ADM TRONICS UNLIMITED INC/DE
Form 10QSB/A
December 09, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended December 31, 2004

OR

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

For the transition period from _______ to _______

Commission File No. 0-17629

ADM TRONICS UNLIMITED, INC.
(Exact name of registrant as specified in its Charter)

Delaware	22-1896032
(State or Other Jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)

224-S Pegasus Ave., Northvale, New Jersey 07647
(Address of Principal Executive Offices)

Issuer's Telephone Number, including area code: (201) 767-6040

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for Such shorter period that the Issuer was required to file such reports), And (2) has been subject to the filing requirements for the past 90 days:

YES X NO ______

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

53,882,037 shares of Common Stock, $.0005 par value,
as of February 4, 2005

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-QSB/A to the Quarterly Report on Form 10-QSB (the "Quarterly Report") of ADM Tronics Unlimited, Inc. (the "Company or "ADM") filed on February 22, 2005 with the Securities and Exchange Commission (the "SEC") is filed (i) as a result of a restatement of the financial statements for the three and nine month period ended December 31, 2004 primarily to record a beneficial conversion feature related to the Company's convertible notes payable and to record an additional discount related to the fair value of warrants issued with the debt and (ii) to respond to comments received from the SEC. See Note 1 of the Notes to the Company's Consolidated Financial Statements contained in Item 1 of this Amendment No. 1 for a discussion of the restatement. Therefore, the Company is amending and restating in its entirety the Quarterly Report. In addition, the Company is including with this Amendment No. 1 certain currently dated certifications. Except as described above, no other amendments are being made to the Quarterly Report. This Form 10-QSB/A does not reflect events occurring after the February 22, 2005 filing of this Quarterly Report or modify or update the disclosure contained in the Quarterly Report in any way other than as required to reflect the amendments discussed above and reflected below.

ADM TRONICS UNLIMITED, INC.

INDEX

ADM TRONICS UNLIMITED, INC.
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) DECEMBER 31, 2004 (RESTATED)	MARCH 31, 2004
ASSETS		

Current assets:		
Cash and equivalents	$2,032,406	$ 90,081
Accounts receivable--trade, less allowance for doubtful accounts of $29,000 and $29,000, respectively	174,681	118,433
Inventories:		
Raw materials and supplies	106,502	159,497
Finished goods	155,629	107,688
Other current assets	317,288	32,993
Total current assets	2,786,506	508,692
Property and equipment at cost, net of accumulated depreciation of $458,764 and $268,353, respectively	32,001	8,887
Inventory long term portion	186,371	344,465
Equipment in use and under lease agreements, net of accumulated depreciation of $726,598 and $758,330, respectively	84,700	179,895
Loan receivable from officer, bearing interest at 3% per annum, unsecured	49,188	49,188
Other assets	588,313	31,039
Total assets	$3,727,079	$1,122,166
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable-trade	$ 85,554	$ 159,798
Accrued expenses and other	135,726	51,340
Total current liabilities	221,280	211,138
Long-term liabilities		
Note payable	135,000	135,000
Convertible 6% Notes, net of discount of $987,742	2,649,758	-
Warrants issued with registration rights	1,091,035	-
Total long-term liabilities	3,875,793	135,000
Total liabilities	4,097,073	346,138
Stockholders' equity	(369,994)	776,028
Total liabilities and stockholders' equity	$3,727,079	$1,122,166

2

ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2004	2003	2004	2003

	(RESTATED)		(RESTATED)	
Revenues	$ 334,183	$237,021	$ 987,166	$830,803
Costs and expenses:				
Cost of sales	169,402	126,425	535,172	457,999
Selling, general and administrative	845,696	187,659	1,602,137	530,913
Total costs and expenses	1,015,098	314,084	2,137,309	988,912
Operating (loss)	(680,915)	(77,063)	(1,150,143)	(158,109)
Other income (expense):				
Interest and other income (expense), net	(54,922)	3,770	(14,976)	3,934
Amortization of debt discount	(78,703)	-	(119,663)	-
Change in fair value of warrant liability	(840,539	-	(713,187)	-
Net (loss)	$(1,655,079)	$(73,293)	$(1,997,969)	$(154,175)
Net (loss) per common share, Basic and diluted	$(0.03)	$(0.001)	$(0.04)	$(0.003)
Weighted average shares Outstanding	52,882,037	51,132,037	52,215,370	50,632,037

ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2004
(UNAUDITED)
(RESTATED)

	Preferred Shares 5,000,000 Authorized $.01 Par Value	Common Shares 150,000,000 Authorized $.0005 Par Value	Par Value	Capital in excess of Par Value	Deferred Compensation	Accumulated Deficit	Total
Balance, March 31, 2004	-	51,882,037	$25,941	$6,861,574	$(69,600)	$(6,041,887)	$776,028
Issuance of common stock		2,000,000	1,000	19,000			20,000
Beneficial conversion feature				690,620			690,620
Warrants issued With debt				100,237			100,237
Warrants issued For services				294,761	(294,761)		-
Amortization of Deferred Compensation					41,090		41,090

Net loss for the period ended December 31, 2004							(1,997,969)	(1,997,969)
Balances, December 31, 2004	-	53,882,037	$26,941	$7,966,192	(323,271)	$(8,039,856)	($369,994)	

3

ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED DECEMBER 31, 2004 (RESTATED)	2003
Cash flows from Operating activities:		
Net (loss)	($1,997,969)	$(154,175)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	103,874	110,813
Value of common stock issued for services rendered	19,000	22,000
Amortization of debt discount	119,663	-
Amortization of deferred compensation	41,090	-
Change in fair value of warrant liability	713,187	-
Changes in operating assets and liabilities:		
Accounts receivable	(56,248)	(388)
Inventories	163,148	105,599
Other current assets	(284,295)	821
Other assets	(18,976)	4,816
Accounts payable	(74,244)	(50,871)
Accrued expenses and other current liabilities	84,386	(21,050)
Net cash flows provided by (used in) operating activities	(1,187,384)	17,565
Cash flows from Investing activities:		
Purchases of property and equipment	(31,793)	-
Net cash flows provided by (used in) investing activities	(31,793)	-
Cash flows from Financing activities:		
Proceeds from 6% Unsecured Convertible Notes	3,637,500	-
Deferred loan fees	(476,998)	-
Issuance of common stock for cash	1,000	750
Net cash flows provided by financing activities	3,161,502	750
Net change in cash and cash equivalents	$1,942,325	$ 18,315
Cash and cash equivalents--beginning of period	$ 90,081	$ 49,765

Cash and cash equivalents--end of period	$2,032,406	$ 68,080

Supplemental disclosure of cash flow activities:

Interest paid	-	-
Income taxes paid	-	-

4

ADM TRONICS UNLIMITED, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1-Basis of Presentation:

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its subsidiaries (collectively, the "Company"). These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods have been included. Operating results for the nine months ended December 31, 2004 are not necessarily indicative of the results that may be expected for the year ending March 31, 2005. The accompanying consolidated financial statements and the information included under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Form 10-KSB for the fiscal year ended March 31, 2004.

Use of Estimates

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

Loss Per Share

Basic and diluted loss per common share for all periods presented is computed based on the weighted average number of common shares outstanding during the periods presented as defined by SFAS No. 128, "Earnings Per Share". The assumed exercise of common stock equivalents was not utilized for the nine and three month periods ended December 31, 2004 since the effect would be anti-dilutive. There were 31,657,773 common stock equivalents at December 31, 2004 and none at December 31, 2003.

Stock Options and Warrants

The Company accounts for its stock-based employee compensation plans using the intrinsic value based method, under which compensation cost is measured as the excess of the stock's market price at the grant date over the amount an employee must pay to acquire the stock. Stock options and warrants issued to non-employees are accounted for using the fair value based method, under which the expense is measured as the fair value of the security at the date of grant based on the Black-Scholes pricing model. A subsidiary of the Company had 578,500 employee stock options outstanding at December 31, 2004, and none at December 31, 2003.

Pro Forma Information

Employee and Director Common Share Purchase Options - Pro forma information regarding the effects on operations of employee and director common share purchase options as required by SFAS No. 123 and SFAS No. 148 has been determined as if the Company's subsidiary had accounted for those options under the fair value method. Pro forma information is computed using the Black Scholes method at the date of grant of the options based on the following assumptions ranges: (1) risk free interest rate of 3.62%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 67%; and (4) an expected life of the options of 6 years. The foregoing option valuation model requires input of highly subjective assumptions. Because common share purchase options granted to employees and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value of estimates, the existing model does not in the opinion of our management necessarily provide a reliable single measure of the fair value of common share purchase options we have granted to our employees and directors.

