacture non-highway use Flatfree[TM] tires for bicycles, wheelchairs, lawn and garden products, commercial and riding lawnmowers, as well as golf cars (the "Products"). In addition, to manufacturing the Flatfree [TM] Products referred to above, since August 2001, we have also been engaged in the development of polyurethane elastomer tires for highway and agricultural use based on our proprietary technology and various methods and processes relating to the manufacturing of those tires from liquid elastomers.

"Flatfree " Technology

The Products produced from our Flatfree[TM] tire technology differ from pneumatic tires in several ways: pneumatic tires are made from rubber; some pneumatic tires require an inner tube; and all pneumatic tires require initial air inflation and thereafter air pressure monitoring and re-inflation as may be required. Even though our Products provide equivalent "pneumatic ride-quality", they are considered "non-pneumatic" because they do not require inflation. Our Products are multi-density in nature and consist of specially formulated polyurethanes creating a closed cell foam construction which effectively reproduces the ride quality of a pneumatic tire. The closed cell foam construction, which forms one of the key components of our technology, contains millions of closed cells containing compressed air. Therefore, our Products are best identified as "Flatfree" in that they have no inner tube, do not require inflation and will not go flat even if they are punctured. Moreover, the closed cell infrastructure allows the tire to maintain its

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stability. Flatfree[™] tires are mounted on the wheel rim in much the same way a pneumatic tire is mounted (with the assistance of a tire lever or tire mounting press). Apart from cleaning, our Products are virtually maintenance free, they eliminate the need to make tedious puncture repairs, offer superior wear and a superior ride to rubber based tires. Fundamentally, our Products are safer than rubber based pneumatic tires as they can never be under or over inflated. Our Products have been designed for use by "on/off" road and "highway" bicycles, lawn and garden equipment such as wheelbarrows and handtrucks, as well as wheel chairs, riding and commercial mowing equipment and golf cars.

Product Marketing Plan

Historically, we have essentially been a technology company in the development stage, manufacturing a limited number of Products for the purpose of validating our Flatfree[™] tire technology. In an effort to balance our limited manufacturing capability with the need to gain critical end-user learning curve, we engaged a few independent regional sales representatives to directly place our Products with dealers such as local tire, hardware and bicycle stores.

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During the past year we have developed, demonstrated and tested various Products for Original Equipment Manufacturers (OEM) with "low-duty" needs (i.e. commercial and riding lawn mowers, wheelbarrows, handtrucks, wheelchairs, golf carts, etc.)

In the fall of 2002, we hired an independent consultant to assist us in evaluating (1) the cost of goods and equipment utilization and requirements of our manufacturing operations, and (2) our sales and marketing plan on a product sector basis. In January 2003, we began to incorporate revisions to our methods, processes and costs in order to achieve necessary manufacturing efficiencies (i.e., line automation, reduced material costs, reduced product weights, etc.). It is our expectation that it will take approximately 12 months to fully implement these efficiencies. Beginning in April 2003, we also began to incorporate revisions to our sales and marketing plan to emphasis a sector by sector market driven approach to achieve distribution and sell through support to maintain distribution. As a result, our sales focus has shifted from regional sales representatives calling on individual customer accounts to salesmen working directly with original equipment manufacturers and distributors. In addition, we are implementing an in-house telemarketing program to maintain contact with existing dealer accounts. We believe that this program will be fully implemented by October 2003.

Competition

Currently, we know of a few companies that utilize a manufacturing process similar to ours to produce tires from polyurethane foam (i.e., Green Tire, UK; Alshin Tire, USA; KIK Technology International, Inc., USA; Woo Tire, China; and Krypton-India, India). In addition to manufacturers of polyurethane foam tires, as a potential OEM supplier, we compete directly with firms that manufacture and market conventional low-duty pneumatic tires and tubes made from rubber. Our technology differs from existing polyurethane foam tire technology in many ways, including: (1) the formulation of the polyurethane; and (2) the manner in which the polyurethane is distributed throughout the mold.

The underlying basis of our technology and processes make our Products the only polyurethane based Flatfree[™] tires that utilize a foam consisting of millions of closed cells containing compressed air. Therefore, our Products

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have an equivalent "pneumatic ride-quality" without going flat when punctured.

Tires have become an essential commodity. The tire industry has historically been highly competitive and several of our competitors have financial resources which substantially exceed ours. In addition, many competitors are large companies (i.e., Kenda, Japan; Chengshin Rubber, China; and Carlisle Tire, USA) that have established brand name recognition, have established distribution networks for their products, and have developed consumer loyalty to such products.

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Manufacturing, Supplies, and Quality Control

Substantially all of our Products are manufactured utilizing single and/or multiple head, centrifugal molding machines. These machines produce Products by pouring a proprietary based polyurethane formula into a mold, which then spreads out in the mold through centrifugal force. The molding process occurs when the liquid polyurethane formula (made up of isocyanide and polyol) is combined with a catalyst. This combination causes a chemical reaction that results in the cross linking of the chemicals, which thereafter become solid. The mold then moves to the next station where the Product is removed and the process is repeated.

Our chemicals are available from multiple suppliers. We believe that we can obtain sufficient quantities of raw materials without significant problems or delays.

All of our Products are inspected following the manufacturing process and prior to shipment to ensure quality. Any Product considered by our quality control personnel to be defective are disposed of through traditional refuse collection services or can be ground into pellets, which can be melted and reused to make other products and reduce waste of raw materials.

Technology Development Agreement

In August 2001, we signed an agreement with The Goodyear Tire and Rubber Company to jointly develop polyurethane automobile tires. In January 2003, Goodyear announced substantial lay-offs at its Akron Technology Center that, among other things, directly effected the Goodyear personnel associated with our development project. As a result, in March 2003, we entered into mutual release with Goodyear, thereby permitting us to continue with the development of polyurethane automotive tires without Goodyear's exclusive participation. Our objective is to finish the development of the polyurethane automotive tire. Presently, we have completed our engineering and tooling design. We have contracted with a third party to machine our tooling and we are waiting for the delivery of the tooling for the automobile tire mold. We expect the tooling to be delivered by the end of October 2003, so we can complete several polyurethane prototypes which will then be submitted to an independent laboratory to conduct testing for compliance with applicable Department of Transportation requirements.

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Patents

Our technology is proprietary and we either own the technology directly or have licensed it through third parties. Set forth in the schedule below are the patents that have either been issued or for which a patent application is pending with respect to our technology.

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Description of Patent -----	U.S. Patent No. -----	Issued Date -----
Method for Making Polyurethane Tires with an Outer Skin	4,855,096	8/08/1989
Apparatus for Making Foam Products	4,943,223	7/24/1990
Apparatus and Method for Manufacturing an Item and the Like	5,906,836	5/25/1999
Method for Making Tires and the Like	6,165,397	12/26/2000
Non-Pneumatic Tire and Rim Combination	6,431,235	8/13/2002
Run Flat Tire with Elastomeric Inner Support	Allowed	9/11/2003

Description of Patent Pending -----	Application Status -----
Method for Manufacturing a Tire with Belts, Plies and Beads Utilizing a Precure Elastomer and Cold Rolling	Pending
Air No-Air Elastomeric Tire	Pending

Trademarks

We have used various trademarks in association with the marketing our Products, including our logo design in conjunction with the name, American[TM], and the names Flatfree[TM], Amerityre[TM], Amerithane [TM] Elastothane[TM] and Urathon[TM].

Regulation and Environmental Compliance

We know of no particular federal or state regulations applicable to our manufacturing processes. We are subject to various local, state, and federal laws and regulations including, without limitation, regulations promulgated by federal and state environmental and health agencies, the federal Occupational Safety and Health Administration, and laws pertaining to hiring, treatment, safety, and discharge of employees. Our manufacturing operations must also meet federal, state, and local regulatory standards in the areas of labor, safety, and health. We believe that we will be able to operate in compliance with such regulations, including laws related to the handling and use of environmentally hazardous materials.

Employees

As of June 30, 2003, we had 26 full-time employees, including 14 administrative and 12 hourly employees. We also hire temporary labor for manufacturing needs as required. None of our employees are represented by a labor union. We believe that we will be able to hire a sufficient quantity of qualified laborers in the local area to meet our employment needs. Our manufacturing process does not require special training, other than orientation to our production techniques and specific equipment.

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ITEM 2. DESCRIPTION OF PROPERTY

Offices

In October 2002, we leased executive and manufacturing facilities located at 1501 Industrial Road, Boulder City, Nevada (the "Leased Property"). The Leased Property consists of a 49,200 square foot building, which includes approximately 5,500 square feet of office space, situated on approximately 4.15 acres. The term of the lease is five years expiring October, 14, 2007, subject to our right to purchase the Leased Property. The base rent for the Leased Property is \$16,000 per month for the first year, with annual increases

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of \$500 per month during the term of the lease. We believe the Leased Property facility will be sufficient to handle our office and production needs for the next few years. It is our opinion that we maintain adequate insurance coverage for loss or damage to our leased facilities under our existing insurance policy.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

No matters were submitted to a vote of shareholders of the Company during the fourth quarter of the fiscal year ended June 30, 2003.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The table below sets forth, for the respective periods indicated, the prices for the Company's common stock in the over-the-counter market as reported by the NASD's OTC Bulletin Board. The closing prices represent inter-dealer quotations, without adjustments for retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

Fiscal Year Ended June 30, 2003 -----	High Close -----	Low Close -----
Fourth Quarter	\$4.85	\$1.95
Third Quarter	\$2.25	\$1.95
Second Quarter	\$2.55	\$1.85
First Quarter	\$3.02	\$2.10
Fiscal Year Ended June 30, 2002 -----		
Fourth Quarter	\$3.70	\$2.65
Third Quarter	\$3.90	\$2.04
Second Quarter	\$3.15	\$1.75
First Quarter	\$5.55	\$2.50
Fiscal Year Ended June 30, 2001 -----		
Fourth Quarter	\$5.05	\$2.65
Third Quarter	\$5.875	\$2.6875
Second Quarter	\$4.0625	\$1.8125
First Quarter	\$1.125	\$1.0625

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At September 22, 2003, the Company's Common Stock was quoted on the OTC Bulletin Board at a Closing price of \$4.30 per share.

