

ADM TRONICS UNLIMITED INC/DE  
Form 10-Q  
August 21, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

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  
(State or Other Jurisdiction  
of Incorporation or organization)

22-1896032  
(I.R.S. Employer  
Identification Number)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

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

56,939,537 shares of Common Stock, \$.0005 par value, as of August 20, 2012.

## ADM TRONICS UNLIMITED, INC.

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PART I. FINANCIAL INFORMATION  
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 2012 (Unaudited)	March 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$284,689	\$299,156
Accounts receivable, net of allowance for doubtful accounts of \$500 and \$329, respectively	275,833	285,159
Inventories	269,311	260,632
Prepaid expenses and other current assets	28,311	26,157
Restricted cash	231,630	231,455
<b>Total current assets</b>	<b>1,089,774</b>	<b>1,102,559</b>
Property and equipment, net of accumulated depreciation of \$57,413 and \$53,574, respectively	19,903	23,742
Inventories - long-term portion	40,008	42,743
Secured convertible note receivable	55,547	62,351
Advances to related parties	22,480	22,480
Intangible assets, net of accumulated amortization of \$105,246 and \$101,682, respectively	62,902	66,466
Other assets	16,109	16,109
<b>Total other assets</b>	<b>216,949</b>	<b>233,891</b>
<b>Total assets</b>	<b>\$1,306,723</b>	<b>\$1,336,450</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Note payable - bank	\$157,000	\$160,000
Accounts payable	149,582	148,832
Customer deposit	-	21,023
Accrued expenses and other current liabilities	393,308	385,935
<b>Total current liabilities</b>	<b>699,890</b>	<b>715,790</b>
<b>Total liabilities</b>	<b>699,890</b>	<b>715,790</b>
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$.0005 par value; 150,000,000 shares authorized, 56,939,537 shares issued and outstanding at June 30, 2012 and March 31, 2012	28,470	28,470

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Additional paid-in capital	32,173,097	32,173,097
Accumulated deficit	(31,594,734 )	(31,580,907 )
Total stockholders' equity	606,833	620,660
Total liabilities and stockholders' equity	\$ 1,306,723	\$ 1,336,450

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011  
(Unaudited)

	2012	2011
Net revenues	\$517,239	\$471,522
Cost of sales	174,675	214,211
Gross Profit	342,564	257,311
Operating expenses:		
Research and development	9,131	9,304
Selling, general and administrative	339,411	288,262
Depreciation and amortization	7,403	10,767
Total operating expenses	355,945	308,333
Loss from operations	(13,381 )	(51,022 )
Other income (expense):		
Interest income	1,443	1,641
Interest expense	(1,889 )	(1,064 )
Total other income (expense)	(446 )	577
Net loss	\$(13,827 )	\$(50,445 )
Basic and diluted net loss per common share:	\$(0.00 )	\$(0.00 )
Weighted average shares of common stock outstanding - basic and diluted	56,939,537	56,939,537

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011  
(Unaudited)

	2012	2011
Cash flows from operating activities:		
Net loss	\$(13,827 )	\$(50,445 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,405	10,767
Interest receivable	(1,196 )	(1,247 )
Bad debt expense	171	-
Increase (decrease) in cash flows as a result of changes in assets and liabilities balances:		
Accounts receivable	9,155	(32,973 )
Inventory	(5,944 )	(8,530 )
Prepaid expenses and other current assets	(2,154 )	(24,003 )
Accounts payable	750	12,596
Customer deposit	(21,023 )	-
Accrued expenses and other current liabilities	7,373	46,491
Net cash used in operating activities	(19,290 )	(47,344 )
Cash flows from investing activities:		
Collections from secured convertible note	8,000	-
Payment for patents and trademark costs	-	(3,584 )
Restricted cash	(175 )	(286 )
Net cash provided by (used in) investing activities	7,825	(3,870 )
Cash flows from financing activities:		
Repayments on note payable - Bank	(3,000 )	(3,000 )
Repayments on note payable - Other	-	(2,900 )
Net cash used in financing activities	(3,000 )	(5,900 )
Net decrease in cash	(14,465 )	(57,114 )
Cash and cash equivalents beginning of year	299,156	155,149
Cash and cash equivalents at end of year	\$284,691	\$98,035
Cash paid for:		
Interest	\$1,889	\$1,064
Income taxes	\$-	\$-
Supplemental disclosures of non-cash investing and financing activities:		
Accrued interest on note receivable	\$1,196	\$1,247
Increase in prepaid insurance and accounts payable	\$-	\$8,466

