ADM TRONICS UNLIMITED INC/DE
Form 10-Q
February 16, 2010

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, 2009

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 12, 2010.

ADM TRONICS UNLIMITED, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

		December 31, 2009 (Unaudited)		March 31, 2009
ASSETS				
Current assets:				
Cash and cash equivalents	$	827,184	$	1,155,786
Accounts receivable, net of allowance for doubtful accounts of $3,726 and $2,500, respectively		52,451		105,134
Due from affiliates		350		6,977
Inventories		278,092		302,810
Prepaid expenses and other current assets		18,273		23,412
Restricted cash		228,282		226,580
Total current assets		1,404,632		1,820,699
Property and equipment, net of accumulated depreciation of $38,374 and $28,082, respectively		59,675		59,968
Inventory - long term portion		42,634		43,798
Investment in Ivivi - at Fair Market Value		-		715,000
Secured convertible note		51,073		-
Advances to related parties		48,214		47,999
Intangible assets, net of accumulated amortization of $116,172 and $80,055, respectively		203,533		194,204
Other assets		18,763		18,763
Total assets	$	1,828,524	$	2,900,431
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	135,769	$	116,137
Note payable – bank		187,000		197,000
Note payable - other		17,400		-
Accrued expenses and other current liabilities		32,490		38,970
Customer deposits – Ivivi		14,743		101,025
Total current liabilities		387,402		453,132
Note payable - other, net of current maturities		15,350		-
Total liabilities		402,752		453,132

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, 2009 and March 31, 2009		26,970		26,970
Additional paid-in capital		32,153,597		32,153,597
Accumulated deficit		(30,754,795)		(29,733,268)
Total stockholders' equity		1,425,772		2,447,299
Total liabilities and stockholders' equity	$	1,828,524	$	2,900,431

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Revenues	$ 251,801	$ 257,610	$ 850,988	$ 1,248,140
Costs and expenses:				
Cost of sales	139,102	183,355	470,277	840,835
Research and development	9,752	-	26,108	-
Selling, general and administrative	214,093	291,791	666,398	892,372
Total operating expenses	362,947	475,146	1,162,783	1,733,207
Operating loss	(111,146)	(217,536)	(311,795)	(485,067)
Interest income, net	1,393	6,537	5,268	35,178
Change in fair value of investment in Ivivi	-	(650,000)	(715,000)	(10,465,000)
Income tax benefit	-	-	-	2,425,188
Net loss	$ (109,753)	$ (860,999)	$ (1,021,527)	$ (8,489,701)
Net loss per share, basic and diluted	$ (0.00)	$ (0.02)	$ (0.02)	$ (0.16)
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 unaudited condensed consolidated financial statements.

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

(Unaudited)

	2009	2008
Cash flows from operating activities:		
Net Loss	$(1,021,527)	$(8,489,701)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	46,410	22,479
Bad debt expense	1,226	
Interest income	(1,110)	-
Net change in fair market value on investment in Ivivi	715,000	10,465,000
Deferred tax benefit	-	(2,425,188)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	(56,374)	125,470
Accounts receivable	51,457	(2,720)
Prepaid expenses	(4,533)	76,420
Due from affiliate	6,627	-
Increase (decrease) in:		
Accounts payable and accrued expenses	22,824	(155,270)
Customer deposit - Ivivi	7,448	(133,731)
Net cash used in operating activities	(232,552)	(517,241)
Cash flows from investing activities:		
Advances to related party	(215)	-
Collections of advances to related parties	-	23,456
Payment and services rendered for secured convertible note	(49,963)	-
Payment for asset acquisition	(34,170)	(212,491)
Deposit - restricted cash	(1,702)	(225,650)
Purchases of property and equipment	-	(14,888)
Net cash used by investing activities	(86,050)	(429,573)
Cash flows from financing activities:		
Proceeds from note payable - Bank	-	200,000
Repayments on note payable - Bank	(10,000)	-
Net cash (used in) provided by financing activities	(10,000)	200,000
Net decrease in cash	(328,602)	(746,814)
Cash at beginning of period	1,155,786	2,072,325
Cash at end of period	$827,184	$1,325,511
Cash paid for:		
Interest	$4,816	$2,677
Income taxes	$11,270	-

Non-cash disclosure:

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

See Note 2 for a summary of non-cash investing activities.