Pro forma information relating to employee and director common share purchase options is as follows:

	For the Three Months Ended December 31, 2004	December 31, 2003	For the Nine Months Ended December 31, 2004	December 31, 2003
Net loss as reported	$(1,655,079)	$ (73,293)	$(1,997,969)	$ (154,175)
Stock compensation calculated under SFAS No. 123	(2,493)	-	(7,475)	-
Pro forma net loss	$(1,657,572)	$ (73,293)	$(2,005,444)	$ (154,175)
Historical basic and diluted loss per share	$(0.03)	$(0.001)	$(0.04)	$(0.003)

Restatement:

The December 31, 2004 financial statements have been restated to record a beneficial conversion feature related to convertible notes payable issued by the Company in the amount of $690,620. The Company has also recorded an amount of $377,848 related to the fair value of warrants issued with the debt, which was recorded as a liability due to a registration rights agreement. The result is to record an aggregate discount on debt of $1,068,468. Additionally, the Company issued compensation warrants related to the debt placement with a fair value of $100,237 and has recorded deferred compensation of $294,761 related to warrants issued for services. The amortization of these items for the three and nine month periods ended December 31, 2004 was $93,441 and $134,401, respectively. Also, the fair value of the warrants has been recorded at $1,091,035 at December 31, 2004, and an expense for the three and nine months ended December 31, 2004 of $840,539 and $713,187, respectively, has been recorded. As a result of these corrections, net loss for the three and nine months ended December 31, 2004 has increased by $933,980 and $847,588, respectively, to $1,655,079 and $1,997,969, respectively, and loss per share increased to $0.03 and $0.04, respectively, from $0.01 and $0.02, respectively.

Changes to the balance sheet at December 31, 2004 resulting from these corrections are as follows:

	As reported	Restated
Unamortized debt discount	$ --	$ 987,742
Deferred financing costs and other assets	526,055	587,355
Warrants issued with registration rights	--	1,091,035
Deferred compensation	--	280,023
Capital in excess of par value	6,832,368	7,917,986
Accumulated deficit	(7,188,268)	(8,035,856)

Note 2. Segment Information

Information about segment information is as follows:

Nine Months Ended December 31, 2004:	CHEMICAL	MEDICAL	TOTAL
Revenues from external customers	$659,414	$ 327,753	$ 987,166
Segment profit (loss)	165,711	(2,163,680)	(1,997,969)
Identifiable asstes	760,076	2,966,045	3,726,121
Nine Months Ended December 31, 2003:			
Revenues from external customers	667,635	163,168	830,803
Segment profit (loss)	(83,339)	(74,770)	(158,109)
Three Months Ended December 31, 2004:			
Revenues from external customers	222,927	111,256	334,183
Segment profit (loss)	45,335	(1,700,414)	

(1,655,079)

Three Months Ended December 31, 2003:

Revenues from external customers	200,888	36,133	237,021
Segment profit (loss)	(25,022)	(52,041)	(77,063)

Note 3. Private Placement Offering

In December 2004, the Company, together with one if its subsidiaries, Ivivi, completed a private placement (the "December Private Placement") pursuant to which they issued unsecured convertible notes in an aggregate principal amount of $3,637,500 and realized net proceeds of approximately $3,150,000 from the sale of the notes. The notes issued in the private placement are joint unsecured convertible notes of the Company and Ivivi and bear interest at an annual rate of 6%. Interest on the notes is payable quarterly in cash or shares of common stock of Ivivi, at the direction of the holder. The notes are due and payable at various times from July 2009 through December 2009, unless earlier converted. In February 2005, the Company and Ivivi issued an additional $2,450,000 principal amount of notes (the "February Private Placement") and realized net proceeds of approximately $2,165,000 from the sale of the notes, which have primarily the same terms as the notes issued in the December Private Placement. The notes issued in the February Private Placement are due and payable in February 2010, unless earlier converted.

The principal and accrued interest on the notes will either be: (i) convertible into the Company's common stock at $.29 per share or (ii) convertible into Ivivi's common stock at $8.30 per share. For each note in the principal amount of $100,000 issued in the private placements, one warrant for the purchase of up to 344,828 shares of the Company's common stock at $.41 per share (the "Company Warrant") and one warrant for the purchase of up to 12,048 shares of Ivivi's common stock at $5.70 per share (the "Ivivi Warrant") were issued. Each of the Company Warrants and the Ivivi Warrants provides that in addition to paying the exercise price upon exercise of the warrant, the holder must surrender the non-exercised warrant (i.e., either the Company Warrant or the Ivivi Warrant, as the case may be).