Since our inception, we have not paid any dividends on our Common Stock, and we do not anticipate that we will pay dividends in the foreseeable future. At September 22, 2003, we had approximately 704 shareholders of record based on information provided by our transfer agent, Interwest Transfer Company, 1981 E. Murray-Holladay Road, Holladay, Utah 84117.

In April 2003, we entered into an agreement with a shareholder to assist us with introductions to parties which might be interested in providing us with funding in the form of debt and/or equity financing. This agreement is non-exclusive and we reserved the right to seek funding from other sources. The shareholder was paid a one-time fee of 50,000 shares of our restricted common

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stock valued at \$100,000 or \$2.00 per share, whether or not a transaction with a party introduced by the shareholder, directly or indirectly, is consummated.

During the three month period ended June 30, 2003, we sold an aggregate of 157,660 shares at \$2.00 per share for \$315,320 cash; and 2,170,000 shares at \$1.50 per share for \$3,255,000 cash.

All of our shares issued in the foregoing transactions were issued in reliance on the exemption from registration and prospectus delivery requirements of the Act set forth in Section 3(b) and/or Section 4(2) of the Securities Act and the regulations promulgated thereunder.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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 of our future economic performance; (d) statements of assumptions underlying other statements and statements about us and our business relating to the future; and (e) any statements using the words "anticipate," "expect," "may," "project," "intend" or similar expressions.

Year ended June 30, 2003 compared to year ended June 30, 2002

For a substantial portion of our operating history we focused on the development of our technology and have been a development stage company. During this time we had limited revenues from the sale of our Products. In October 2001, we began selling our Products to bicycle shops, hardware stores and tire stores in the United States through the use of independent regional sales representatives traveling throughout their respective regions. In April 2003, we began to implement changes to our sales and marketing plan based on product sector. As a result, our net sales for the year ended June 30, 2003 were \$1,040,246, or more than double net sales of \$506,250 for the year ended June 30, 2002.

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Our cost of sales for the year ended June 30, 2003 was \$976,132, or 93.8% of sales as compared to \$525,154, or 103.7% of sales for the year ended June 30, 2002, resulting in a gross margin of \$64,114 (6.2%) as compared to a gross deficit of \$18,904 (-3.7%) for the respective periods. The change from a slight gross deficit to a slight gross margin for the fiscal year ended June 30, 2003, is a direct result of incorporating revisions to our methods, processes and costs in order to achieve increase manufacturing efficiencies. We are continuing to effect these revisions and we believe that, for the fiscal year ending June 30, 2004, our direct costs as a percent of sales will continue to be reduced as our volume of Product sales exceeds the fixed costs of minimum Product production (i.e., labor and raw material costs, etc.). We believe we currently have sufficient manufacturing equipment and employees to merit a substantial increase in production without incurring a proportionately equivalent increase in labor costs. In addition, we continue to seek reductions in raw material and component costs from our principal suppliers.

The Company knows of no other predictable events or uncertainties that may be reasonably expected to have a material negative impact on the net sales revenues or income from our operations other than continuation of the stagnant U.S. economy that has occurred over the past several months and the reduced

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consumer spending resulting therefrom.

Corporate Expense. For fiscal year 2003, total operating expenses were \$3,173,149, consisting of consulting expenses of \$339,934, payroll and payroll taxes of \$1,083,910, depreciation and amortization of \$298,625, bad debt expense of \$51, loss on impairment of assets of \$67,982 and selling, general and administrative expenses of \$1,382,647, resulting in a loss from operations of \$3,109,035. For fiscal year 2002, total operating expenses were \$3,758,585, consisting mainly of consulting expenses of \$1,505,435, payroll and payroll taxes of \$818,658, depreciation and amortization of \$222,742, bad debt expense of \$36,834 and selling, general and administrative expenses of \$1,174,916, resulting in a loss from operations of \$3,777,489.

For fiscal year 2003 we were able to reduce our operating expenses \$585,436 from fiscal year 2002. The decrease in our operating expenses can in part be attributed to a reduction in outside consulting expenses and related expense associated with options granted to those consultants. Our selling, general and administrative expenses for the fiscal year ended June 30, 2003 do not include \$118,621 in net deferred consulting expenses. This amount is recorded as a reduction in shareholders' equity because it is associated with the granting of options to non-employees for services not yet performed. The variable fair value of these options is calculated using the Black-Scholes option pricing model.

We have restated our financial statements for the year ended June 30, 2002 to include an additional \$1,220,000 in consulting expenses as the result of our failure to recognize the vesting of 500,000 stock options that had previously been issued to Focus Sales and Marketing, L.L.C.

During fiscal year 2003 payroll and payroll taxes increased \$265,252, in large part due to our hiring additional executive and engineering personnel to handle administrative and product and equipment design responsibilities.

Interest Expense. We had no interest expense during fiscal year 2003 and our interest expense was \$203 for fiscal year 2002.

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Other Income (Expense). For fiscal year 2003, we had other income of \$17,063, consisting almost entirely of interest income associated with stock subscription receivables and temporary investments of cash not immediately needed in ordinary daily business. For fiscal year 2002, we had other income of \$31,078, consisting of \$14,907 gain on the sale of our former manufacturing facility in Ravenna, Ohio; interest income of \$13,463 and \$2,911 of miscellaneous income. These other income items were offset by an interest expense of \$203.

We experienced a net loss of \$3,091,972 for the year ended June 30, 2003, compared with a net loss of \$3,746,411 for the year ended June 30, 2002. The basic loss per share for fiscal year 2003 was \$0.21 as compared to \$0.27 for fiscal year 2002, based on the weighted average number of shares outstanding of 14,796,744 and 13,662,411 for the respective periods.

Liquidity and Capital Resources

During the fiscal year ended June 30, 2003, we financed our operations through collecting accounts receivable and issuing common stock for: cash; prepayment of certain salaries through June 30, 2003; and payment of professional services.

At June 30, 2003, we had current assets of \$3,136,736 and current liabilities

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of \$95,384, for a working capital surplus of \$3,041,352, a significant increase in the working capital surplus of \$1,225,129 we had at June 30, 2002. We had cash and cash equivalents of \$2,490,604 and net accounts receivable of \$128,481 at June 30, 2003 compared to cash and cash equivalents of \$774,345 and net accounts receivable of \$102,996 at June 30, 2002. Our increase in cash and equivalents and net accounts receivables at June 30, 2003, is attributable to our significant increase in sales, our collection of accounts receivable associated with those sales, and the receipt of subscriptions from the sales of our equity securities prior to our fiscal year end.

Net cash used by our operating activities for the fiscal year 2003 was \$2,110,769, compared to \$1,719,861 for the fiscal year 2002. Our operations for fiscal year 2003 were funded primarily by accounts receivables, the sale of common stock and the issuance of common stock for services and salary. Our operations for fiscal 2002 were funded primarily the same way.

At June 30, 2003, we had net property and equipment of \$1,302,787, after deduction of accumulated depreciation of \$1,273,876. At June 30, 2002, we had net property and equipment of \$615,556, after deduction of \$976,840 in accumulated depreciation. The increase in net property and equipment for fiscal year 2003 was a direct result of the purchase of software, additional production equipment and improvements to our leased executive/manufacturing facility. At June 30, 2003, our property and equipment consisted mainly of leasehold improvements, \$127,976; equipment, \$2,256,667; furniture and fixtures, \$56,488; vehicles, \$31,541; and software, \$103,991.

Because we had an accumulated deficit of \$21,669,572 at June 30, 2003, our audit report contains a going concern modification as to our ability to continue as a going concern. We have taken certain steps to maintain our operating and financial requirements in an effort to enable us to operate as a going concern and until such time as revenues from the sale of our Products are adequate to cover our expenses, including:

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(1) evaluating (A) our cost of goods and equipment utilization and requirements of our manufacturing operations, and (B) our sales and marketing plan on a product sector basis;

(2) incorporating revisions to our methods, processes and costs in order to achieve necessary manufacturing efficiencies (i.e., line automation, reduced material costs, reduced product weights, etc.).

(3) incorporating revisions to our sales and marketing plan to emphasis a sector by sector market driven approach to achieve distribution and sell thru support to maintain distribution. Therefore, we are shifting from regional sales representatives calling on individual customer accounts to salesmen working directly with original equipment manufacturers and distributors.

(4) implementing an in-house telemarketing program to maintain contact with existing dealer accounts.

(5) seeking reduced material and component costs from suppliers;

(6) if necessary, obtaining additional funding through the private placement of the Company's common stock; and

(7) issuing common stock in lieu of cash for legal and other professional services.

We anticipate that during the upcoming fiscal year we will need approximately

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\$2,500,000 to implement our plan and to meet our working capital requirements.

Impact of Inflation

We do not anticipate that inflation will have a material impact on our current operations.

Principal Customers

During the most recent fiscal year ended June 30, 2002, Sunrise Medical accounted for approximately 17% of our total sales. No other customers accounted for more than 10% of our total sales.

Seasonality

Because the significant portion of our current customers reside in the United States, we anticipate that sales of certain of our lawn and garden Products to those customers located in Northern portion of the United States could be reduced as a result of fall and winter climate and weather conditions.

ITEM 7. FINANCIAL STATEMENTS

Our financial statements appear beginning on page 27 of this Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We have had no disagreements with our certified public accountants with respect to accounting practices or procedures or financial disclosure.

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ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our chief executive officer and our chief financial officer believe our disclosure controls and procedures (as defined in Sections 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended) are adequate, based on our evaluation of such disclosure controls and procedures on June 30, 2003.

(b) Changes in internal controls.

There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following table sets forth the name, age, and position of each executive officer and director who have served during the fiscal year ended June 30, 2003 and the term of office of each director of the Company.