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





ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Unaudited)

NOTE 1 - ORGANIZATIONAL MATTERS

ADM Tronics Unlimited, Inc. ("we", "us", the "Company" or "ADM"), was incorporated under the laws of the state of Delaware on November 24, 1969. We are authorized under our Certificate of Incorporation to issue 150,000,000 common shares, with \$.0005 par value, and 5,000,000 preferred shares with \$.01 par value.

The accompanying condensed consolidated financial statements as of June 30, 2012 (unaudited) and March 31, 2012 and for the three month periods ended June 30, 2012 and 2011 (unaudited) have been prepared by ADM pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") including Form 10-Q and Regulation S-X. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These 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 audited financial statements and explanatory notes for the year ended March 31, 2012 as disclosed in our annual report on Form 10-K for that year as filed with the SEC, as it may be amended. The results of the three months ended June 30, 2012 (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2013.

NATURE OF BUSINESS

We are a manufacturing and engineering concern whose principal lines of business are the production and sale of chemical products and the manufacture and sale of electronics. On July 17, 2009, we purchased the assets of Antistatic Industries of Delaware Inc., ("Antistatic") a company involved in the research, development and manufacture of water-based and proprietary electrically conductive paints, coatings and other products and accessories which can be used by electronics, computer, pharmaceutical and chemical companies to prevent, reduce or eliminate static electricity.

Our chemical product line is principally comprised of water-based chemical products used in the food packaging and converting industries, and anti-static conductive paints, coatings and other products. These products are sold to customers located in the United States, Australia, Asia and Europe. Electronics equipment is manufactured in accordance with customer specifications on a contract basis. Our electronic device product line consists principally of proprietary devices used in diagnostics and therapeutics of humans and animals and, through our Action Industries, Unlimited, LLC subsidiary, electronic controllers for spas and hot tubs. These products are sold to customers located principally in the United States. We are registered with the FDA as a contract manufacturing facility and we manufacture medical devices for customers in accordance with their designs and specifications. We also provide research, development and engineering services to customers. Our Sonotron Medical Systems, Inc. subsidiary is involved in medical electronic therapeutic technology and our Pegasus Laboratories, Inc. is involved in topical dermatological products.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The unaudited condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its wholly owned subsidiaries, (Action Industries Unlimited LLC, Sonotron and Pegasus Labaoratories). All significant intercompany balances and transactions have been eliminated in consolidation.

#### USE OF ESTIMATES

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Significant estimates made by management include expected economic life and value of our medical devices, reserves, deferred tax assets, 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, option and warrant expenses related to compensation to employees and directors, consultants and investment banks, allowance for doubtful accounts, and warranty reserves. Actual results could differ from those estimates.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

For certain of our financial instruments, including accounts receivable, inventories, accounts payable, accrued expenses and notes payable - other, the carrying amounts approximate fair value due to their relatively short maturities.

## CASH AND EQUIVALENTS

Cash equivalents are comprised of certain highly liquid investments with maturities of three months or less when purchased. We maintain our cash in bank deposit accounts, which at times, may exceed federally insured limits. We have not experienced any losses to date as a result of this policy.

## REVENUE RECOGNITION

### CHEMICAL PRODUCTS:

Revenues are recognized when products are shipped to end users. Shipments to distributors are recognized as sales where no right of return exists.

### ELECTRONICS:

We recognize revenue from the sale of our electronic products when they are shipped to the purchaser. Shipping and handling charges and costs have been de minimis. We offer a limited 90 day warranty on our electronics products and a limited 5 year warranty on our electronic controllers for spas and hot tubs. Historically, the amount of warranty revenue included in the sales of our electronic products has been de minimis. We have no other post shipment obligations and sales returns have been de minimis. Based on prior experience, no amounts have been accrued for potential warranty costs and such costs were less than \$500, for the three months ended June 30, 2012 and 2011.

