ADM TRONICS UNLIMITED INC/DE
Form 10-Q
February 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(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, 2010

OR

o 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)

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 x NO o

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 o NO o

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 o Accelerated filer o

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

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

YES o NO x

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

53,939,537 shares of Common Stock, $.0005 par value, as of February 14, 2011.

ADM TRONICS UNLIMITED, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 305,830	$ 690,975
Accounts receivable, net of allowance for doubtful accounts of $4,598 and $5,352, respectively	96,412	111,484
Inventories	211,921	178,629
Prepaid expenses and other current assets	12,207	25,898
Restricted cash	230,277	228,842
Total current assets	856,647	1,235,828
Property and equipment, net of accumulated depreciation of $52,812 and $41,983, respectively	45,237	56,065
Inventory - long term portion	46,789	33,802
Secured convertible note	54,989	52,342
Advances to related parties	28,589	48,285
Intangible assets, net of accumulated amortization of $116,999 and $95,517, respectively	147,400	161,697
Other assets	16,109	16,109
Total assets	$ 1,195,760	$ 1,604,128
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 114,832	$ 122,841
Note payable – bank	175,000	184,000
Note payable - other	15,350	17,400
Accrued expenses and other current liabilities	46,528	40,813
Total current liabilities	351,710	365,054
Note payable - other, net of current maturities	-	11,000
Total liabilities	351,710	376,054
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, 53,939,537 shares issued and outstanding at December 31, 2010 and March 31, 2010, respectively		26,970		26,970
Additional paid-in capital		32,153,597		32,153,597
Accumulated deficit		(31,336,517)		(30,952,493)
Total stockholders' equity		844,050		1,228,074
Total liabilities and stockholders' equity	$	1,195,760	$	1,604,128

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2010 and 2009
(Unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2010	2009	2010	2009
Revenues	$ 316,895	$ 251,801	$ 934,418	$ 850,988
Costs and expenses:				
Cost of sales	161,195	139,102	483,295	470,277
Research and development	8,391	9,752	33,084	26,108
Selling, general and administrative	257,008	214,093	803,859	666,398
Total operating expenses	426,594	362,947	1,320,238	1,162,783
Operating loss	(109,699)	(111,146)	(385,820)	(311,795)
Interest income, net	(70)	1,393	1,796	5,268
Change in fair value of investment in ITI	-	-	-	(715,000)
Net loss	$(109,769)	$(109,753)	$(384,024)	$(1,021,527)
Net loss per share, basic and diluted	$(0.00)	$(0.00)	$(0.01)	$(0.02)
Weighted average shares outstanding, basic and diluted	53,939,537	53,939,537	53,939,537	53,939,537

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2010 AND 2009
(Unaudited)

	2010	2009
Cash flows from operating activities:		
Net loss	$(384,024)	$(1,021,527)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	32,310	46,410
Bad debt (recovery) expense net	(754)	1,226
Interest income	(2,647)	(1,110)
Net change in fair market value on investment in ITI	-	715,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	(46,279)	(56,374)
Accounts receivable	15,826	51,457
Prepaid expenses	9,078	(4,533)
Due from affiliate	-	6,627
Increase (decrease) in:		
Accounts payable and accrued expenses	2,319	22,824
Customer deposit - ITI	-	7,448
Net cash used in operating activities	(374,171)	(232,552)
Cash flows from investing activities:		
Repayment (advances to) from related party	19,696	(215)
Payment and services rendered for secured convertible note	-	(49,963)
Payment for patents and trademarks	(7,185)	-
Payment for asset acquisitions	-	(34,170)
Deposit - restricted cash	(1,435)	(1,702)
Net cash provided by (used in) investing activities	11,076	(86,050)
Cash flows from financing activities:		
Repayments on note payable - Bank	(9,000)	(10,000)
Repayments on note payable - Other	(13,050)	-
Net cash (used in) financing activities	(22,050)	(10,000)
Net decrease in cash	(385,145)	(328,602)
Cash at beginning of period	690,975	1,155,786
Cash at end of period	$ 305,830	$ 827,184
Cash paid for:		
Interest	$ 3,831	$ 4,816
Income taxes	$ 3,662	$ 11,270

Non-cash disclosure:

The Company financed insurance premiums during the period.				
Increase in prepaid insurance and accounts payable	$	4,613	$	9,672
Transfer of inventory to Ivivi, decrease in inventory and customer deposits - Ivivi	$	-	$	93,730

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010
(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 December 31, 2010 (unaudited) and March 31, 2010 and for the three and nine month periods ended December 31, 2010 and 2009 (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, 2010 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 and nine months ended December 31, 2010 (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2011.