Name	Age	Position	Director or Officer Since
----	---	-----	-----
Richard A. Steinke	61	Chairman, Director, CEO	January 1995 (1)
Elliott N. Taylor	45	Executive Vice President	June 2002
James G. Moore, Jr.	55	COO and VP Operations	August 1999

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David P. Martin	61	VP Sales and Marketing	November 1999
David K. Griffiths	66	Secretary/Treasurer	February 1995
Louis M. Haynie	76	Director	July 1997
Henry D. Moyle	74	Director	March 1999
William K. Watkins	79	Director	March 1999 (2)
Gene Stipe	75	Director	November 2000 (3)
Wesley G. Sprunk	66	Director	January 2003 (4)
Norman H. Tregenza	66	Director	April 2003 (5)

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- (1) Mr. Steinke became President and CEO in November 1999.
 - (2) Mr. Watkins was not re-elected at the annual meeting of shareholders in November 2002.
 - (3) Mr. Stipe resigned in February 2003.
 - (4) Mr. Sprunk was appointed by the board.
 - (5) Mr. Tregenza was appointed by our board to fill the vacancy created by Mr. Stipe's resignation.

The term of office of each of our directors is one year and until his successor is elected and qualified at our annual meeting, subject to removal by the Shareholders. The term of office for each Officer is one year and until a successor is elected at the annual meeting of our Board of Directors and is qualified, subject to removal by the Board of Directors. We reimburse our Directors for their expenses associated with attending Directors' meetings. See Item 10. EXECUTIVE COMPENSATION, Compensation of Directors.

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Biographical Information

Set forth below is certain biographical information for each of the Company's Officers and Directors and other key personnel at June 30, 2003.

Richard A. Steinke is our founder and currently serves as our President, Chairman and Chief Executive Officer. He is also currently the Chairman of the board of directors of Lew Corporation, a composite material designing company located in Las Vegas, Nevada. From January 1992 to December 1994, he served as Chairman and C.E.O. of Alanco Environmental Resources, Inc., a manufacturer of environmental/pollution control equipment, Salt Lake City, Utah. From June 1985 to December 1991, he was the Chairman and C.E.O. of UTI Chemicals, Inc., a developer and manufacturer of urethane chemicals, El Toro, California. He received a B.A. in Political Science and Economics from the University of Arizona, Tucson, Arizona, in 1967.

Elliott N. Taylor joined us as our Executive Vice President in June 2002. Prior to joining us, he was the principal attorney for Taylor and Associates, Inc., a law firm in Salt Lake City, Utah, specializing in corporate and securities law since May 1993. From August 1991 to March 1993, he was the general counsel and chief financial officer for Carbon Fiber Products, Inc., Ogden, Utah, a manufacturer of composite products for the golf industry. From November 1987 to July 1991, he was an associate attorney at Kruse, Landa & Maycock, a law firm in Salt Lake City, Utah. He received a J.D. from the University of Tulsa, Tulsa, Oklahoma in 1986 and a B.S. in Political Science from Utah State University, Logan, Utah in 1982.

James G. Moore, Jr. joined us in August 1997 and has been our Chief Operating Officer and Vice President of Operations since August 1999. Prior to his employment by us, he worked at The Goodyear Tire & Rubber Company ("Goodyear"), in Akron, Ohio, where he had over 25 years of experience as a master tire carver, which included five years at the Goodyear apprentice school for tire tread pattern carving and mold carving.

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David P. Martin has been our Vice President of Sales and Marketing since November 1999. From November 1994 to November 1999, he was the General Manager of Rocky Mountain Water Proofing, Salt Lake City, Utah. Prior to that time, he spent 14 years with Paine Weber, Thomson McKinnon and Prudential Securities as a registered representative. During his business career he has had substantial sales experience including positions with Eastman-Kodak, GAF Corporation, and Reproduction Systems, Inc.

David K. Griffiths has been Secretary/Treasurer since December 2000 and has been our principal accounting officer since February 1995. From 1960 to 1995, he was self-employed as an accountant/consultant for various small businesses. He offers the Company 39 years experience in accounting and accounting related systems. He received a B.S. in Accounting from Arizona State University, Tempe, Arizona in 1959.

Louis M. Haynie has been a member of our board of directors since July 1997. Mr. Haynie's past board services include, Research Medical, Inc., Salt Lake City, Utah, the University of Utah Regents Advisory Board, Redwood Land Co., Salt Lake City, Utah, and MIS Corporation, Franklin, Tennessee. Mr. Haynie has a law degree from the University of Utah and has been in the private practice of law since 1951.

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Henry D. Moyle, Jr. has been a member of our board of directors since March 1999. Since 1992, he has been President and C.E.O. of Silver Lake Company, and since 1989 has been President and C.E.O. of Brighton Properties, Inc. From 1970 to 1983, he was President and C.E.O. of Research Industries Corporation. He received a B.A. from Stanford in 1957, and a J.D. degree from the University of Utah in 1959. He is the owner of Sunset Canyon Ranch, raising cattle and racehorses, and serves on the board of directors of Silver Lake Company, Brighton Properties, Inc., and the Sunset Medical Corporation.

Wesley G. Sprunk, joined our board in January 2003. Mr. Sprunk owns and operates Saf-Tee Siping & Grooving, a tire siping equipment manufacturing company and Tire Service Equipment Mfg. Co., Inc., a manufacturer and marketer of automotive wheel service equipment and recycling equipment, both located in Phoenix, Arizona.

Norman H. Tregenza, joined our board in April 2003 and has over 40 years experience in corporate finance, including 12 years as an investment officer in the securities division of TIAA-CREF, New York City. Mr. Tregenza co-founded Tempo Enterprises, Inc. in 1976 to act as a common carrier for Turner Communication's Superstation's signal to the RCA satellite. Tempo obtained a listing on the American Stock Exchange in 1986. Before being sold to Telecommunications, Inc. (TCI) in 1988, Tempo owned several cable TV companies, radio stations and its own satellite TV network while supplying the Superstation's signal to approximately 50 million homes. TCI was acquired by AT&T in 2000. Mr. Tregenza received a B.A. from St. Lawrence University, Canton, NY, in 1959, and a MBA from NYU in 1963.

Management Consultant

Steven J. Shindler has been assisting us in preparing our operating plan, including analysis of product development, production, materials and labor costs, price structuring and product marketing and providing us with marketing recommendations that incorporate that analyses. Mr. Shindler has been a management consultant since 1996. From 1989 to 1996, he was the founder and president of Purisys, Inc., New York, NY, a manufacturer of Home Diagnostics, a complete line of indoor air, building material and drinking water pollution measurement kits. In 1988, Mr. Shindler, was the co-founder and COO of Silver

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Palate Kitchens, Inc., New York, NY, a retail specialty food store. From 1979 to 1987, Mr. Shindler was the Senior Vice President of Levine, Huntley, Schmidt and Beaver, Inc. ("LHS&B"), New York, NY. LHS&B was recognized as one of America's top 5 creative advertising agencies in the 80's, and managed a diverse client base including Citizen Watch, General Foods Corp. (new products), Matchbox Toys, People Express, Northwest Airlines and Subaru automobiles. LHS&B was sold to Grey Advertising in 1985. Mr. Shindler received a B.S. in Economics from the University of Pennsylvania, Wharton School, Philadelphia, PA in 1976.

Involvement in Certain Legal Proceedings

On April 28, 2003, a petition for bankruptcy under Chapter 11 of the Bankruptcy Code was filed in the United States Bankruptcy Court, District of Nevada, Case No. 03-15079 (the "Petition"), concerning Lew Corporation, a Nevada corporation, Corporation, in which Richard A. Steinke serves as Chairman of the Board of Directors. We are not a creditor in this action.

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COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Our common stock is registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in connection therewith, it is the responsibility of our directors, officers, and beneficial owners of more than 10% of our common stock to file on a timely basis certain reports under Section 16 of the Exchange Act as to their beneficial ownership. To the best of our knowledge, no such persons failed to file on a timely basis any reports required pursuant to Section 16 of the Exchange Act, as of June 30, 2003.

ITEM 10. EXECUTIVE COMPENSATION

The following tables set forth certain summary information concerning the compensation paid or accrued during each of our last three completed fiscal years to our chief executive officer and each of our other executive officers who received compensation in excess of \$100,000 during such period (as determined at June 30, 2003, the end of our last completed fiscal year):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary	Bonus (\$)	Other Annual Compensation	Awards Restricted Stock Awards	Payouts Options /SARs	LTIP Payout	All other Compensation
Richard A. Steinke CEO, Pres. and Chairman	2003	\$424,000	-0-	\$ -0-	-0-	-0-	-0-	-0-
	2002	\$400,000	-0-	\$30,000	-0-	-0-	-0-	-0-
	2001	\$346,875	-0-	-0-	-0-	-0-	-0-	-0-
Elliott N. Taylor, Executive V.P.	2003	\$120,000	-0-	-0-	-0-	-0-	-0-	-0-
	2002	5,000	-0-	-0-	-0-	-0-	-0-	-0-

Employment Agreements and Benefits

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Pursuant to a resolution of our board of directors, Mr. Steinke was issued 150,000 shares of our restricted common stock in lieu of cash compensation for employment service through December 31, 2000. Those shares were valued at \$346,875. Also, pursuant to a resolution of our board of directors in December 2001, he was issued 100,000 shares of restricted common stock in lieu of cash compensation for services through December 31, 2001 and an additional 100,000 shares of restricted common stock as prepaid compensation through June 30, 2002. The aggregate value of the 200,000 shares was \$400,000. In November 2002, the board authorized the issuance of 200,000 shares of restricted common stock to Mr. Steinke as employment compensation from July 1, 2002 through June 30, 2003. The aggregate value of the 200,000 shares was \$424,000. The value per share was the closing price of our common stock on the various dates of the board resolutions.

We provided health and medical insurance, similar to that which is made available to all full time employees, and we reimbursed Mr. Steinke for reasonable out-of-pocket expenses incurred in connection with our business.

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As a condition to employment, our management and key personnel are required to sign a nondisclosure and noncompetition agreement. Under the terms of the agreement, employees are not able to provide services or information deemed confidential by us to any other company or person which directly or indirectly competes with us in the tire industry or an industry which we intended to enter. There is no time limitation on the nondisclosure aspect of the agreement. The noncompetition clause is for a period of two years and prevents a former employee or consultant from acting as an employee, consultant or in any other capacity for a competitor.