### ENGINEERING SERVICES:

Pursuant to a Master Services Agreement with Ivivi Health Sciences, LLC (IHS) ADM provides engineering services, including quality control and quality assurance services along with regulatory compliance services, warehouse fulfillment services and network administration services including hardware and software services. Under the terms of the Agreement, the Company agrees to serve as the exclusive manufacturer of all current and future medical and non-medical electronic devices or products sold or rented by IHS.

## RESEARCH AND DEVELOPMENT COSTS

Research and development costs consist of expenditures for the research and development of patents and technology which are not capitalizable. Our research and development costs consist mainly of labor costs in developing new products.

## WARRANTY LIABILITIES

The Company's provision for estimated future warranty costs is based upon historical relationship of warranty claims to sales. Based upon historical experience, the Company has concluded that no warranty liability is required as of the balance sheet dates. However, the Company periodically reviews the adequacy of its product warranties and will record an accrued warranty reserve if necessary.

## RESTRICTED CASH

Restricted cash represents funds on deposit with a financial institution that secure the bank note payable.

## NET LOSS PER SHARE

The Company computes basic loss per share by dividing the Company's net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share excludes potential common shares if the effect is anti-dilutive. Diluted loss per share is determined in the same manner as basic loss per share except that the number of shares is increased assuming exercise of dilutive stock options and warrants using the treasury stock method. As the Company had a net loss for all periods presented, the impact of the assumed exercise of the stock options is anti-dilutive and as such, these amounts have been excluded from the calculation of diluted loss per share. For the three month periods ended June 30, 2012 and 2011, -0- and 2,750,000 common stock and common stock equivalent shares were excluded from the computation of diluted net loss per share, respectively.

## RECENT ACCOUNTING PRONOUNCEMENTS

Management does not believe that any other recently issued, but not yet effective accounting pronouncement, if adopted, would have a material effect on the accompanying unaudited condensed consolidated financial statements.

## NOTE 3 - INVENTORY

Inventory at June 30, 2012 (unaudited) consisted of the following:

	Current	Long Term	Total
Raw materials	\$ 232,263	\$ 35,830	\$ 268,094
Finished Goods	37,048	4,178	41,226
	\$ 269,311	\$ 40,008	\$ 309,319

Inventory at March 31, 2012 consisted of the following:

	Current	Long Term	Total
Raw materials	\$ 204,367	\$ 38,555	\$ 242,922
Finished Goods	56,265	4,188	60,453
	\$ 260,632	\$ 42,743	\$ 303,375

The Company values its inventories at the first in, first out ("FIFO") method at the lower of cost or market.

## NOTE 4 – SECURED CONVERTIBLE NOTE RECEIVABLE

On June 4, 2009 the Company invested in Wellington which has rights to an electronic uroflowmetry diagnostic medical device technology. The Company invested a total of \$50,000, with \$10,000 provided in cash, and \$40,000 in services to Wellington. Wellington issued a convertible note to the Company for a principal amount of \$50,000 with an interest rate of 10% due at various dates through July 15, 2012. The total of the note receivable and accrued interest at June 30, 2012 and March 31, 2012 was \$55,547 and \$62,351, respectively. At the option of the Company, the Note is convertible in whole or in part, into equity of Wellington.

The conversion price, and the resulting equity ownership percentage in Wellington, is determined by dividing the cash value of principal and accrued interest by \$2,000,000.

As of August 20, 2012, the loan has not yet been repaid.

## NOTE 5 - INTANGIBLE ASSETS

Intangible assets are being amortized using the straight line method over periods ranging from 3-15 years with a weighted average remaining life of approximately 7.7 years.