The Company and Ivivi have executed registration rights agreements with the investors which require the registration for resale of the securities sold in the private placement. In the event that the Company and Ivivi fail to satisfy certain covenants related to the registration of the common stock underlying the notes and warrants on behalf of the holders, the number of shares of common stock underlying the notes and warrants will be increased. The notes contain customary operating covenants. As of February 14, 2005, the Company and Ivivi were in material compliance with the covenants contained in the notes.

As additional consideration for the purchase of the notes, the Company granted to the purchasers warrants entitling them to purchase 12,543,103 common shares at the price of $0.41 per share. These warrants lapse if unexercised after five years, or upon an effective registration statement of Ivivi. A registration rights agreement was executed requiring the Company to register the shares of its common stock underlying the notes and warrants so as to permit the public resale thereof. In accordance with EITF 00-27, a portion of the proceeds was allocated to the warrant liability based on its fair value, which totaled $377,848 using the Black-Scholes option pricing model. The remaining balance was allocated to the convertible notes and was used to compute the beneficial conversion feature. The Company attributed a beneficial conversion feature of $690,620 to the convertible notes based upon the difference between the effective conversion price of those shares and the closing price of the Company's common shares on the date of issuance. The assumptions used in the Black-Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 64%, (3) risk-free interest rate of 1.5%, and (4) expected life of six months. The total debt discount of $1,068,468 is being amortized over the term of the notes. During the three and nine months ended December 31, 2004, amortization as interest expense amounted to $47,066 and $80,726, respectively.

Since the warrant is a contract requiring settlement through the delivery of registered shares, and the delivery of such registered shares was not deemed controllable by the Company, the Company recorded the net value of the warrants at the date of issuance as a warrant liability on the balance sheet $377,848 and included the change in fair value from the date of issuance to December 31, 2004 in other income (expense), in accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". The fair value of the warrants was $1,091,035 at December 31, 2004.

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

The following discussion of the Company's operations and financial condition should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-QSB.

Forward-Looking Statements

This Quarterly Report on Form 10-QSB contains forward-looking statements within the meaning of the "safe harbor" provisions under section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Act of 1995. The Company uses forward-looking statements in its description of its plans and objectives for future operations and assumptions underlying these plans and objectives. Forward-looking terminology includes the words "may", "expects", "believes", "anticipates", "intends", "forecasts", "projects", or similar terms, variations of such terms or the negative of such terms. These forward-looking statements are based on management's current expectations and are subject to factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-QSB to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under Risk Factors set forth in Exhibit 99.1 and elsewhere in, or incorporated by reference into the Company's Annual Report on Form 10-KSB/A.

Critical Accounting Policies

Revenue Recognition:

Sales revenues are recognized when products are shipped to end users and rental and lease revenues are recognized principally on either a monthly or a pay-per use basis in accordance with individual rental or lease agreements and are recognized on a monthly basis as earned. Shipments to distributors are recognized as sales where no right of return exits. This is generally the case with sales of chemicals. This is generally not the case with sales of the SofPulse units. The Company recognizes revenue from the sale of the SofPulse products when the products are shipped to end users. An increasing amount of rental revenue is recognized on a fixed monthly recurring basis as product is utilized by the end-user. Sales returns have been immaterial. Lease revenues through third party distributors have also been immaterial and there have been no sales through third party distributors. The Company's products are principally shipped on a "freight collect" basis. Shipping and handling charges and costs are immaterial.

Use of Estimates:

The Company's discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United states of America. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to reserves, deferred tax assets and valuation allowance, impairment of long-lived assets, fair value of equity instruments issued to consultants for services and fair value of equity instruments issued to others. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, the Company believes that its estimates, including those for the above-described items, are reasonable.

Business Overview

The Company is a technology-based developer and manufacturer of diversified lines of products in the following three areas: (1) environmentally safe chemical products for industrial use, (2) therapeutic non-invasive electronic medical devices and (3) cosmetic and topical dermatological products. The Company derives most of its revenues from the development, manufacture and sale of chemical products, and, to a lesser extent, from its therapeutic non-invasive electronic medical devices and topical dermatological products.