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 the treatment of joint pain in humans and animals, tinnitus and electronic controllers for spas and hot tubs. These products are sold to customers located principally in the United States.

During the three months ended June 30, 2009, we invested in Wellington Scientific, LLC ("Wellington") which has rights to an electronic uroflowmetry diagnostic medical device technology. These products are currently distributed in South Africa, but are not compliant with United States FDA requirements for distribution in the United States. During the six months ended December 31, 2010 we substantially completed development of a new version of the device for compliance with FDA and international standards and created the required documentation for distribution of these products in the United States. The product is now ready for production. To date there have been no sales of this product.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The unaudited condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its subsidiaries. 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

The Company follows the accounting pronouncements with respect to fair value measurements. Please refer to Note 4 for additional details. For certain of our financial instruments, including accounts receivable, inventories, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their relatively short maturities. Loans approximate their fair value (using level three inputs) as the current interest rates on such instruments approximate current market rates on similar instruments.

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. Revenue from the sale of the electronics we manufactured for Montvale Technologies, Inc. (formerly known as Ivivi Technologies, Inc.) (“ITI”), through February 12, 2010, and manufactured for Ivivi Health Sciences, LLC (“IHS”), subsequent to February 12, 2010, is recognized upon completion of the manufacturing process and shipment of product. 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.

ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to $3,070 and $3,094 for the three months ended December 31, 2010 and 2009, respectively, and $10,440 and $7,729 for the nine months ended December 31, 2010 and 2009, respectively.

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

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 Industries Unlimited, LLC, (“Action”). These product lines’ past experience has resulted in de minimus costs associated with warranty issues. Therefore, no warranty liabilities have yet been recorded. Based on prior experience, no amounts have been accrued for potential warranty costs and such costs were nominal, less than $500, for the three months and nine months ended December 31, 2010 and 2009.

RESTRICTED CASH

Restricted cash represents funds on deposit with a financial institution that secure the bank note payable which is discussed in “Note 10 – Note Payable, Bank”.

NET LOSS PER SHARE

We compute basic loss per share by dividing net loss by the weighted average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if such potential shares were issued and if the additional shares were dilutive. Common equivalent shares are excluded from the computation of net loss per share if their effect is anti-dilutive.

Per share basic and diluted net loss amounted to $0.00 and $0.00 for the three months ended December 31, 2010 and 2009, respectively, and $0.01 and $0.02 for the nine months ended December 31, 2010 and 2009, respectively. The assumed exercise of common stock equivalents was not utilized for the nine month periods ended December 31, 2010 and 2009 since the effect would be anti-dilutive. There were 2,750,000 and 5,055,286 common stock equivalents outstanding at December 31, 2010 and 2009, respectively.

NON-CASH INVESTING ACTIVITY

Non-cash investing activity is excluded from the consolidated statement of cash flows. For nine months ended December 31, 2010, the non-cash activities based on the year ended March 31, 2010, included the following:

Asset Acquisition of Antistatic Industries of Delaware, Inc.:		
Fair Value of assets acquired in fiscal year 2010	$	66,920
Cash paid to Seller	$	(26,920)
Cash paid to Seller under Note Payable		(24,650)
Note payable outstanding at December 31, 2010		(15,350)
	$	(66,920)
Year ended March 31, 2010 Asset Acquisitions		
Details of Acquisition		
Fair Value of assets acquired in fiscal year 2010	$	66,920
		(15,350)

Note Payable balance at December 31, 2010	
Total cash paid for acquisition	$ 51,570

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued new standards that revised the guidance for revenue recognition with multiple deliverables. These new standards impact the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards are effective for the Company beginning April 1, 2011. The Company does not expect the adoption will have a material impact on its consolidated financial positions or results of operations.