	June 30, 2012				March 31, 2012			
	Cost	Weighted Average Amortization Period	Accumulated Amortization	Net Carrying Amount	Cost	Weighted Average Amortization Period	Accumulated Amortization	Net Carrying Amount
Patents & Trademarks	\$82,702	15 years	\$ (62,985 )	\$19,717	\$82,702	15 years	\$ (62,464 )	\$20,238
Formulas	25,446	15 years	(5,019 )	20,427	25,446	15 years	(4,595 )	20,851
Non-Compete Agreement	50,000	7 years	(27,381 )	22,619	50,000	7 years	(25,595 )	24,405
Customer List	10,000	3 years	(9,861 )	139	10,000	3 years	(9,028 )	972
	\$168,148		\$ (105,246 )	\$62,902	\$168,148		\$ (101,682 )	\$66,466

Amortization expense was \$3,564 and \$7,183 for the three months ended June 30, 2012 and 2011, respectively.

Estimated aggregate future amortization expense related to intangible assets is as follows:

2013	8,329
2014	10,828
2015	10,779
2016	6,068
2017	3,092
Thereafter	23,806
	\$62,902

## NOTE 6 - CONCENTRATIONS

During the three month period ended June 30, 2012, three customers accounted for 50% of our revenue. As of June 30, 2012, three customers represented approximately 56% of our accounts receivable.

During the three month period ended June 30, 2011, three customers accounted for 38% of our revenue. As of March 31, 2012, one customer represented approximately 65% of our accounts receivable.

The Company's customer base is comprised of foreign and domestic entities with diverse demographics. Revenues from foreign customers represented \$37,080 of net revenue or 7.2% for the three months ended June 30, 2012. Revenues from foreign customers represented \$65,309 of net revenue or 12.6% for the three months ended June 30, 2011.

Accounts receivable from foreign entities as of June 30, 2012 and March 31, 2012 were \$20,064 and \$16,198, respectively.

## NOTE 7 - SEGMENT INFORMATION

Information about segments is as follows:

	Chemical	Electronics	Total
<b>Three months ended June 30, 2012</b>			
Revenue from external customers	\$289,964	\$227,275	\$517,239
Segment operating income (loss)	\$65,186	\$(54,128)	\$11,057
<b>Three months ended June 30, 2011</b>			
Revenue from external customers	\$293,004	\$126,058	\$419,062
Segment operating income (loss)	\$24,699	\$(75,721)	\$(51,022)
<b>Total assets at June 30, 2012</b>	<b>\$739,548</b>	<b>\$567,175</b>	<b>\$1,306,723</b>
<b>Total assets at March 31, 2012</b>	<b>\$540,349</b>	<b>\$796,101</b>	<b>\$1,336,450</b>

## NOTE 8 - RELATED PARTY TRANSACTIONS

## ADVANCES TO RELATED PARTIES

As of June 30, 2012 and March 31, 2012, ADM was owed \$0 from advances made to an officer. No advances have been made since 2000. The previous balance, now paid in full, had an interest rate of 3% per year. Total accrued interest at June 30, 2012 and March 31, 2012 was \$22,480 and \$22,480, respectively.

## NOTE 9 – NOTE PAYABLE, BANK

On August 21, 2008, the Company entered into a note payable with a commercial bank in the amount of \$200,000. This note bears interest at a rate of 2% above the interest rate for the Company's savings account at this bank and is secured by cash on deposit with the institution, which is classified as restricted cash. Amounts outstanding under the note are payable on demand, and interest is payable monthly. The principal balance of the note at June 30, 2012 and March 31, 2012 was \$157,000 and \$160,000, respectively.

## NOTE 10 – NOTE PAYABLE – OTHER

On July 17, 2009 we purchased the assets of Antistatic Industries of Delaware, Inc. in exchange for cash and a note payable, bearing imputed interest rate of 3.5% per annum. The monthly interest and principal payments were \$1,450 and as of June 30, 2012, the note has been fully paid.

## NOTE 11 – CUSTOMER DEPOSIT

In July 2011 a customer made a cash deposit of \$179,450 in conjunction with an order for 200 units of the Flo-Med device. For the period ended June 30, 2012, \$21,023 was recognized as revenue.