The Company is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. The Company's operations are conducted through the Company itself and its three subsidiaries, Ivivi Technologies, Inc., Pegasus Laboratories, Inc. and Sonotron Medical Systems, Inc.

The December 31, 2004 financial statements have been restated to record a beneficial conversion feature related to the Company's convertible notes payable and to record an additional discount related to the fair value of warrants issued with the debt. See Note 1 of the Notes to the Company's Consolidated Financial Statements contained in Item 1 of this Amendment No. 1 for a discussion of the restatement.

Liquidity and Capital Resources

At December 31, 2004, the Company had cash and equivalents of $2,032,406 as compared to $90,081 at March 31, 2004. The increase was primarily the result of net proceeds of of $3,161,718 from a private placement of unsecured convertible notes which was completed in December 2004 offset by increased personnel, research and development and marketing activities of $1,190,947 at the Company's subsidiary, Ivivi Technologies, Inc. ("Ivivi").

In December 2004, the Company, together with one if its subsidiaries, Ivivi, completed a private placement (the "December Private Placement") pursuant to which they issued unsecured convertible notes in an aggregate principal amount of $3,637,500 and realized net proceeds of approximately $3,150,000 from the sale of the notes. The notes issued in the private placement are joint unsecured convertible notes of the Company and Ivivi and bear interest at an annual rate of 6%. Interest on the notes is payable quarterly in cash or shares of common stock of Ivivi, at the direction of the holder. The notes are due and payable at various times from July 2009 through December 2009, unless earlier converted. In February 2005, the Company and Ivivi issued an additional $2,450,000 principal amount of notes (the "February Private Placement") and realized net proceeds of approximately $2,165,000 from the sale of the notes, which have primarily the same terms as the notes issued in the December Private Placement. The notes issued in the February Private Placement are due and payable in February 2010, unless earlier converted.

The principal and accrued interest on the notes will either be: (i) convertible into the Company's common stock at $.29 per share or (ii) convertible into Ivivi's common stock at $8.30 per share. For each note in the principal amount of $100,000 issued in the private placements, one warrant for the purchase of up to 344,828 shares of the Company's common stock at $.41 per share (the "Company Warrant") and one warrant for the purchase of up to 12,048 shares of Ivivi's common stock at $5.70 per share (the "Ivivi Warrant") were issued. Each of the Company Warrants and the Ivivi Warrants provides that in addition to paying the exercise price upon exercise of the warrant, the holder must surrender the non-exercised warrant (i.e., either the Company Warrant or the Ivivi Warrant, as the case may be).

The Company and Ivivi have executed registration rights agreements with the investors which require the registration for resale of the securities sold in the private placement. In the event that the Company and Ivivi fail to satisfy certain covenants related to the registration of the common stock underlying the notes and warrants on behalf of the holders, the number of shares of common stock underlying the notes and warrants will be increased. The notes contain customary operating covenants. As of February 14, 2005, the Company and Ivivi were in material compliance with the covenants contained in the notes.

Operating Activities

Net cash flows used in operating activities were $1,187,384 for the nine months ended December 31, 2004 as compared to $17,565 provided by operating activities for the nine months ended December 31, 2003. Cash used in operating activities primarily resulted from the net loss for the period of $1,997,969, partially offset by non-cash charges. The significant increase in operating expenses relates to the medical device subsidiary's (Ivivi) expansion; principally salaries of added personnel, consulting fees and research and development expense resulted in a net cash outflow from operating activities.

Investing Activities

Investing activities during the nine months ended December 31, 2004 were $31,793 as compared to zero for the nine months ended December 31, 2003. The increase resulted from the purchases of property and equipment.

Financing Activities

Cash flows provided by financing activities for the nine months ended December 31, 2004 were $3,161,502 as compared to $750 for the nine months ended December 31, 2003 The increase resulted from $3,637,500 received from private placements of unsecured convertible notes of the Company and Ivivi reduced by deferred loan fees related thereto.

The proceeds of the private placements are being used primarily for sales and marketing activities of Ivivi, for research

and development of potential products being developed by Ivivi and to repay a portion of indebtedness owed to the Company by Ivivi. The Company will need to obtain additional capital to continue to operate and grow its business, including the business of its subsidiaries, and its ability to obtain additional financing in the future will depend in part upon the prevailing capital market conditions, as well as its and its subsidiaries' business performance. In February 2005, the Company's subsidiary, Ivivi, filed a registration statement with the Securities and Exchange Commission related to the proposed initial public offering of Ivivi's common stock. There can be no assurance that the Company or Ivivi will be successful in their efforts to arrange additional financing, including through the proposed initial public offering of Ivivi's common stock, on terms satisfactory to the Company and/or Ivivi or at all.