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 December 31, 2010 (unaudited) consisted of the following:

	Current	Long Term	Total
Raw materials	$ 190,872	$ 35,977	$ 226,849
Finished Goods	21,049	10,812	31,861
	$ 211,921	$ 46,789	$ 258,710

Inventory at March 31, 2010 consisted of the following:

	Current	Long Term	Total
Raw materials	$ 134,544	$ 23,113	$ 157,657
Finished Goods	44,085	10,689	54,774
	$ 178,629	$ 33,802	$ 212,431

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

NOTE 4 – FAIR VALUE MEASUREMENTS

The Company follows the accounting pronouncement with respect to fair value of financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The pronouncement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The pronouncement also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The pronouncement describes three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents assets measured at fair value on a recurring basis at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Investment in ITI	$ 39,000	$ (39,000)	$ --	$ --

During the quarter ended June 30, 2009, management had determined the investment in ITI should be valued using both Level 1 and Level 2 inputs.

In August 2009, ITI notified the public through its filings with the SEC, it would most likely not be able to continue its operations. On February 12, 2010, ITI sold substantially all of its assets to IHS, and in an additional filing with the SEC, it indicated that proceeds from such sale would not be sufficient to pay all of its liabilities. ITI also publicly stated that it intended to liquidate and anticipated there would not be a distribution to its shareholders. In August 2009, the Company recorded a decrease in fair value of $715,000 writing down the investment in ITI to $0.

The following table presents assets measured at fair value on a recurring basis at March 31, 2010:

	Level 1	Level 2	Level 3	Total
Investment in ITI	$ 715,000	$ (715,000)	$ --	$ --

NOTE 5 – 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 June 2011. The total of the note receivable and accrued interest at December 31, 2010 was $54,989.

NOTE 6 - 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 6.7 years.

	December 31, 2010			March 31, 2010		
	Cost	Accumulated Amortization	Net Carrying Amount	Cost	Accumulated Amortization	Net Carrying Amount
Patents & Trademarks	$ 78,953	$(59,664)	$ 19,289	$ 71,768	$(58,026)	$ 13,742
Formulas	25,446	(2,474)	22,972	25,446	(1,201)	24,245
Non-Compete Agreement	50,000	(16,667)	33,333	50,000	(11,310)	38,690
Controller Design	100,000	(33,333)	66,667	100,000	(22,619)	77,381
Customer List	10,000	(4,861)	5,139	10,000	(2,361)	7,639
	$ 264,399	$(116,999)	$ 147,400	$ 257,214	$(95,517)	$ 161,697

Amortization expense was $21,482 and $36,117 for the nine months ended December 31, 2010 and December 31, 2009, respectively.

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

2011	$7,209
2012	28,648
2013	25,930
2014	24,864
2015	24,814
Thereafter	35,935

$147,400

During March 31, 2010, management had reviewed intangibles as part of their annual review and had decided to write off customer list intangibles due to impairment loss related to their subsidiary Action Industries Unlimited, LLC. The carrying amount of the intangible exceeds the sum of the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. The net book value of $29,510 was written off for customer lists in March 2010.

Based upon its review at March 31, 2010, management believes the remaining intangibles have not been impaired as of December 31, 2010.

NOTE 7 - CONCENTRATIONS

During the three month period ended December 31, 2010, three customers accounted for 40% of our revenue, during such period IHS accounted for 5% of our revenue. As of December 31, 2010, three customers represented approximately 78% of our accounts receivable.

During the three month period ended December 31, 2009, three customers accounted for 43% of our revenue, during such period, ITI accounted for 3% of our revenue. As of December 31, 2009, one customer represented approximately 61% of our accounts receivable.

During the nine month period ended December 31, 2010, two customers accounted for 31% of our revenue, during such period IHS accounted for 5% of our revenue. As of December 31, 2010, three customers represented approximately 78% of our accounts receivable.

During the nine month period ended December 31, 2009, three customers accounted for approximately 55% of our revenue, during such period ITI accounted for 7% of our revenue. As of December 31, 2009, one customer represented approximately 61% of our accounts receivable.