Additionally, all employees are required, as a condition of their employment, to enter into a nondisclosure agreement related to any information or process deemed confidential by us.

Options/SAR Grants

The following tables contain information regarding the Plan Options granted to the Company's named executive officers during the fiscal year ended June 30, 2003:

OPTION/SAR GRANTS DURING LAST FISCAL YEAR
Individual Grants

Name	Number of Securities Underlying Options/SARs Granted	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date
(a)	(b)	(c)	(d)	(e)
Elliott N. Taylor [7/01/02 to 6/30/03]	60,000 sh	24.0	2.00	3/31/05

Aggregate Option/SAR Exercises in Last Fiscal Year

Number of

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Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Securities Underlying Unexercised Options/SARs at FY-End(#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options/SARs at FY-End(\$) Exercisable/ Unexercisable
Elliott N. Taylor	-	-	60,000/0	-

Pension Table

Not Applicable.

Other Compensation

None.

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Compensation of Directors

In December 2002, we established an Executive Committee to: (1) review our existing policies and procedures relating to executive compensation and board compensation, as well as review management's recommendations regarding changes and/or modifications thereto; (2) review potential nominees for board membership and make recommendations to the full board regarding the nominees; (3) review and make recommendations regarding our short-term and long-term operating plan; and (4) review management's plans regarding product development, product pricing structure, product market segments and product marketing strategy and make recommendations regarding changes and/or modifications thereto. Richard A. Steinke, Louis M. Haynie and Henry Moyle were appointed to serve on the Executive Committee. The Executive Committee meets on an ad hoc basis from time to time as determined by Mr. Steinke, who serves as chairman of the Executive Committee, but at least once per month until such time as the Executive Committee is disbanded or until their successors are duly elected and shall qualify. As compensation for serving on the Executive Committee, each non-employee director who serves as a member of the Executive Committee received a cash payment of \$22,000 for service through December 31, 2003.

In April 2002, four non-officer members of our Board of Directors were each granted options to acquire 200,000 shares of our restricted common stock at an exercise price of \$4.00 per share. The exercise price per share was set at approximately 110% of the closing price of the stock on the date the options were granted. In addition, our Board of Directors have been reimbursed for reasonable expenses incurred on our behalf.

In December 2001, pursuant to a resolution of the Board of Directors, we compensated the members of our Board of Directors by issuing each of them 15,000 shares of our restricted common stock in lieu of cash compensation for board service for the calendar year ending December 31, 2002. The common stock received by each of them was valued at \$30,000, for aggregate board compensation of \$150,000. The value per share was determined by averaging the closing price for our common stock for the four days previous to the board's approval. \$75,000 was expensed during our fiscal year ended June 30, 2003 and \$75,000 was expensed during our fiscal year ended June 30, 2002.

Committees of our Board of Directors

In September 2002, our Board of Directors appointed a three person audit

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committee consisting of two directors, Louis M. Haynie and Henry D. Moyle, Jr., and one member of our management, Elliott N. Taylor. Members of the audit committee met three times during the fiscal year ended June 30, 2003. In December 2002, our board established an executive committee consisting of Richard A. Steinke, Louis M. Haynie and Henry D. Moyle, Jr. Members of the executive committee met four times during the fiscal year ended June 30, 2003.

Meetings of our Board of Directors

Our Board of Directors held eight meetings during the last fiscal year (including those meetings conducted by telephone conferencing).

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Compensation Pursuant to Plans

Effective April 1, 2002, our Board of Directors approved the terms of our 2002 Stock Option and Award Plan. The Plan was ratified by our shareholders at the Annual Meeting on November 1, 2002. Under the Plan, four non-officer members of our Board of Directors were each granted options to acquire 200,000 shares of common stock at an exercise price of \$4.00 per share. In addition, our Board of Directors approved the grant of additional options to acquire up to 386,000 shares of common stock to various employees at an exercise price of \$4.00 per shares. The exercise price per share was set at approximately 110% of the closing price of the stock on the date the options were granted.

During the fiscal year ended June 30, 2003, our board approved the grant of options to acquire up to 250,000 shares of common stock to various employees at an exercise price of \$2.00 per share. The closing price for our common stock as quoted on the OTC Bulletin board on the date of grant was \$1.99 per share.

Award Plan Summary

Our Award Plan is intended to reward employees and other individuals who contribute to our success and to provide them with a stake in the enterprise as shareholders. Consistent with this belief, the award of stock options has been and will continue to be an important element of our compensation program.

We intend to use the Award Plan to (a) attract competent directors, executive personnel, and other employees, (b) aid in the retention of the services of existing directors, executive personnel, and employees, and (c) provide incentives to all of such personnel to devote the utmost effort and skill to our company's advancement by permitting them to participate in ownership and thereby permitting them to share in increases in the value which they help produce.

The Award Plan is administered by our Compensation Committee (the "Committee") appointed from time to time by our board of directors. Awards granted under the Award Plan may be incentive stock options ("ISOs") as defined in the Internal Revenue Code of 1986, as amended (the "Code"), appreciation rights, options which do not qualify as ISOs, or stock bonus awards which are awarded to our employees, including officers and directors, who, in the opinion of the board or the Committee, have contributed, or are expected to contribute, materially to our success. In addition, at the discretion of our Board of Directors or the Committee, options or bonus stock may be granted to individuals who are not employees but contribute to our success.

The exercise price of options granted under the Award Plan (as determined by our Board of Directors), may be based on the fair market value of the underlying Common Stock at the time of grant and, in the case of ISOs may not

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be less than 100% of the fair market value of such capital stock on the date the option is granted (110% of the fair market value in the case of 10% stockholders). Options granted under the Award Plan shall expire no later than ten years after the date of grant (five years in the case of ISOs granted to 10% stockholders). The option price may be paid by cash or, at the discretion of our Board of Directors or Committee, by delivery of a promissory note or shares of our Common Stock already owned by the optionee (valued at their fair market value at the date of exercise), or a combination thereof.

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All of our employees, officers, and directors are eligible to participate under the Award Plan. A maximum of 2,000,000 shares are available for grant under the Award Plan. The identification of individuals entitled to receive awards, the terms of the awards, and the number of shares subject to individual awards, are determined by our Board of Directors or the Committee, in their sole discretion provided, however, that in no event may the aggregate fair market value of shares for which an ISO is first exercisable in any calendar year by any eligible employee exceed \$100,000.

The aggregate number of shares with respect to which options or stock awards may be granted under the Award Plan, the number of shares covered by each outstanding option, and the purchase price per share shall be adjusted for any increase or decrease in the number of issued shares resulting from a recapitalization, reorganization, merger, consolidation, exchange of shares, stock dividend, stock split, reverse stock split, or other subdivision or consolidation of shares.

Our Board of Directors or the Committee may from time to time alter, amend, suspend, or discontinue the Award Plan with respect to any shares as to which options or stock awards have not been granted. However, no such alteration or amendment (unless approved by our stockholders) shall (a) increase (except adjustment for an event of dilution) the maximum number of shares for which options or stock awards may be granted under the Award Plan either in the aggregate or to any eligible employee; (b) reduce (except adjustment for an event of dilution) the minimum option prices which may be established under the Award Plan; (c) extend the period or periods during which options may be granted or exercised; (d) materially modify the requirements as to eligibility for participation in the Award Plan; (e) change the provisions relating to events of dilution; or (f) materially increase the benefits accruing to the eligible participants under the Award Plan.

If a participant to whom an option is granted exercises such option by payment of the exercise price in whole or in part with previously owned shares, the optionee will not realize income with respect to the number of shares received on exercise which equals the number of shares delivered by the optionee. The optionee's basis for the delivered shares will carry over to the option shares received. With regard to the number of non-qualified option shares received which exceeds the number of shares delivered, the optionee will realize ordinary income at the time of exercise; and the optionee's tax basis in these additional option shares will equal the amount of ordinary income realized plus the amount of any cash paid.

Recipients of ISOs will not be required to recognize income at the time of the grant of the options or at the time of exercise of the options as long as the stock received on exercise is held for at least two years from the date of the grant of the ISOs or one year from the date of exercise (although the difference between the fair market value of the stock and the exercise price paid at the time of exercise must be taken into account for alternative minimum tax purposes). If the stock received upon exercise of an ISO is disposed of prior to the expiration of either of such time periods, the

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optionee will be required to recognize as ordinary income the amount by which the fair market value of the stock received at the time of exercise exceeds the exercise price of the ISOs.

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Under the Award Plan, stock appreciation rights ("SARs") can be granted at the time an option is granted with respect to all or a portion of the shares subject to the related option. SARs can only be exercised to the extent the related option is exercisable and cannot be exercised for the six-month period following the date of grant, except in the event of death or disability of the optionee. The exercise of any portion of either the related option or the tandem SARs will cause a corresponding reduction in the number of shares remaining subject to the option or the tandem SARs thus maintaining a balance between outstanding options and SARs. SARs permit the holder to receive an amount (in cash, shares, or a combination of cash and shares, as determined by our Board of Directors at the time of grant) equal to the number of SARs exercised multiplied by the excess of the fair market value of the shares on the exercise date over the exercise price of the related options.

Under the terms of the Award Plan, our board of directors or the Committee may also grant stock awards which may, at the discretion of our Board of Directors or Committee, be subject to forfeiture under certain conditions. Recipients of stock awards will realize ordinary income at the time of the lapse of any forfeiture provisions equal to the fair market value of the shares less any amount paid in connection with the issuance (our Board of Directors or the Committee can require the payment of par value at the time of the grant). We will realize a corresponding compensation deduction. The holder will have a basis in the shares acquired equal to any amount paid on exercise plus the amount of any ordinary income recognized by the holder. On sale of the shares, the holder will have a capital gain or loss equal to the sale proceeds minus his or her basis in the shares.