Results of Operations
Quarter Ended December 31, 2004

Revenues

Revenues were $334,183 in 2004 as compared to $237,021 in 2003 representing an increase of $97,162 or 41%. Revenues from the Company's medical technology activities increased $75,123 and chemical revenues increased $22,039 in 2004 as compared to 2003. The increase in revenues from the Company's medical technology activities was due to higher rental revenues for Ivivi's medical products resulting from increased marketing and sales efforts. Chemical revenues increased due to new customers for the Company's water-based chemical products.

Gross Profit

Gross profit of $164,781 in 2004 as compared to $110,596 in 2003 was $54,185 or 49% above the gross profit in 2003. Gross profit was 49% of revenues in 2004 as compared with 47% of revenues in 2003. The increase in gross profit margin was primarily due to the increase in rental revenues of the Company's medical device products already in stock thereby resulting in higher gross margins as well as the product mix of chemical products sold with a higher gross margin.

Operating (Loss)

Operating loss in 2004 was ($680,915) compared to ($77,063) in 2003. Selling, general and administrative expenses increased by $658,037 primarily due to the significant increase in personnel, marketing, research and development
and overhead costs from the Company's Ivivi subsidiary.

Other Income (Expense)

Net other expense in 2004 was $974,164 as compared to income of $3,770 in 2003. Other net expense for 2004 was primarily from a change in fair value of the warrant liability of $840,539, amortization of debt discount and costs of $78,703 and from payments interest accrued on the convertible notes issued in the private placement partially offset by interest earned from amounts invested in money market funds.

Results of Operations
Nine Months Ended December 31, 2004

Revenues

Revenues were $987,166 as compared to $830,803 in 2003 representing an increase of $156,363 or 19%. Revenues from the Company's medical technology activities increased $164,585 offset by a decrease in chemical revenues of $8,221. The increase in revenues from the Company's medical technology activities was due to higher rental revenues for Ivivi's medical product resulting from increased marketing and sales efforts. Chemical revenues decreased due to reduced volume of orders from certain of the Company's chemical customers.

Gross Profit

Gross profit of $451,994 in 2004 as compared to $372,804 in 2003 was $79,190 or 21% higher than the gross profit in 2003. Gross profit was 46% of revenues in 2004 and 45% in 2003. The gross profit margin in 2004 was comparable to the gross profit margin in 2003.

7

Operating (Loss)

Operating loss was ($1,150,143) in 2004 compared to ($158,109) in 2003. Selling, general and administrative expenses increased by $1,071,224 primarily due to the significant increase in personnel, marketing, research and
development and overhead costs from the Company's Ivivi subsidiary.

Other Income (Expense)

Net other expense in 2004 was $847,826 as compared to income of $3,934 in 2003. Other net expense for 2004 was primarily from a change in fair value of the warrant liability of $713,187, amortization of debt discount and costs of $119,663 and from payments interest accrued on the convertible notes issued in the private placement partially offset by interest earned from amounts invested in money market funds.

The Company's revenues, operations and cash flows over the past few years have declined. Management has recognized the situation and has developed a business plan to enhance the activities of one of its subsidiaries which markets the SofPulse medical device. In December 2004 and February 2005, the Company, together with Ivivi, its majority-owned subsidiary, completed two private placements pursuant to which they issued, jointly and severally, unsecured convertible notes in an aggregate principal amount of $3,637,500 and $2,450,000, respectively. The private placements were completed in seven separate closings from July 2004 through February 2005. The proceeds of the private placements are being used primarily by Ivivi for the research and development and sales and marketing of the SofPulse device line of products and for the research and development of other potential products being developed by Ivivi. Approximately $448,000 of the net proceeds of the private placements were used to repay a portion of its indebtedness to the Company. The liability for such borrowings has been recorded in the Company's financial statements. The notes are due and payable five years from the date of issuance, unless earlier converted. The notes bear interest at 6% per annum and under certain circumstances, the principal and accrued interest on the notes will either be: (i) convertible into the Company's common stock at $.29 per share or (ii) convertible into Ivivi's common stock at $8.30 per share. For each Note in the principal amount of $100,000 issued in the private placements, one warrant for the purchase of up to 344,828 shares of the Company's common stock at $.41 per share (the "Company Warrant") and one warrant for the purchase of up to 12,048 shares of Ivivi's common stock at $5.70 per share (the "Ivivi Warrant") were issued. Each of the Company Warrants and the Ivivi Warrants provides that in addition to paying the exercise price, the holder must surrender the non-exercised warrant (i.e., either the Company Warrant or the Ivivi Warrant).