NOTE 8 - SEGMENT INFORMATION

Information about segments is as follows:

	Chemical	Electronics	Total
Three months ended December 31, 2010			
Revenues from external customers	$ 235,851	$ 81,044	$ 316,895
Segment operating income (loss)	$ 4,340	$ (114,039)	$ (109,699)
Three months ended December 31, 2009			
Revenues from external customers	$ 202,986	$ 48,815	$ 251,801
Segment operating (loss)	$ (10,876)	$ (100,270)	$ (111,146)
Nine months ended December 31, 2010			
Revenues from external customers	$ 714,252	$ 220,166	$ 934,418
Segment operating (loss)	$ (14,768)	$ (371,052)	$ (385,820)
Nine months ended December 31, 2009			
Revenues from external customers	$ 647,704	$ 203,284	$ 850,988
Segment operating (loss)	$ (28,546)	$ (283,249)	$ (311,795)
Total assets at December 31, 2010	$ 605,513	$ 590,247	$ 1,195,760
Total assets at March 31, 2010	$ 1,012,324	$ 591,804	$ 1,604,128

NOTE 9 - RELATED PARTY TRANSACTIONS

ADVANCES TO RELATED PARTIES

As of December 31, 2010 and March 31, 2010, ADM was owed $0 and $9,552, respectively, from advances made to an officer. No advances have been made since 2000. The advances bear interest at the rate of 3% per year. Interest accrued for the nine months ended December 31, 2010 and 2009 was $72 and $215, respectively. Total accrued interest at December 31, 2010 and March 31, 2010 was $28,589 and $38,733, respectively.

NOTE 10 – NOTE PAYABLE, BANK

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 2.98% 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 December 31, 2010 and March 31, 2010 was $175,000 and $184,000, respectively.

NOTE 11 – NOTE PAYABLE – OTHER

On July 17, 2009, we purchased the assets of Antistatic, a company involved in the research, development and manufacture of water-based and proprietary electrically conductive paints, coatings and other products and accessories. The purchase price for the assets was $66,920 of which $38,520 was paid during the fiscal year ending March 31, 2010, $13,050 was paid during the first, second and third quarters of fiscal year 2011 and the balance of $15,350 is a note payable, bearing imputed interest rate of 3.5% per annum, which will be repaid over the next 8 months.

The fair value assigned to the acquired assets was as follows:

Inventory	$ 11,474
Equipment	10,000
Patents and trademarks	10,000
Formulas	25,446
Customer list	10,000
Total	$66,920

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the financial statements were filed with the SEC.

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, 2010.

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 for IHS is recognized upon completion of the manufacturing process and 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 United States. 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 the expected economic life and value of our medical devices, options and warrant expenses related to compensation to employees and directors, consultants and investment banks, allowance for doubtful accounts, 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, 2010 and 2009, our operations were conducted through ADM itself and its subsidiaries, Pegasus Laboratories, Inc. and Sonotron Medical Systems, Inc and since August 2008, Action. 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.

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. Recently our contract manufacturing schedule for ITI's electronics production has been completed. We have not received any material additional purchase orders from IHS, the purchaser of the assets of ITI. 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 DECEMBER 31, 2010 AS COMPARED TO DECEMBER 31, 2009

REVENUES

Revenues were $316,895 for the three months ended December 31, 2010 as compared to $251,801 for the three months ended December 31, 2009, an increase of $65,094, or 26%. We had increases in sales to customers in our chemical division in the amount of $40,428, excluding our Antistatic division, acquired in July 2009, which had a decrease in sales in the amount of $7,564. We had an increase in sales from our Sonotron subsidiary in the amount of $20,174, and an increase in our electronics division in the amount of $12,269, which consists of an increase in sales from two existing customers. Gross profit was $155,700, or 49%, for the three months ended December 31, 2010 and $112,699, or 45% for the three months ended December 31, 2009. Gross profit percentages decreased in our chemical division by 4% due to the increase in cost of materials percentages in our chemical and Antistatic division in the amount of 4%, offset by slightly decreased labor cost percentages, in the amount of 1%. Gross profit percentages increased 52% in our electronics division due to a 32% decrease in labor cost percentages and a 17% decrease in cost of materials percentages.

We are highly dependent upon certain customers to generate our revenues. For the three months ended December 31, 2010, three customers accounted for 40% of our revenue, during such period that IHS accounted for 5%, and for the three months ended December 31, 2009, three customers accounted for approximately 43% of our revenue, during such period ITI accounted for 3% 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. Additionally, as a result of the February 12, 2010 asset purchase sale of assets from ITI to IHS, we have not, and likely will not in the future, receive material purchase orders from IHS and we will need to seek new customers in order to increase our revenues.