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, 2009
(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, 2009 (unaudited) and March 31, 2009 and for the three and nine month periods ended December 31, 2009 and 2008 (unaudited) have been prepared by ADM pursuant to the rules and regulations of the Securities and Exchange Commission, 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, 2009 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, 2009, (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2010.

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 August 27, 2008, we acquired all of the assets of Action Spas, a manufacturer of electronic controllers for spas and hot tubs, under our wholly owned subsidiary Action Industries Unlimited, LLC ("Action"). With this acquisition, our previous Medical segment was redefined as our Electronics segment, and the ongoing operations of Action are now reported under this segment. On July 17, 2009, we purchased the assets of Antistatic Industries of Delaware, Inc., 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 our Antistatic paint and coatings products as described above. 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 and tinnitus, and sales by Action, as described above. These devices are FDA cleared medical devices. These products are sold to customers located principally in the United States.

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 asset, 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

On April 1, 2008, the Company adopted 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, secured convertible note, 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. Revenue from the sale of the electronics we manufacture for Montvale Technologies, Inc. (formerly known as Ivivi Technologies, Inc.) (“Ivivi”) is recognized upon completion of the manufacturing process and shipment of product. Shipping and handling charges and costs have been immaterial. 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. We have no other post shipment obligations and sales returns have been immaterial. Based on prior experience, no amounts have been accrued for potential warranty costs and such costs were nominal for the nine months ended December 31, 2009.

ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to approximately $3,094 and $4,739 for the three months ended December 31, 2009 and 2008, respectively, and $7,729 and $19,049 for the nine months ended December 31, 2009 and 2008, 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. This product lines’ past experience has resulted in immaterial costs associated with warranty issues. Therefore, no warranty liabilities have yet been recorded. We consider the amount of warranty revenue, included in the sales of our electronic products, to be immaterial based upon our historical experience.

RESTRICTED CASH

Restricted cash represents funds on deposit with a financial institution that secure the bank note payable, discussed in "Note 9 – 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 the potential shares had been 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 $0.02 for the three months ended December 31, 2009 and 2008, respectively, and $0.02 and $0.16 for the nine months ended December 31, 2009 and 2008, respectively. The assumed exercise of common stock equivalents was not utilized for the three and nine month periods ended December 31, 2009 and 2008, since the effect would be anti-dilutive. There were 5,055,286 and 11,626,854 common stock equivalents at December 31, 2009 and 2008, respectively.

NON-CASH INVESTING ACTIVITY

Non-cash investing activity is excluded from the consolidated statement of cash flows. For the nine months ended December 31, 2009, non-cash activites included the following:

Asset Acquisition of Antistatic Industries of Delaware, Inc.:		
Fair Value of assets acquired	$	66,920
Cash paid to Seller	$	(26,920)
Cash paid to Seller under Note Payable		(7,250)
Note payable outstanding at December 31, 2009		(32,750)
	$	(66,920)
Nine-months ended December 31, 2009 Asset Acquisitions		
Details of Acquisition		
Fair Value of assets acquired	$	66,920
Note Payable balance at December 31, 2009		(32,750)
Total cash paid for acquisition	$	34,170

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification ("Codification") as the single source of authoritative non-governmental U.S. GAAP which was launched on July 1, 2009. The Codification is a new structure which takes accounting pronouncements and organizes them by approximately ninety accounting topics. The Codification is now the single source of authoritative U.S. GAAP. All guidance included in the Codification is now considered authoritative, even guidance that comes from what is currently deemed to be a non-authoritative section of a standard. Upon the Codification's effective date, all non-grandfathered, non-SEC accounting literature not included in the Codification has become non-authoritative. The Codification's effective date for interim and annual periods was September 15, 2009. The Codification is for disclosure only and has not impacted the Company's financial condition or results of operations. The Company has adopted the Codification, and reflects such adoption throughout this filing.