Termination of Employment and Change of Control Arrangement

Unless otherwise disclosed below, as of June 30, 2003, the end of our most recent fiscal year, there are no compensatory plans or arrangements, including payments to be received from us, with respect to any person named in Cash Compensation set out above which would in any way result in payments to any such person because of his resignation, retirement, or other termination of such person's employment or any change in our control, or a change in the person's responsibilities following a change in our control.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth as of September 22, 2003 the name and address and the number of shares of our Common Stock held of record or beneficially by each person who held of record, or was known by us to own beneficially, more than 5% of the 17,384,868 shares of our Common Stock issued and outstanding, and the name and shareholdings of each director and of all officers and directors as a group. The information on share numbers and percentage ownership listed assumes: a) the exercise of options by the beneficial owner (all included options are currently exercisable); and b) a corresponding increase in the number of shares issued and outstanding.

Security Ownership of Certain Beneficial Owners

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Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage of Class
Common	Richard A. Steinke 705 Yucca Street Boulder City, NV 89005	(2) 1,320,000	7.59
Common	Alan F. Rypinski 3101 North Pacific Coast Hwy. Suite 100 A Newport Beach, CA 92663	(3) 1,010,000	5.49

Security Ownership of Management of the Company

Title of Class	Name and Position of Officer and/or Director	Amount and Nature of Beneficial Ownership(1)	Percentage of Class
Common	Richard A. Steinke, CEO/Pres.	(2) 1,320,000	7.59
Common	Elliott N. Taylor, Exec. VP	(5) 330,860	1.87
Common	James Moore, Vice President	(6) 80,000	0.46
Common	David P. Martin, Vice President	(7) 183,629	0.91
Common	David K. Griffiths, Sec./Treas.	(8) 118,600	0.68
Common	Louis M. Haynie, Director	(9) 600,000	3.41
Common	Henry D. Moyle, Jr. Director	(4) 778,000	5.37
Common	Wesley G. Sprunk, Director	91,700	0.53
Common	Norman H. Tregenza	(10) 288,700	1.66
Total Beneficial Ownership of All Officers and Directors as a Group (9 persons)		3,791,489	20.77

[Footnotes continue on next page]

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(1) All shares owned directly are owned beneficially and of record and such shareholder has sole voting, investment, and dispositive power, unless otherwise noted.

(2) Includes 455,000 shares owned beneficially and of record by Gemini Funding Services Profit Sharing Account, of which Richard A. Steinke is the principal beneficiary and 800,000 shares owned beneficially and of record by S102 Irrevocable Trust, for which Richard A. Steinke is the trustee.

(3) Includes options to acquire up to 500,000 shares at an exercise price of \$3.00 per share that expire July 31, 2004 and options to acquire an additional 500,000 shares at an exercise price of \$3.00 per share that expire July 31, 2005, both owned beneficially and of record by Focus Sales and Marketing, L.L.C. and of which Mr. Rypinski is a controlling principal.

(4) Includes options to acquire up to 200,000 shares at an exercise price of \$4.00 per share that expire April 01, 2005. Also includes 55,000 shares owned beneficially and of record by Vickie L. Moyle, spouse of Henry B. Moyle, and 11,000 shares owned beneficially and of record by a minor child, all of which Mr. Moyle may be deemed to have beneficial ownership.

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(5) Includes options to acquire up to 45,000 shares at an exercise price of \$2.00 per share that expire December 14, 2006; up to 60,000 shares at an exercise price of \$2.00 per share that expire March 31, 2005; and up to 200,000 shares at an exercise price of \$4.00 per share that expire June 10, 2007. Also includes 17,000 shares per power of attorney for Lawrence C. Taylor and 860 shares as custodian for Mr. Taylor's minor children.

(6) Includes options to acquire up to 50,000 shares at an exercise price of \$4.00 per share that expire April 1, 2005 and 20,000 shares at an exercise price of \$2.00 per share that expire March 31, 2005.

(7) Includes options to acquire up to 20,000 shares at an exercise price of \$4.00 per share that expire April 1, 2005 and 20,000 shares at an exercise price of \$2.00 per share that expire March 31, 2005. Also includes 6,000 shares owned beneficially and of record by Peggy Martin, the spouse of David P. Martin, and of which Mr. Martin may be deemed to have beneficial ownership.

(8) Includes options to acquire up to 25,000 shares at an exercise price of \$4.00 per share that expire April 1, 2005 and 30,000 shares at an exercise price of \$2.00 per share that expire March 31, 2005.

(9) Includes options to acquire up to 200,000 shares at an exercise price of \$4.00 per share that expire April 1, 2005. Also includes 2,000 shares owned beneficially and of record by Gae B. Haynie, spouse of Louis M. Haynie, of which Mr. Haynie may be deemed to have beneficial ownership.

(10) Includes 13,000 shares held in an IRA, of which Mr. Tregenza is a beneficiary; 40,000 shares held of record by Norman H. Tregenza IV Trust, dated 9/26/86, Richard R. Keller trustee; 33,650 shares held as custodian for Norman A. Tregenza; 12,000 shares per power of attorney for Norman A. Tregenza; 17,000 shares held in an IRA, of which Alyce B. Tregenza, the spouse of Mr. Tregenza is the beneficiary; 5,000 shares per power of attorney for Alyce B. Tregenza; 28,650 shares as custodian for Suzanne C. Tregenza; and 17,000 shares per power of attorney for Suzanne C. Tregenza.

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Securities Authorized For Issuance Under Equity Compensation Plans

Equity Compensation Plan Information			
As of June 30, 2003 (Fiscal Year End)			
Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans Approved by Security Holders	1,416,000	\$3.68	383,539
Equity Compensation			

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Plans

Not Approved
by Security

Holder (1) (2)	1,050,000	\$2.95	

	2,466,000	\$3.37	383,539
	=====		=====

(1) Includes options to acquire up to 500,000 shares at an exercise price of \$3.00 per share that expire July 31, 2004 and options to acquire an additional 500,000 shares at an exercise price of \$3.00 per share that expire July 31, 2005, both owned beneficially and of record by Focus Sales and Marketing, L.L.C. and issued as compensation in association with product marketing services.

(2) Includes options to acquire up to 50,000 shares at an exercise price of \$2.00 per share that expire December 14, 2006, issued as compensation for legal services.

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ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Technology License Agreement

On October 29, 1999, we entered into an exclusive license agreement with our President, Richard A. Steinke, and two unrelated parties to license certain intellectual property rights known as "Apparatus for Making Foam Products" and "Method for Making Polyurethane Tires with an Outer Skin" embodied in United States Patent No.'s 4,943,223 and 4,855,096, respectively. The agreement gives us an exclusive license to use, sell, license, or otherwise exploit the technology worldwide in exchange for a royalty of \$0.25 of the net selling price for all units produced utilizing the technology. The agreement requires us to meet certain minimum production/royalty requirements. However, in October 2002, this agreement was amended to eliminate the provision requiring us to maintain minimum sales or royalties and restricting the royalty provision to those units produced and sold having a final production weight in excess of two (2) pounds. Due to our President's relationship with the Company, the agreement cannot be considered to have been negotiated at arm's length.

Other Agreements

In June 2002, we entered into an agreement with Taylor and Associates, Inc., our SEC counsel ("Taylor and Associates"), whereby, in consideration for our employment of Elliott Taylor as our Executive Vice President, we agreed to compensate Taylor and Associates for the potential financial detriment it might incur as the result of Mr. Taylor's employment by us. Mr. Taylor had been the principal attorney for Taylor and Associates since 1993. We have agreed to pay Taylor and Associates \$2,750 per month for a period of 24 months, commencing on June 30, 2002 and continuing through May 31, 2004.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) (1) FINANCIAL STATEMENTS. The following financial statements are included in this report:

Title of Document	Page
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Independent Auditors' Report of HJ & Associates, LLC.....	27
Balance Sheet as of June 30, 2003.....	28

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Statements of Operations for the years ended June 30, 2003 and 2002	30
Statements of Stockholders' Equity.....	31
Statements of Cash Flows for the years ended June 30, 2003 and 2002.....	34
Notes to Financial Statements.....	36

(a) (2) FINANCIAL STATEMENT SCHEDULES. The following financial statement schedules are included as part of this report:

None.

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(a) (3) EXHIBITS. The following exhibits are included as part of this report:

Exhibit No.	Description
-----	-----
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.02	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

There were no reports on Form 8-K filed with the Commission during the quarter ended June 30, 2003.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by Item 9(c) of Schedule 14A

1) Audit Fees - The aggregate fees billed us for each of the last two fiscal years for professional services rendered by our principal accountant for the audit of our annual financial statements and review of our quarterly financial statements is \$47,595 and \$36,165, respectively.

2) Audit-Related Fees - The aggregate fees billed in each of the last two fiscal years for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements is \$385 and \$1,856. The services provided related to the review of registration statements filed during applicable period.

3) Tax Fees. None.

4) All Other Fees. None.

5) Not applicable.

6) Not Applicable.

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SIGNATURES

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

AMERITYRE CORPORATION

Date: September 26, 2003

By /S/Richard A. Steinke, Chairman of
the Board, President and CEO
[Principal Executive Officer]

Date: September 26, 2003

By /S/David K. Griffiths, Secretary
Treasurer [Principal Accounting
Officer]

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: September 26, 2003

/S/Louis M. Haynie, Director

Date: September 26, 2003

/S/Henry Moyle, Director

Date: September 26, 2003

/S/Wesley G. Sprunk, Director

Date: September 26, 2003

/S/ Norman H. Tregenza, Director

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Amerityre Corporation
Boulder City, Nevada

We have audited the accompanying balance sheet of Amerityre Corporation (the "Company") as of June 30, 2003 and the related statements of operations, stockholders' equity and cash flows for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in

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all material respects, the financial position of Amerityre Corporation as of June 30, 2003, and the results of its operations and its cash flows for the years ended June 30, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 8 to the financial statements, the Company has incurred significant losses, which have resulted in an accumulated deficit, raising substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 9 to the financial statements, the Company has restated its financial statements for the year ended June 30, 2002. This action was taken as a result of its failure to recognize the vesting of 500,000 stock options and instead, treating them as cancelled. Adjustments have been made to correct this error.