OPERATING LOSS

Loss from operations for the three months ended December 31, 2010 was $109,699, decreased $1,447, or 1%, compared to a loss from operations for the three months ended December 31, 2009 of $111,146. Selling, general and administrative expenses increased by $42,915, or 20%, from $214,093 to $257,008. We had slightly increased compensation costs in the amount of $6,246, and increased unreimbursed engineering, regulatory and IT expenses in the amount of $60,548. Offsetting, were decreases in depreciation and amortization costs in the amount of $6,427, decreased accounting fees in the amount of $13,440 and decreases in tax expenses in the amount of $5,815. Cost of sales increased by $22,093, or 16% from $139,102 to $161,195. We had a slight increase in cost of sales in our electronics segment and an increase in cost of sales in our chemical division.

NET LOSS AND NET LOSS PER SHARE

Net loss for the three months ended December 31, 2010 was $109,769, or $0.00 per share, compared to a net loss for the three months ended December 31, 2009 of $109,753, or $0.00 per share. Interest income decreased $1,463 to $70, net expense, in the three months ended December 31, 2010, from $1,393 in the three months ended December 31, 2009, 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.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2010 AS COMPARED TO DECEMBER 31, 2009

REVENUES

Revenues were $934,418 for the nine months ended December 31, 2010 as compared to $850,988 for the nine months ended December 31, 2009, an increase of $83,430, or 10%. The increase resulted from an increase in sales to customers in our Antistatic division, acquired in July 2009, in the amount of $49,133, and an increase in sales to customers from our Sonotron subsidiary in the amount of $52,781. These increases were offset by a decrease in sales from our electronics division, excluding Sonotron and Action, in the amount of $35,130, which includes a decrease in sales to one existing customer in the amount of $23,561 and decrease in sales to ITI, now IHS, in the amount of $11,539. We also had an increase in sales from customers in our chemical segment, excluding Antistatic, in the amount of $17,414, including a decrease in sales from two existing customers in the amount of $71,809 and an increase in sales from two of our existing customers in the amount of $63,564. Sales of our Prosaide product line increased $25,446. Gross profit was $451,123, or 48%, for the nine months ended December 31, 2010 and $380,711, or 45% for the nine months ended December 31, 2009. Gross profit percentages remained at 59% from 2010 to fiscal 2011 in our chemical division. Gross profit percentages increased by 16% in our electronics division due to a decrease in overall labor cost percentages in the amount of 10% and a decrease in cost of materials percentages in the amount of 5%.

We are highly dependent upon certain customers to generate our revenues. For the nine months ended December 31, 2010, two customers accounted for 31% of our revenue, during such period that IHS accounted for 5%, and for the nine months ended December 31, 2009, three customers accounted for approximately 55% of our revenue, during such period ITI accounted for 7% 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. Additionally, as a result of the February 12, 2010 asset purchase sale of assets from ITI to IHS, we have not, and likely will not in the future, receive material purchase orders from IHS and we will need to seek new customers in order to increase our revenues.

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OPERATING LOSS

Loss from operations for the nine months ended December 31, 2010 was $385,820, increased $74,025, or 24%, compared to a loss from operations for the nine months ended December 31, 2009 of $311,795. Selling, general and administrative expenses increased by $137,461, or 21%, from $666,398 to $803,859. We had increased compensation costs in the amount of $36,427, including bonuses paid and accounting services previously being performed by an outside consultant now included in administrative salaries, offset by the reduction of one administrative staff member. We had increased consulting fees in our Antistatic division, acquired in July 2009 in the amount of $16,000, increased advertising costs in the amount of $2,712, and increased commission expenses in our Antistatic division in the amount of $3,424. We had increased unreimbursed engineering, regulatory and IT expenses in the amount of $136,964. Offsetting, were decreased travel and entertainment expenses in the amount of $3,666, decreased insurance costs in the amount of $5,702, decreased bad debt expenses in the amount of $2,153 due to a collection of a previously reserved for account, and decreased depreciation and amortization costs in the amount of $14,098 due to the write off in fiscal year 2010 of an impaired Action intangible asset. We also had decreased accounting fees in the amount of $22,804 and decreased legal expenses in the amount of $5,563. Research and development expenses increased by $6,976, or 27%, from $26,108 to $33,084, as a result of new research and development activities during the first three quarters of 2011 for both our chemical division and electronics division. Cost of sales increased by $13,018, or 3% from $470,277 to $483,295. We had a decrease in cost of sales in our electronics segment, excluding Sonotron and Action, which had an increase in cost of sales, and an increase in cost of sales in our chemical segment, including Antistatic, which included an increase in manufacturing salaries expense due to the reallocation of manufacturing personnel to the chemical production process.