## NOTE 12 – COMMITMENTS

## MASTER SERVICES AGREEMENT



On February 12, 2010, ADM agreed to provide certain services to Ivivi Health Sciences, LLC (IHS) pursuant to a Master Services Agreement, as described below:

- we provided IHS with engineering services, including quality control and quality assurance services along with regulatory compliance services warehouse fulfillment services and network administration services including hardware and software services;
- we were paid at the rate of \$26,000 per month by IHS for these services; in June 2010, it was agreed that IHS would pay approximately \$11,000 for June 2010 and approximately \$5,000 per month thereafter for reduced services performed by ADM. In May 2011, IHS agreed to pay ADM approximately \$16,800 per month for increased services. Pursuant to this agreement, revenues from engineering services to IHS for the three months ended June 30, 2012 and 2011 were \$52,034 and \$52,461, respectively.

## MANUFACTURING AGREEMENT

Under the terms of the February 12, 2010 manufacturing agreement with IHS, ADM has agreed to serve as the exclusive manufacturer of all current and future medical and nonmedical electronic and other electronic devices or products to be sold or rented by IHS. For each product that ADM manufactures, IHS pays ADM an amount equal to 120% of the sum of (i) the actual, invoiced cost for raw materials, parts, components or other physical items that are used in the manufacture of the product and actually purchased for such entity by ADM, if any, plus (ii) a labor charge based on ADM's standard hourly manufacturing labor rate, which ADM believes is more favorable than could be attained from unaffiliated third parties. Under the terms of the agreement, if ADM is unable to perform its obligations to IHS under the manufacturing agreement or is otherwise in breach of any provision of the manufacturing agreement, IHS has the right, without penalty, to engage third parties to manufacture some or all of its products. In addition, if IHS elects to utilize a third-party manufacturer to supplement the manufacturing being completed by ADM, IHS has the right to require ADM to accept delivery of its products from these third party manufacturers, finalize the manufacture of the products to the extent necessary and ensure that the design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process have been met.

Pursuant to the manufacturing agreement, sales of finished goods to IHS for the three months ended June 30, 2012 and 2011 were \$65,883 and \$18,776, respectively.

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

The following discussion of our operations and financial condition should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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. We use forward-looking statements in our description of our 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. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-Q 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 "Item. 1 Description of Business – Risk Factors" and elsewhere in or incorporated by reference into our Annual Report on Form 10-K for the year ended March 31, 2012.

### CRITICAL ACCOUNTING POLICIES

#### REVENUE RECOGNITION:

#### CHEMICALS:

Revenues are recognized when products are shipped to end users. Shipments to distributors are recognized as sales where no right of return exists.

**ELECTRONICS:**

We recognize revenue from the sale of our electronic products when they are shipped to the purchaser. Revenue from the sale of the electronics we manufacture is recognized upon shipment of product. Shipping and handling charges and costs are de minimis. We offer a limited 90 day warranty on our electronics products and a limited 5 year warranty on our electronic controllers for spas and hot tubs. Historically, the amount of warranty revenue included in the sales of our electronic products have been de minimis. We have no other post shipment obligations and sales returns have been de minimis.

**WARRANTY LIABILITIES**

We offer a limited 90 day warranty on our electronics products and a 5 year limited warranty on all of our electronic controllers for spas and hot tubs sold through Action. This product lines' past experience has resulted in de minimis costs associated with warranty issues. Therefore, no warranty liabilities have yet been recorded. Accordingly, management has not accrued any liability for future expenses as management has deemed such costs to be de minimus.

## USE OF ESTIMATES:

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the US. The preparation of these consolidated financial statements requires us 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, we evaluate our 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. We base our estimates on historical experience and on various other assumptions that we believe 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, we believe that our estimates, including those for the above described items, are reasonable.