/S/ HJ & Associates
HJ & Associates, LLC
Salt Lake City, Utah
September 23, 2003

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AMERITYRE CORPORATION
Balance Sheet

ASSETS	June 30, 2003
-----	-----
CURRENT ASSETS	
Cash and cash equivalents (Note 1)	\$ 2,490,604
Accounts receivable - net of zero allowance	128,481
Inventory (Note 1)	464,984
Prepaid expenses	52,667

Total Current Assets	3,136,736

PROPERTY AND EQUIPMENT (Note 1)	
Leasehold improvements	127,976
Equipment	2,256,667
Furniture and fixtures	56,488
Vehicles	31,541
Software	103,991
Less - accumulated depreciation	(1,273,876)

Total Property and Equipment	1,302,787

OTHER ASSETS	
Patents and trademarks - net (Note 1)	101,052
Deposits	43,180

Total Other Assets	144,232

TOTAL ASSETS	\$ 4,583,755
	=====

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

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AMERITYRE CORPORATION
Balance Sheet (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2003

CURRENT LIABILITIES	
Accounts payable	\$ 93,880
Accrued expenses	1,504

Total Current Liabilities	95,384

Total Liabilities	95,384

COMMITMENTS AND CONTINGENCIES (Note 4)	
STOCKHOLDERS' EQUITY	
Preferred stock: 5,000,000 shares authorized of \$0.001 par value, -0- shares issued and outstanding	-
Common stock: 25,000,000 shares authorized of \$0.001 par value, 17,384,868 shares issued and outstanding	17,385
Additional paid-in capital	26,493,911
Stock subscriptions receivable (Note 2)	(16,632)
Expenses prepaid with common stock	(218,100)
Deferred consulting	(118,621)
Retained Deficit	(21,669,572)

Total Stockholders' Equity	4,488,371

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,583,755
	=====

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

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AMERITYRE CORPORATION
Statement of Operations

	For the Years Ended June 30,	
	2003	2002
	-----	-----
		(Restated)
NET SALES	\$ 1,040,246	\$ 506,250
COST OF SALES	976,132	525,154
	-----	-----
GROSS PROFIT (DEFICIT)	64,114	(18,904)
	-----	-----
EXPENSES		
Consulting	339,934	1,505,435
Payroll and payroll taxes	1,083,910	818,658
Depreciation and amortization	298,625	222,742
Bad debt expense	51	36,834
Loss on impairment of assets	67,982	-
Selling, general and administrative	1,382,647	1,174,916
	-----	-----
Total Expenses	3,173,149	3,758,585
	-----	-----
LOSS FROM OPERATIONS	(3,109,035)	(3,777,489)
	-----	-----
OTHER INCOME (EXPENSE)		
Other income	666	2,911
Interest income	16,397	13,463
Interest expense	-	(203)
Gain on disposition of assets	-	14,907
	-----	-----
Total Other Income	17,063	31,078
	-----	-----
NET LOSS	\$ (3,091,972)	\$ (3,746,411)
	=====	=====
BASIC LOSS PER SHARE	\$ (0.21)	\$ (0.27)
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	14,796,744	13,662,411
	=====	=====

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

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AMERITYRE CORPORATION
Statements of Stockholders' Equity

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	Common Shares	Stock Amount	Additional Paid-in Capital	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consulting
	-----	-----	-----	-----	-----	-----
Balance, June 30, 2001	13,291,635	\$ 13,292	\$17,841,792	\$ (1,458,307)	\$ (65,250)	\$
Common stock issued for cash at \$1.00 per share	50,000	50	49,950	-	-	
Common stock issued for cash at \$2.00 per share	758,450	759	1,516,142	-	-	
Common stock issued for stock subscription receivable	20,000	20	39,980	(40,000)	-	
Common stock issued for subscription deposit	12,500	12	24,988	-	-	
Common stock issued in lieu of royalty payment	22,500	22	49,978	-	-	
Common stock issued as payment of accounts payable	7,646	8	30,007	-	-	
Options granted to non-employees for deferred consulting	-	-	81,000	-	-	(81,000)
Common stock issued for prepaid services	10,000	10	19,990	-	(20,000)	
Common stock issued for rent and prepaid rent	22,500	22	44,978	-	(45,000)	
Common stock issued for prepaid board of directors fees	75,000	75	149,925	-	(150,000)	
Common stock issued to CEO for current and prepaid compensation at \$2.00 per share	200,000	200	399,800	-	(200,000)	
Common stock cancelled due to court order	(300,000)	(300)	(289,551)	-	-	
Stock subscription receivable cancelled	(20,000)	(20)	(39,980)	40,000	-	
Common shares issued for option exercise paid for through services rendered	37,500	38	74,962	-	-	
Stock subscription receivable related party written-off due to court order	-	-	-	502,000	-	
Balance Forward	14,187,731	\$ 14,188	\$19,993,961	\$ (956,307)	\$ (480,250)	\$ (81,000)

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

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AMERITYRE CORPORATION
Statements of Stockholders' Equity (Continued)

	Common Shares	Stock Amount	Additional Paid-in Capital	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consulting
	-----	-----	-----	-----	-----	-----
Balance Forward	14,187,731	\$ 14,188	\$19,993,961	\$ (956,307)	\$ (480,250)	\$ (81,000)
Amortization of expenses prepaid with common stock	-	-	-	-	329,500	-
Additional interest recorded on subscriptions receivable and subscriptions receivable - related party	-	-	61,300	(67,722)	-	-
Receipt of cash and services for subscriptions receivable and interest on subscriptions receivable	-	-	-	51,640	-	-
Receipt of cash on subscriptions receivable	-	-	-	409,668	-	-
Valuation adjustment and amortization of deferred consulting	-	-	35,000	-	-	(22,433)
Expenses incurred through the vesting of options issued for consulting services (restated)	-	-	1,220,000	-	-	-
Net loss for the year ended June 30, 2002 (restated)	-	-	-	-	-	-
Balance, June 30, 2002 (restated)	14,187,731	\$ 14,188	\$ 21,310,261	\$ (562,721)	\$ (150,750)	\$ (103,433)
Common stock issued for cash at \$1.50 per share	2,170,000	2,170	3,252,830	-	-	-
Common stock issued for cash at \$2.00 per share	604,675	605	1,208,745	-	-	-
Cancellation of common stock issued for stock subscription receivable	(45,000)	(45)	(87,705)	87,750	-	-
Common stock issued to CEO for compensation	200,000	200	423,800	-	(212,000)	-

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Common stock issued for exercise of options	20,000	20	39,980	-	-	-
Common stock issued for cash-less exercise of option	10,462	10	23,562	-	-	-
Common stock issued for services and prepaid services	182,500	183	360,493	-	(336,300)	-
Common stock issued for stock offering costs	50,000	50	99,950	-	-	-
Balance Forward	17,380,368	\$ 17,381	\$ 26,631,916	\$ (474,971)	\$ (699,050)	\$(103,433)

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

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AMERITYRE CORPORATION
Statements of Stockholders' Equity (Continued)

	Common Shares	Stock Amount	Additional Paid-in Capital	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consultin
Balance Forward	17,380,368	\$ 17,381	\$26,631,916	\$ (474,971)	\$ (699,050)	\$(103,433)
Stock offering costs	-	-	(220,954)	-	-	-
Common stock issued for stock subscription deposit	4,500	4	8,996	-	-	-
Issuances of options for services	-	-	2,906	-	-	-
Amortization of expenses prepaid with common stock	-	-	-	-	480,950	-
Additional interest recorded on subscription receivable and subscription receivable related party	-	-	15,547	(21,686)	-	-
Receipt of cash for subscription receivable and interest on subscriptions receivable	-	-	-	448,068	-	-
Receipt of services and debt relief for subscriptions receivable	-	-	-	31,957	-	-
Valuation adjustment and amortization of deferred consulting	-	-	55,500	-	-	(15,188)

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Net loss for the year ended June 30, 2003	-	-	-	-	-	-
Balance, June 30, 2003	17,384,868	\$ 17,385	\$26,493,911	\$ (16,632)	\$ (218,100)	\$ (118,621)

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

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AMERITYRE CORPORATION
Statements of Cash Flows

	For the Years Ended June 30,	
	2003	2002
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,091,972)	\$ (3,746,411)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	298,625	222,742
Bad debt expense	51	36,834
(Gain) loss on disposition of assets	-	(14,907)
Loss on impairment of assets	67,982	-
Equity instruments issued for services	759,351	1,874,500
Stock subscription receivable paid through services	9,880	17,863
Re-valuation of deferred consulting	40,312	12,567
Changes in assets and liabilities:		
(Increase) in accounts receivable	(25,537)	(126,154)
(Increase) in inventory	(97,444)	(6,216)
(Increase) in prepaid expenses	(24,825)	(36,068)
(Increase) in other assets	(36,000)	-
Increase (decrease) in accounts payable and accrued expenses	(11,192)	45,389
Net Cash Used by Operating Activities	(2,110,769)	(1,719,861)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for patents and trademarks	(20,560)	(42,205)
Proceeds from sale of fixed assets	-	298,680
Cash paid for fixed assets	(984,267)	(277,890)
Net Cash Used by Investing Activities	\$ (1,004,827)	\$ (21,415)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock subscription deposit	\$ 25,000	\$ 9,000
Receipt of subscriptions receivable	448,459	409,668
Cash paid for stock offering costs	(120,954)	-
Common stock issued for cash	4,479,350	1,566,901
Net Cash Provided by Financing Activities	4,831,855	1,985,569
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,716,259	244,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	774,345	530,052
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,490,604	\$ 774,345

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

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AMERITYRE CORPORATION
Statement of Cash Flows (Continued)

	For the Years Ended June 30,	
	2003	2002
	-----	-----
		(Restated)
SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES		
CASH PAID FOR:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
NON-CASH FINANCING ACTIVITIES		
Equity investments issued for services rendered	\$ 759,351	\$ 1,874,500
Common stock issued in lieu of debt and interest	\$ -	\$ 80,015
Common stock issued for subscriptions receivable	\$ 99,500	\$ -
Interest on related party subscription receivable	\$ 15,547	\$ 61,300

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

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 1 -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Amerityre Corporation, (the "Company") was incorporated under the laws of the State of Nevada on January 30, 1995, under the name American Tire Corporation. The Company was organized to take advantage of existing proprietary and non-proprietary technology available for the manufacturing of specialty tires. The Company engages in the manufacturing, marketing, distribution and sales of "flatfree" specialty tires and tire-wheel assemblies and currently is manufacturing these tires at its manufacturing facility located in Boulder City, Nevada. During the year ended June 30, 2001, the name of the Company was changed to Amerityre Corporation.

b. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a June 30 year-end.

c. Basic Loss Per Share

The computation of basic loss per share of common stock is based on the weighted average number of shares outstanding during the period.