NET LOSS AND NET LOSS PER SHARE

Net loss for the nine months ended December 31, 2010 was $384,026, or $0.01 per share, compared to a net loss for the nine months ended December 31, 2009 of $1,021,527, or $0.02 per share. During the nine months ended December 31, 2010 and 2009, we recorded a decrease in fair value of $0 and $715,000, respectively, from our investment in ITI, writing our investment down to $0. Interest income decreased $3,472 to $1,796 in the nine months ended December 31, 2010, from $5,268 in the nine months ended December 31, 2009, 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 December 31, 2010, we had cash and cash equivalents of $305,830 as compared to $690,975 at March 31, 2010. The $385,145 decrease was primarily the result of cash used in operations during the nine month period in the amount of $374,171, cash received from investing activities of $11,076 and cash used in financing activities in the amount of $22,050. 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 $175,000 at December 31, 2010, is secured and collateralized by restricted cash of $230,277. This note bears an interest rate of 2.98%.

On July 17, 2009 we purchased the assets of Antistatic, a company involved in the research, development and manufacture of water-based and proprietary electrically conductive paints, coatings and other products and accessories. The purchase price for the assets was $66,920 of which $38,520 was paid during the fiscal year ending March 31, 2010, $13,050 was paid during the first three quarters of fiscal year 2011 and the balance of $15,350 is a note payable, bearing an imputed interest rate of 3.5% per annum, which will be repaid over the next 8 months.

OPERATING ACTIVITIES

Net cash used by operating activities was $374,171 for the nine months ended December 31, 2010, as compared to net cash used by operating activities of $232,552 for the nine months ended December 31, 2009. The use of cash during the nine months ended December 31, 2010 was primarily due to a net loss of $384,024 and an increase in net operating assets of $21,375, offset by an increase in operating liabilities of $2,319, and depreciation adjustments of $32,310.

Net cash used by operating activities was $232,552 for the nine months ended December 31, 2009, as compared to net cash used by operating activities of $517,241 for the nine months ended December 31, 2008. The use of cash during the nine months ended December 31, 2009 was primarily due to a net loss of $1,021,527 and an increase in operating liabilities of $30,272, which was primarily offset by a change in the fair market value of our investment in Ivivi of $715,000 and an increase in net operating assets of $2,823.

INVESTING ACTIVITIES

For the nine months ended December 31, 2010, net cash received by investing activities was $11,076. The primary increase in cash was from repayments for related party advances in the amount of $19,696, offset by payments in the amount of $7,185 for patents and trademarks.

For the nine months ended December 31, 2009, net cash used by investing activities was $86,050. The primary use of cash was for an investment in cash and services rendered of $49,963 in Wellington Scientific LLC for the issuance of a secured convertible note with an interest rate of 10%. In addition we made payments in the amount of $34,170, towards a total purchase price of $66,920 related to the asset purchase agreement with Antistatic Industries, whereby we acquired intangible assets of $45,446, machinery and equipment of $10,000 and inventory in the amount of $11,474.

FINANCING ACTIVITIES

For the nine months ended December 31, 2010, net cash used for financing activities was $22,050, of which $9,000 was used for repayment on a note from a commercial bank to facilitate our acquisition of Action. In addition, $13,050 was used for repayment of notes payable – other.

For the nine months ended December 31, 2009, net cash used for financing activities was $10,000, which was used for repayment on a note from a commercial bank to facilitate our acquisition of Action Spas.

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 7 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 December 31, 2010, 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, 2010.

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
February 14, 2011

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