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, 2009 (unaudited) consisted of the following:

	Current	Long Term	Total
Raw materials	$ 201,567	$ 31,945	$ 233,512
Finished goods	76,525	10,689	87,214
	$ 278,092	$ 42,634	$ 320,726

Inventory at March 31, 2009 consisted of the following:

	Current	Long Term	Total
Raw materials	$ 232,851	$ 33,109	$ 265,960
Finished goods	69,959	10,689	80,648
	$ 302,810	$ 43,798	$ 346,608

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

Effective April 1, 2008, the Company adopted 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 adoption of the provisions related to financial assets and liabilities and other assets and liabilities that are carried at fair value on a recurring basis did not materially impact the Company's consolidated financial position and results of operations.

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 March 31, 2009:

	Level 1	Level 2	Level 3	Total
Investment in Ivivi	$ 715,000	$ --	$ --	$ 715,000

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

The following table presents assets measured at fair value on a recurring basis at December 31, 2009:

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

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During the nine months ended December 31, 2009, the Company recorded a decrease in fair value of $715,000 with respect to its investment in Ivivi.

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 5.5 years.

	December 31, 2009			March 31, 2009		
	Cost	Accumulated Amortization	Net Carrying Amount	Cost	Accumulated Amortization	Net Carrying Amount
Patents & Trademarks	$ 71,768	$ (57,521)	$ 14,247	$ 61,768	$ (56,142)	$ 5,626
Formulas	25,446	(777)	24,669	-	-	-
Non-Compete Agreement	50,000	(9,524)	40,476	50,000	(4,167)	45,833
Controller Design	100,000	(19,048)	80,952	100,000	(8,332)	91,668
Customer List	72,491	(29,302)	43,189	62,491	(11,414)	51,077
	$ 319,705	$ (116,172)	$ 203,533	$ 274,259	$ (80,055)	$ 194,204

Amortization expense was $36,117 and $15,525 for the nine months ended December 31, 2009 and 2008, respectively. Estimated aggregate future amortization expense related to intangible assets is as follows:

2010	$12,326
2011	49,261
2012	36,834
2013	25,451
2014	24,385
Thereafter	55,276
	$203,533

NOTE 6 - CONCENTRATIONS

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

During the three month period ended December 31, 2008, four customers accounted for approximately 60% of our revenue, during such period Ivivi accounted for 2% of our revenue. As of December 31, 2008, two customers represented approximately 68% of our accounts receivable.

During the nine month period ended December 31, 2009, three customers accounted for 55% of our revenue. During such period, Ivivi accounted for 7% 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, 2008, Ivivi accounted for approximately 43% of our revenue and one other customer accounted for approximately 14% of our revenue. As of December 31, 2008, two customers represented approximately 68% of our accounts receivable.

NOTE 7 - SEGMENT INFORMATION

Information about segments is as follows:

	Chemical	Electronics	Total
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)
Three months ended December 31, 2008			
Revenues from external customers	$ 182,670	$ 74,940	$ 257,610
Segment operating loss	$ (85,260)	$ (132,276)	$ (217,536)
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)
Nine months ended December 31, 2008			
Revenues from external customers	$ 604,019	$ 644,121	$ 1,248,140
Segment operating loss	$ (201,860)	$ (283,207)	$ (485,067)
Total assets at December 31, 2009	$ 1,151,146	$ 677,378	$ 1,828,524
Total assets at March 31, 2009	$ 1,459,121	$ 1,441,310	$ 2,900,431

NOTE 8 - RELATED PARTY TRANSACTIONS

ADVANCES TO RELATED PARTIES

As of December 31, 2009 and March 31, 2009, ADM was owed $9,552 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, 2009 and 2008 was $215 and $631, respectively. Total accrued interest at December 31, 2009 and March 31, 2009 was $38,662 and $38,447, respectively.