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	For the Years Ended June 30,	
	2003	2002
		(Restated)
Loss (numerator)	\$ (3,091,972)	\$ (3,746,411)
Shares (denominator)	14,796,744	13,662,411
Per share amount	\$ (0.21)	\$ (0.27)

The Company's outstanding stock options have been excluded from the basic net loss per share calculation as they are anti-dilutive. The Company has excluded 2,446,000 common stock equivalents.

d. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 1 -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

e. Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely that not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of June 30, 2003 and 2002:

	2003	2002
	-----	-----
Deferred tax assets:		
NOL Carryover	\$ 5,585,000	\$ 5,857,100
Deferred tax liabilities:		
Valuation allowance	(5,585,000)	(5,857,100)
Net deferred tax asset	\$ -	\$ -
	=====	=====

The income tax provision differs from the amount of income tax determined by

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applying the U.S. federal and state income tax rates of 39% to pretax income from continuing operations for the years ended June 30, 2003 and 2002 due to the follow:

	2003	2002
Book income	\$ (1,205,900)	\$ (985,300)
Meals & Entertainment	904	990
Stock for Services/Options Expense	363,730	109,600
Valuation Allowance	841,266	874,710
	-----	-----
	\$ -	\$ -
	=====	=====

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 1 -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

e. Income Taxes (Continued)

At June 30, 2003, the Company had net operating loss carryforwards of approximately \$14,000,000 that may be offset against future taxable income from the year 2003 through 2023. No tax benefit has been reported in the June 30, 2003 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

Upon review of the prior year tax footnote, certain adjustments were made to the reported Net Operating Loss. The beginning Net Operating Loss of \$15,017,971 has been reduced by \$3,099,671 to account for non-cash equity transactions improperly included in prior years' Net Operating Loss footnote disclosures.

f. Inventory

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or market. The inventory consists of chemicals, finished goods produced in the Company's plant and products purchased for resale.

Raw Materials	\$ 84,585
Work in Progress	-
Finished Goods	380,399

Total Inventory	\$ 464,984
	=====

During the years ended June 30, 2003 and 2002, the Company recorded inventory impairment expense of \$39,596 and \$0, respectively.

g. Property and Equipment

Property and equipment are stated at cost. Expenditures for small tools, ordinary maintenance and repairs are charged to operations as incurred. Major additions and improvements are capitalized. Depreciation is computed using the straight-line method over estimated useful lives as follows:

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Leasehold improvements	5 years
Equipment	5 to 7 years
Furniture and fixtures	7 years
Automobiles	5 years
Software	3 years

Depreciation expense for the years ended June 30, 2003 and 2002 was \$297,037 and \$220,678, respectively.

h. Revenue Recognition

Revenue is recognized when the sales amount is determined, shipment of goods to the customer has occurred and collection is reasonably assured.

Product is shipped FOB origination.

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AMERITYRE CORPORATION Notes to the Financial Statements June 30, 2003 and 2002

NOTE 1 -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Patents and Trademarks

Patent costs have been capitalized at June 30, 2003 totaling \$108,404. The patents which have been granted are being amortized over a period of 17 years. Patents which are pending or are being developed are not being amortized. Amortization will begin once the patents have been issued. Amortization expense for the years ended June 30, 2003 and June 30, 2002 was \$1,588 and \$2,064, respectively.

The Company evaluates the recoverability of intangibles and reviews the amortization period on a continual basis utilizing the guidance of SFAS 142, "Goodwill and Other Intangible Assets." Several factors are used to evaluate intangibles, including, but not limited to, management's plans for future operations, recent operating results and projected, undiscounted cash flows.

j. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2003 and 2002 was \$36,320, and \$122,314, respectively.

k. Newly Adopted Accounting Pronouncements

In October 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 147, "Acquisitions of Certain Financial Institutions" which is effective for acquisitions on or after October 1, 2002. This Statement provides interpretive guidance on the application of the purchase method to acquisitions of financial institutions. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". The adoptions of this principle had no material effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123"

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which is effective for financial statements issued for fiscal years ending after December 15, 2002. This Statement amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The effect of the adoption of this new accounting pronouncement on the Company's financial statements has not been significant.

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 1 -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

k. Newly Adopted Accounting Pronouncements (Continued)

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" which is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and hedging activities under SFAS 133. The Company currently expects that the effect of adoption of SFAS 149 to the Company's financial statements will not be significant.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which is effective after May 31, 2003, and is otherwise effective into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This statement requires an issuer to classify financial instruments that have issued in the form of shares that is mandatorily redeemable; that embodies an obligation to repurchase the issuers equity shares, or is indexed to such an obligation, and that requires or may require the issuer to settle the obligation by transferring assets; and, that embodies an unconditional obligation, or a financial investment other than the issuer must or may settle by issuing a variable number of its equity shares as liabilities (or assets in some circumstances). The Company currently expects that the effect of SFAS 150 to the Company's financial statements will not be significant.

l. Equity Securities

Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of issuance.

n. Concentrations of Risk

The Company maintains several accounts with financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Company's balances regularly exceed that amount.

Credit losses, if any, have been provided for in the financial statements and are based on management's expectations. The Company's accounts receivable are subject to potential concentrations of credit risk. The Company does not believe that it is subject to any unusual risks, or significant risks in the normal course of its business.

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The Company does not have any customers who account for greater than 10% of the accounts receivable balance at June 30, 2003. However, the Company has one customer who accounted for 17% of total sales for the year ended June 30, 2003.

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AMERITYRE CORPORATION Notes to the Financial Statements June 30, 2003 and 2002

NOTE 1 -ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Stock Options

As permitted by FASB Statement 148 "Accounting for Stock Based Compensation - Transition and Disclosure" (SFAS No. 148), the Company elected to measure and record compensation cost relative to employee stock option costs in accordance with Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations and make proforma disclosures of net income and earnings per share as if the fair value method of valuing stock options had been applied. Under APB opinion 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

o. Valuation of Options and Warrants

The valuation of options and warrants granted to unrelated parties for services are measured as of the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instrument is reached, or (2) the date the counterparty's performance is complete. Pursuant to the requirements of EITF 96-18, the options and warrants will continue to be revalued in situations where they are granted prior to the completion of the performance.

p. Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 -STOCK SUBSCRIPTIONS RECEIVABLE

During the year ended June 30, 2002, the Company issued 20,000 shares of common stock for a subscription receivable of \$40,000. Later in the year, this note was cancelled due to non-receipt of cash and the shares were returned to the Company and cancelled. During the year, \$409,668 of the outstanding receivable and accrued interest was collected in cash, \$502,000 was reversed due to return and cancellation of 300,000 shares previously issued to the Company's former CEO and \$51,640 was received through services and debt relief. Additionally, the Company recorded \$67,722 in accrued interest, bringing the total balance to \$562,721 at June 30, 2002.

During the year ended June 30, 2003, \$448,068 of the outstanding receivable and accrued interest was collected in cash, \$87,750 was collected through the return of 45,000 net shares of common stock and \$31,957 was received through services and debt relief. Additionally, the Company recorded \$21,686 in accrued interest, bringing the total balance to \$16,632 at June 30, 2003.

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 3 -RELATED PARTY TRANSACTIONS

On October 29, 1999, the Company entered into an exclusive license agreement with the Company's President and two unrelated parties to license certain intellectual property rights known as "Apparatus for Making Foam Products" and "Method for Making Polyurethane Tires with an Outer Skin" embodied in United States Patent No.'s 4,943,223 and 4,855,096, respectively. The Agreement granted the Company an exclusive license to use, sell, license, or otherwise exploit the technology worldwide in exchange for a royalty of \$0.25 per unit sold for all wholesale or retail sales of units produced utilizing the technology. The Agreement also provided for certain minimum production/royalty requirements following the first year in order to maintain the exclusive license. The licensors have the option to terminate the agreement should the Company fail to pay any required royalty when due or fail to meet the minimum production/royalty requirements.

At October 2001, the Company had failed to produce and sell enough units utilizing the technology to meet the minimum production/royalty requirements outlined in the agreement. Therefore, the parties agreed to amend the original agreement such that the Company issued the licensors 22,500 shares of its restricted common stock in lieu of all royalty payments accrued through December 31, 2001. According to the amended agreement, the Company agreed to pay a royalty of \$0.25 per unit sold utilizing the technology subsequent to December 31, 2001, except for those sold for promotional purposes. The Agreement was further amended such that in order to maintain the exclusive license, the Company was required to sell units utilizing the technology in the following minimum quantities:

Period	Number of Units
January 1, 2002 to December 31, 2002	200,000
January 1, 2003 to December 31, 2003	300,000
January 1, 2004 to December 31, 2004	400,000
January 1, 2005 to December 31, 2005 and each calendar year thereafter	500,000

At October 2002, the Company failed to produce and sell enough units utilizing the technology to meet the minimum production/royalty requirements outlined in the amended Agreement for the third year. Therefore, the parties agreed to again amend the Agreement to delete all provisions to maintain minimum sales or royalties and to exclude any units that have a final production weight of two (2) lbs. or less.

For the year ended June 30, 2003, the Company paid a total of \$13,182 in royalties relating to this agreement.

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 3 -RELATED PARTY TRANSACTIONS (Continued)

During the year ended June 30, 2002, the Company contracted for the design and

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building of equipment with a company having common board members with Amerityre. During the year, the Company made several "good faith" deposits on this equipment totaling \$82,332. In June of 2002, the related party performed services for the Company valued at \$15,201, leaving an outstanding balance of \$67,131. At this time it became clear to both parties that the related party was not financially viable enough to be able to complete the contracted performance. Therefore, the Company accepted certain fixed assets from the related party in lieu of the agreed-upon services. The assets received from the related party were valued at \$32,084, with the remaining amount of \$35,047 being written-off to bad debt expense. As of June 30, 2003, the Company has no outstanding obligation relating to this agreement.