Pursuant to the terms of the private placements completed in each of December 2004 and February 2005, the number of shares of the Company's common stock issuable upon conversion of the notes and exercise of the warrants will increase by 1% for each 30 day period, or portion thereof, following the 90th day of a demand for registration of the shares of the Company's common stock underlying the notes and warrants and such registration statement is not declared effective. In addition the number of shares of Ivivi's common stock issuable upon conversion of the notes and exercise of the warrants issued in December 2004 and February 2005 will increase by 2%, for each 30-day period, or portion thereof, after March 1, 2005 and June 30, 2005 that a registration statement covering the shares of the Company's common stock and the shares of Ivivi's common stock, respectively, underlying securities issued in the private placement is not declared effective.

The notes issued in the private placements contain covenants that limit each of the Company's and Ivivi's ability to take certain actions without the consent of the holders of the notes, including:

- incurring additional indebtedness for borrowed money, except in the ordinary course of business;
- merging, selling substantially all of its assets or acquiring another entity;
- making loans or investments;
- paying dividends or making distributions;
- incurring liens on its assets;
- making capital expenditures;
- entering into certain transactions with affiliates; and
- materially changing its business.

As of February 14, 2005, each of the Company and Ivivi was in material compliance with the covenants contained in the notes. These covenants will terminate upon conversion of the notes upon consummation of this offering.

The Company is seeking sources of additional financing from several sources. The Company does not have any material sources of liquidity or unused sources of liquid assets.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

On September 2, 2005, in response to a comment letter from the staff of the Securities and Exchange Commission that, among other things, requested information regarding the accounting for the fair value of warrants issued with convertible debt and a beneficial conversion feature related to convertible debt issued by the Company, the Board of Directors of the Company (the "Board"), on the recommendation of the Company's management and after discussions with its independent auditors, made an internal determination and concluded that the financial statements contained in the Company's Quarterly Report on Form 10-QSB for the Company's fiscal quarters ended September 30, 2004, December 31, 2004 and June 30, 2005 (the "Form 10-QSBs") and the financial statements previously audited by the Company's prior auditors and contained in the Company's Annual Report on Form 10-KSB for the Company's fiscal year ended March 31, 2005 (the "Form 10-KSB"), required restatement primarily related to the accounting for the fair value of warrants issued with convertible debt and a beneficial conversion feature related to the convertible debt issued with respect to the financing for the Company's subsidiary, Ivivi Technologies, Inc. as previously accounted for by the Company. The restatements are described in Note 1 of the Notes to Consolidated Financial Statements.

In the Company's Form 10-QSB for the quarter ended December 31, 2004, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. However, in connection with the Company's determination to restate the financial statements contained in the Form 10-QSBs and the Form 10-KSB, the Company's management, including the principal executive officer and principal financial officer, reevaluated its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) related to the recording, processing, summarization, and reporting of information in the Company's periodic reports that it files with the SEC. These disclosure controls and procedures have been designed to ensure that material information relating to the Company, including its subsidiaries, is accumulated and communicated to the Company's management, including these officers, by other of the Company's employees, and that this information is recorded, processed, summarized, evaluated, and reported, as applicable, within the time periods specified in the SEC's rules and forms. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The Company's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Based on the reevaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2004, the Company's principal executive officer and principal financial officer concluded that, solely because there was a material weakness resulting from the Company not properly recording the transaction described above under generally accepted accounting principles, such disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to ensure that such information is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. The Company has taken steps to remediate the material weakness. See "Changes in Internal Controls Over Financial Reporting."