## BUSINESS OVERVIEW

ADM is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. During the years ended March 31, 2012 and 2011, our operations were conducted through ADM itself and its subsidiaries, Pegasus Laboratories, Inc. (PLI) and Sonotron Medical Systems, Inc and Action Industries Unlimited LLC (“AIU”). In addition, the Company owns a minority interest in Montvale Technologies Inc, (formerly known as Ivivi Technologies Inc.) (“ITI”), which until October 18, 2006 was operated as a subsidiary of the Company. ITI was deconsolidated as of October 18, 2006 upon the consummation of ITI’s initial public offering. Our investment in ITI from October 18, 2006 through March 31, 2008 was reported under the equity method of accounting. Since April 1, 2008 we reported our investment in ITI at fair value. As reported by ITI, on February 12, 2010 all of ITI’s assets were acquired by IHS, an unaffiliated entity controlled by ITI’s former Chairman of the Board. Concurrent with such asset sale, the Company entered into agreements with IHS for services related to engineering and regulatory matters, and the previous manufacturing agreement with ITI was assigned to IHS.

In 2009, we invested in Wellington Scientific, LLC (“Wellington”) which has rights to an electronic uroflowmetry diagnostic medical device technology. During the year ended March 31, 2012, we completed development of a new version of the device (Flo-Med device) for compliance with FDA and international standards and created the required documentation for distribution of this product in the US. In July, an order was received from a distributor for approximately \$740,000 including a 25% cash deposit for the purchase of the Flo-Med device and related disposables. Production of the Flo-Med device and disposables continued during the period and the complete order was fulfilled during the quarter ended June 30, 2012.

We are a technology-based developer and manufacturer of diversified lines of products in the following four areas: (1) environmentally safe chemical products for industrial use, (2) electronic products for numerous industries, including therapeutic non-invasive electronic medical devices and electronic controllers for spas and hot tubs, (3) cosmetic and topical dermatological products and (4) Antistatic paint and coatings products. We have historically derived most of our revenues from the development, manufacture and sale of chemical products, and, to a lesser extent, from our electronics and topical dermatological products. Our Electronics segment includes our Action and SMS subsidiaries, and our Chemical segment includes our PLI subsidiary.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2012 AS COMPARED TO JUNE 30, 2011

### REVENUES

Revenues were \$517,239 for the three months ended June 30, 2012 as compared to \$471,522 for the three months ended June 30, 2011, an increase of \$45,717, or 10%. The increase resulted from an increase in sales to customers in our electronics division in the amount of \$101,217 and an increase in sales of \$16,315 in our Antistatic division coupled with a decrease in sales in our chemical division in the amount of \$19,355 and a decrease in sales in our electronics subsidiary, Action, in the amount of \$35,694. Sales in our Sonotron division also decreased \$22,124.

Gross profit was \$342,564, or 66%, for the three months ended June 30, 2012 and \$257,311, or 55% for the three months ended June 30, 2011. Gross profit percentages increased in our chemical division 15% mainly due to the increase in sales and gross profit percentages and in our Antistatic division gross profit percentage increased 19%, and an overall increase in cost of materials percentages in the amount of 19%, while labor cost percentages increased approximately 9%. Gross profit percentages increased 13% in our electronics division due to an overall increase in sales, a slight decrease in labor cost percentages and a 12% decrease in cost of materials percentages.

We are highly dependent upon certain customers to generate our revenues. For the three months ended June 30, 2012, three customers accounted for 44% of our revenue and for the three months ended June 30, 2011, three customers accounted for approximately 38% of our revenue. The complete loss of or significant reduction in business from, or a material adverse change in the financial condition of any of our customers could cause a material and adverse change in our revenues and operating results.

#### OPERATING LOSS

Loss from operations for the three months ended June 30, 2012 was \$13,381 decreased \$37,641 or 74% compared to a loss from operations for the three months ended June 30, 2011 of \$51,022. Selling, general and administrative expenses increased by \$51,149, or 18%, from \$288,262 to \$339,411. We had increased compensation costs in the amount of \$21,925, increased advertising costs in the amount of \$15,020, increased insurance costs in the amount of \$5,740, increased commission and royalty expenses in the amount of \$46,740, and increased engineering and regulatory expense in the amount of \$35,729. Offsetting, were decreased taxes and related fees in the amount of \$4,450 and decreased accounting fees in the amount of \$23,701, Cost of sales decreased by \$39,536, or 18% from \$214,211 to \$174,675, due to more favorable material pricing and labor costs decrease of \$3,000.