During June 2002, the Company entered into an agreement with Taylor and Associates, Inc. (Taylor and Associates), whereby, in consideration for the Company's employ of Elliott Taylor as its Executive Vice-President and to compensate Taylor and Associates for the potential financial detriment that might occur to it as the result of his employment by the Company, the Company agreed to pay Taylor and Associates \$2,750 per month for a period of 24 months, commencing on June 30, 2002 and continuing through May 31, 2004. Elliott Taylor was the principle attorney for Taylor and Associates prior to his employment by the Company.

During September 2002, the Company agreed to accept the return of 45,000 shares of common stock in lieu of cash payment on a stock subscription receivable and accrued interest totaling \$87,750 from a related party. The Company recorded the return of the shares at the market price at the date of settlement, or \$1.95 per share, and cancelled the shares.

During fiscal years 2002 and 2003, the Company had outstanding stock subscription receivables from related parties which were accruing interest at 8% per annum. The Company recorded \$15,547 and \$61,300 in accrued interest as additional paid-in capital for the years ended June 30, 2003 and 2002, respectively.

During September 2002, the Company issued 200,000 shares of common stock to its Chief Executive Officer as compensation for the fiscal year ending June 30, 2003. The shares were valued at the market price on the date of issue, or \$2.12 per share.

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NOTE 4 -COMMITMENTS AND CONTINGENCIES

The Company maintained an executive office suite in Boulder City, Nevada. The lease was allowed to expire in March 2003.

On February 18, 2000, the Company entered into a five-year lease agreement related to a manufacturing facility in Las Vegas, Nevada beginning on March 1, 2000. The monthly rental payment is \$6,893 for the first twelve months with annual increases based on the Consumer Price Index. This facility is now sitting idle and the Company is actively seeking a sublessor.

During October 2002, the Company entered into a five-year lease for a 49,200 square foot executive/manufacturing facility in Boulder City, NV. The Agreement calls for a security deposit of \$18,000 and monthly rent payments of \$16,000 for the first twelve months with annual increases.

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Future minimum lease payments under these two non-cancelable operating leases are as follows:

2004	\$	309,563
2005		279,614
2006		208,500
2007		214,500
2008		54,000

	\$	1,066,177
		=====

NOTE 5 -STOCK TRANSACTIONS

During the year ended June 30, 2002, the Company issued 808,450 shares of its common stock for \$1,566,901 in cash; 12,500 shares of its common stock for \$25,000 in stock subscription deposits; 30,146 shares in lieu of debt and royalty obligations; 207,500 shares for prepaid services; 100,000 shares for consulting services rendered; and 37,500 shares for the exercise of stock options. The Company cancelled 20,000 shares of its common stock during the year for non-payment of subscriptions receivable and 300,000 shares due to a court order.

During the year ended June 30, 2003, the Company issued 2,762,175 shares of its common stock for \$4,459,350 in cash; 12,500 shares of its common stock for \$25,000 in stock subscription deposits; 200,000 shares for compensation of its CEO valued at \$424,000; 30,462 shares for the exercise of options for cash at \$40,000 and services valued at \$23,572; 182,500 shares to consultants for services and prepaid services valued at \$360,675; 50,000 shares for a finders fee in conjunction with the sale of common stock for cash, valued at \$99,500; and 4,500 shares for a \$9,000 stock subscription deposit. The Company cancelled 45,000 shares as a result of a net share settlement of a stock subscription receivable.

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June 30, 2003 and 2002

NOTE 6 -STOCK SUBSCRIPTION DEPOSIT

During the year ended June 30, 2002 the Company issued 12,500 shares of its common stock for \$25,000 in stock subscription deposits which were received during the year ended June 30, 2001.

During the year ended June 30, 2002, the Company received a total of \$9,000 for the purchase of 4,500 shares of common stock, which shares were subsequently issued during the year ended June 30, 2003.

NOTE 7 -STOCK OPTIONS

During August 2002, the Company's board of directors approved the "Amerityre 2002 Stock option and Award Plan," (Plan) to be effective April 1, 2002. During November 2002, the Plan was ratified by the Company's shareholders at the annual meeting. Under the terms of this Plan, the Company registered 2,000,000 shares of its \$0.001 par value common stock at a proposed offering price per share of \$2.80. The proposed maximum aggregate offering price totaled \$5,600,000. As of June 30, 2003, 1,436,000 options had been issued under this Plan, with exercise prices of either \$4.00 or \$2.00 per share and exercise terms ranging from two to five years.

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During July, September and October 2002, the Company issued 5,000, 2,604 and 2,857 options to purchase common stock to a consultant for services, respectively. The options had an exercise price of between \$2.10 and \$2.40 per share and one to two month terms. The options were exercised through cashless applications of billings. The Company recognized a total of \$2,906 in expense associated with the issuance of these options.

A summary of the status of the Company's outstanding stock options as of June 30, 2002 and 2001 and changes during the years then ended is presented below:

	2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	2,616,000	\$ 3.42	(Restated) 3,417,500	(Restated) \$ 5.17
Granted	260,461	2.01	1,236,000	3.92
Expired/Cancelled	(380,000)	2.92	(2,000,000)	6.75
Exercised	(30,461)	2.09	(37,500)	2.00
Outstanding end of year	2,466,000	\$ 3.37	2,616,000	\$ 3.42
Exercisable	2,466,000	\$ 3.37	2,616,000	\$ 3.42

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AMERITYRE CORPORATION
Notes to the Financial Statements
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NOTE 7 - STOCK OPTIONS (Continued)

Range of Exercise Prices	Outstanding			Exercisable		
	Number Outstanding at June 30, 2003	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at June 30, 2003	Weighted Average Exercise Price	
\$ 2.00	280,000	2.06	\$ 2.00	280,000	\$ 2.00	
3.00	1,000,000	1.59	3.00	1,000,000	3.00	
4.00	1,186,000	2.13	4.00	1,186,000	4.00	
\$ 2.00-4.00	2,466,000	1.90	\$ 3.37	2,466,000	\$ 3.37	

The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model based on the following assumptions:

	For the Year Ended June 30, 2003
Risk free interest rate	1.65% - 1.72%
Expected life	0.08 - 3.95 years
Expected volatility	62.49% - 98.82%

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Dividend yield 0.00%

Of the 260,461 options issued, 250,000 were issued to employees and were accounted for under APB 25, "Accounting for Stock Issued to Employees." All of these shares were issued either at or above the market price of the Company's common stock on the date of issue and no compensation expense was recognized. Had compensation cost for the issuance of the options been determined based on the fair value at the grant dates consistent with the method of FASB Statement 123, "Accounting for Stock Based Compensation," the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

	For the Years Ended	
	June 30,	
	2003	2002
	-----	-----
		(Restated)
Net (loss) as reported	\$ (3,091,972)	\$ (3,746,411)
Pro forma	(3,293,264)	(6,591,691)
Basic (loss) per share as reported	\$ (0.21)	\$ (0.27)
Pro forma	(0.22)	(0.48)

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AMERITYRE CORPORATION
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NOTE 8 -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 \$21,669,572 at June 30, 2003, 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. The Company's management has taken certain steps to maintain its operating and financial requirements in an effort to enable the Company to continue as a going concern until such time that revenues are sufficient to cover expenses, including:

(1) evaluating (A) our cost of goods and equipment utilization and requirements of our manufacturing operations, and (B) our sales and marketing plan on a product sector basis;

(2) incorporating revisions to our methods, processes and costs in order to achieve necessary manufacturing efficiencies (i.e., line automation, reduced material costs, reduced product weights, etc.);

(3) incorporating revisions to our sales and marketing plan to emphasize a sector by sector market driven approach to achieve distribution and sell thru support to maintain distribution. Therefore, shifting from regional sales representatives calling on individual customer accounts to salesmen working directly with original equipment manufacturers and distributors;

(4) implementing an in-house telemarketing program to maintain contact with existing dealer accounts;

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(5) seeking reduced material costs from suppliers;

(6) obtaining additional funding through the private placement of the Company's common stock; and,

(7) issuing common stock in lieu of cash for legal and other professional services.

Management anticipates that during the upcoming fiscal year the Company will need approximately \$2,500,000 to implement its plan and meet its working capital requirements.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described above, and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2003 and 2002

NOTE 10 -CORRECTION OF ERRORS

The Company has restated its financial statements for the year ended June 30, 2002. This action was taken as the result of the failure to recognize the vesting of 500,000 stock options and instead treating them as cancelled as discussed below:

On August 1, 2000, the Company entered into a Marketing Agreement (Agreement) and in connection therewith granted options to purchase up to 3,000,000 shares of the Company's common stock, with 500,000 options vesting upon execution; 500,000 vesting on July 31, 2001; 1,000,000 vesting on July 31, 2002; and 1,000,000 vesting on July 31, 2003 as long as the Agreement had not been terminated. The Company terminated the Agreement effective July 31, 2001 and cancelled 2,500,000 options. It was subsequently discovered that the option Agreement provided any options that would have otherwise vested had the Agreement not been terminated, should vest pro-rata up to the date of termination. Therefore, 500,000 options that had been recorded as cancelled, had in fact vested. The discovery prompted management to restate its 2002 financial statements to recognize an additional \$1,220,000 expense associated with the vesting of these options.

	June 30, 2002		
	As Reported	As Adjusted	Difference
Additional paid-in capital	\$ 20,090,261	\$ 21,310,261	\$ 1,220,000
Accumulated deficit	2,526,411	3,746,411	1,220,000
Consulting expense	285,435	1,505,435	1,220,000
Net loss	(2,526,411)	(3,746,411)	(1,220,000)
Net loss per share	(0.19)	(0.27)	(0.08)

NOTE 10 - SUBSEQUENT EVENT

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During July 2003, the Company entered into an agreement to purchase a piece of manufacturing equipment. The agreement calls for the payment of \$188,640, with 10% due upon order; 20% due in six weeks; 30% due upon shipment; 30% due upon delivery; and, 10% due upon installation.