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter to which this Quarterly Report on Form 10-QSB relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

However, as a result of the reevaluation of the effectiveness of the Company's internal control over financial reporting as of the end of the fiscal year ended March 31, 2005, the management of the Company, including the principal executive officer and principal financial officer, concluded that the need for a restatement of the financial statements contained in the Form 10-QSBs and the Form 10-KSB were the result of a material weakness in the internal control over financial reporting. A material weakness in internal control is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the Company. The Company's reconciliation and review processes were not adequate to detect the failure to record the beneficial conversion feature of the convertible debt and the additional amount related to the fair value of warrants in the Company's financial statements contained in the Form 10-QSBs and Form 10-KSB.

The Company has taken steps to remediate the material weakness by (i) retaining a certified public accountant as a consultant to assist with the Company's financial reporting obligations and improvement of its internal controls over financial reporting and (ii) hiring a certified public accountant as a part-time employee responsible for assisting management with internal controls, financial reporting and closing the Company's books and records. The Company believes that these remedial steps will help correct the material weakness described above. However, the Company cannot assure that it will not in the future identify further material weaknesses in its internal controls over financial reporting.

PART II. OTHER INFORMATION

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

In December 2004, the Company, together with one if its subsidiaries, Ivivi, completed a private placement pursuant to which they issued unsecured convertible notes in an aggregate principal amount of $3,637,500 and realized net proceeds of approximately $3,150,000 from the sale of the notes to institutional and accredited investors. The notes issued in the private placement are joint unsecured convertible notes of the Company and Ivivi and bear interest at an annual rate of 6%. Interest on the notes is payable quarterly in cash or shares of common stock of Ivivi, at the direction of the holder. The notes are due and payable at various times from July 2009 through December 2009, unless earlier converted. In February 2005, the Company and Ivivi issued an additional $2,450,000 principal amount of notes to institutional investors and realized net proceeds of approximately $2,165,000 from the sale of the notes, which have primarily the same terms as the notes issued in the December Private Placement. The notes issued in February are due and payable in February 2010, unless earlier converted.

The principal and accrued interest on the notes will either be: (i) convertible into the Company's common stock at $.29

8

per share or (ii) convertible into Ivivi's common stock at $8.30 per share. For each note in the principal amount of $100,000 issued in the private placements, one warrant for the purchase of up to 344,828 shares of the Company's common stock at $.41 per share (the "Company Warrant") and one warrant for the purchase of up to 12,048 shares of Ivivi's common stock at $5.70 per share (the "Ivivi Warrant") were issued. Each of the Company Warrants and the Ivivi Warrants provides that in addition to paying the exercise price upon exercise of the warrant, the holder must surrender the non-exercised warrant relating to the other company(i.e., either the Company Warrant or the Ivivi Warrant, as the case may be).

Maxim Group, LLC, an NASD member firm ("Maxim Group"), acted as exclusive placement agent with respect to the private placements. In connection with the December Private Placement, Maxim Group received an aggregate of approximately $400,125 in commissions, fees and other expense reimbursements and received warrants for the purchase of: (i) 1,003,450 shares of Company common stock at an exercise price of $0.29 per share, (ii) 1,003,450 shares of Company common stock at an exercise price of $0.41 per share, (iii) 35,060 shares of Ivivi common stock at an exercise price of $8.30 per share and (iv) 35,060 shares' Ivivi common stock at an exercise price of $5.70 per share. In connection with the February 2005 private placement, Maxim Group received cash commissions, non accountable expense allowance and warrants for the initial $2,250,000 and received no cash commission, non-accountable expense allowance or warrants with respect to $200,000 received in such offering. In connection with the February private placement, Maxim Group received an aggregate of approximately $247,500 in commissions, fees and other expense reimbursements and received warrants for the purchase of: (i) 620,690 shares of Company common stock at an exercise price of $0.29 per share, (ii) 620,690 shares of Company common stock at an exercise price of $0.41 per share, (iii) 21,687 shares of Ivivi common stock at an exercise price of $8.30 per share and (iv) 21,687 shares of Ivivi common stock at an exercise price of $5.70 per share.

In addition, the Company issued 2,000,000 shares of its common stock to a consulting firm for $1,000 and consulting services.

The issuances of the securities in connection with these transactions were considered to be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on Section 4(2) of the Securities Act or Regulation D promulgated thereunder, as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in these transactions. All recipients either received adequate information about the Company or had access to such information.

ITEM 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

ADM Tronics Unlimited, Inc.

By: \s\ Andre' DiMino,
Chief Executive Officer and
Chief Financial Officer

Dated: Northvale, New Jersey
December 9, 2005