## NET LOSS AND NET LOSS PER SHARE

Net loss for the three months ended June 30, 2012 was \$13,827, or \$0.00 per share, compared to a net loss for the three months ended June 30, 2011 of \$50,445, or \$0.00 per share. Interest income decreased \$198 to \$1,443 in the three months ended June 30, 2012, from \$1,641 in the three months ended June 30, 2011, due to decreased funds invested in a money market account, offset by an increase in accrued interest receivable on a convertible note issued to Wellington.

## LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2012, we had cash and cash equivalents of \$284,689 as compared to \$299,156 at March 31, 2012. The \$14,467 decrease was primarily the result of cash used in operations during the three month period in the amount of \$19,292, cash provided by investing activities of \$7,825 and cash used in financing activities in the amount of \$3,000. Our cash will continue to be used for increased marketing costs, and the related administrative expenses, in order to attempt to increase our revenue. We expect to have enough cash to fund operations for the next twelve months. Our note payable of \$157,000 at June 30, 2012, is secured and collateralized by restricted cash of \$231,630. This note bears an interest rate of 2% above the rate of the savings account. The interest rate at June 30, 2012 was 2.30% and is payable upon demand.

### Future Sources of Liquidity:

We expect our primary source of cash during fiscal 2012 to be net cash provided by operating activities. We expect that growth in profitable revenues and continued focus on new customers will enable us to continue to generate cash flows from operating activities.

If we do not generate sufficient cash from operations, face unanticipated cash needs or do not otherwise have sufficient cash, we may need to consider the sale of certain intellectual property which does not support the Company's operations. In addition, we have the ability to reduce certain expenses depending on the level of business operation.

Based on current expectations, we believe that our existing cash of \$284,689 as of June 30, 2012 and our net cash provided by operating activities and other potential sources of cash will be sufficient to meet our cash requirements. Our ability to meet these requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

## OPERATING ACTIVITIES

Net cash used by operating activities was \$19,292 for the three months ended June 30, 2012, as compared to net cash used by operating activities of \$47,344 for the three months ended June 30, 2011. The use of cash during the three months ended June 30, 2011 was primarily due to net loss of \$13,827 and an increase in operating liabilities of \$12,900, and an increase in net operating assets of \$1,057.

Net cash used by operating activities was \$47,344 for the three months ended June 30, 2011, The use of cash during the three months ended June 30, 2011 was primarily due to a net loss of \$50,455, a decrease in financing liabilities of \$5,900, and an increase in net investing assets of \$3,870.

## INVESTING ACTIVITIES

For the three months ended June 30, 2012, net cash provided by investing activities was \$7,825 mainly due to the collection against our secured convertible note.

For the three months ended June 30, 2011, net cash used by investing activities was \$3,870. The primary use of cash was for patents and trademarks in the amount of \$3,584.

#### FINANCING ACTIVITIES

For the three months ended June 30, 2012, net cash used for financing activities was \$3,000, which was used for repayment on a note from a commercial bank to facilitate our acquisition of Action.

For the three months ended June 30, 2011, net cash used for financing activities was \$5,900, of which \$3,000 was used for repayment on a note from a commercial bank to facilitate our acquisition of Action and \$2,900 was used for repayment of notes payable – other.

## OFF BALANCE SHEET ARRANGEMENTS'

We have no off-balance sheet arrangements that have had or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and our investment in ITI. We have no control over the market value of our investment in ITI.

We maintain cash and cash equivalents with FDIC insured financial institutions.

Our sales are materially dependent on a small group of customers, as noted in Note 6 of our financial statements. We monitor our credit risk associated with our receivables on a routine basis. We also maintain credit controls for evaluating and granting customer credit.

## ITEM 4. CONTROLS AND PROCEDURES

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d - 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based on that evaluation as of June 30, 2011, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective, as of the date of their evaluation, to ensure that the information required to be disclosed by us in the reports that we file or submit, under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

### CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION



ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors contained in our Annual Report on Form 10-K for the year ended March 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. OTHER INFORMATION

None

ITEM 5. EXHIBITS.

(a) Exhibit No.

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.  
(Registrant)

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

Dated: Northvale, New Jersey  
August 20, 2012