MANAGEMENT SERVICES AGREEMENT

In August 2001, ADM entered into a management services agreement, as amended, with Ivivi and currently ADM allocates portions of its real property facilities for use by Ivivi for the conduct of its business. ADM and Ivivi use office, manufacturing and storage space in a building located in Northvale, New Jersey, currently leased by ADM. Pursuant to the terms of the management services agreement, ADM determines the portion of space allocated to Ivivi on a monthly basis, and Ivivi is required to reimburse ADM monthly for its portion of the lease costs, real property taxes and related costs plus any invoices it receives from third parties specific to Ivivi.

During the three months ended December 31, 2009 and December 31, 2008, Ivivi had approximately $1,126 and $10,809, respectively, in management services provided to it by ADM pursuant to the management services agreement. During the nine months ended December 31, 2009 and December 31, 2008, Ivivi had approximately $16,611 and $36,695, respectively, in management services provided to it by ADM pursuant to the management services agreement.

INFORMATION TECHNOLOGY SERVICE AGREEMENT

ADM entered into an information technology ("IT") service agreement with Ivivi on February 1, 2008, pursuant to which Ivivi, in conjunction with its outside IT professionals, will service ADM's IT needs on an as needed basis. Ivivi will invoice ADM monthly for any time it spends in providing such services to ADM. The rate that Ivivi will charge ADM will be determined at date of invoice. Such invoices that Ivivi issues ADM, with respect to such services, will be due within 30 days. IT services include, but are not limited to: Computer hardware and software related issues, network administration, e-mail hosting and administration, telephone and cabling installations and maintenance. There were no charges under this agreement for the nine month period ended December 31, 2009.

Effective August 1, 2009, we entered into an agreement with Ivivi to provide services described below and canceled our management services and IT services agreements described above. Under the agreement:

we will provide Ivivi 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 will be paid at the rate of $26,000 per month by Ivivi for these services; and Ivivi agreed to terminate the four full time engineers and three part time engineers then employed by Ivivi.

the services agreement may be cancelled by either party upon sixty days notice.

MANUFACTURING AGREEMENT

ADM and Ivivi are parties to a manufacturing agreement, dated as of August 15, 2001, and as amended in February, 2005. Under the terms of the agreement, 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 Ivivi. For each product that ADM manufactures, Ivivi 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 Ivivi under the manufacturing agreement or is otherwise in breach of any provision of the manufacturing agreement, Ivivi has the right, without penalty, to engage third parties to manufacture some or all of its products. In addition, if Ivivi elects to utilize a third-party manufacturer to supplement the manufacturing being completed by ADM, Ivivi 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 and manufacturing charges to Ivivi during the three and nine months ended December 31, 2009 and December 31, 2008 were approximately $9,058 and $2,896, and $53,932 and $517,823, respectively.

As reported in its filings with the SEC, on February 12, 2010, Ivivi sold substantially all of its assets pursuant to the terms of an asset purchase agreement and if the Economic Development Authority denies Ivivi's request to sell its tax benefits, which Ivivi believes is likely, Ivivi expects to be dissolved as soon as practicable thereafter. As a result, our future fiscal periods likely will not include material purchase orders from Ivivi, and may not include material purchase orders from the purchaser of its assets. As a result of Ivivi's asset sale and expected dissolution, we will be required to seek new customers in order to replace such revenue. Correspondingly, Ivivi's asset sale and expected dissolution will negatively impact ADM's management services, information technology service and manufacturing agreements with Ivivi, as described above.

Activity with Ivivi can be summarized as follows:

	2010	2009
Balance, beginning of period	$ (104,320)	$ (241,828)

Advances from Ivivi		(9,937)		(160,055)
Transfer of inventory to Ivivi		93,730		-
Ivivi purchases from ADM		53,930		517,823
Charges from Ivivi		(7,214)		-
Charges to Ivivi		146,611		54,020
Payments from Ivivi		(197,704)		(278,057)
Payments to Ivivi		10,510		-
Due (to) Ivivi, end of period	$	(14,394)	$	(108,097)

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 2.98% 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.

NOTE 10 – NOTE PAYABLE – OTHER

On July 17, 2009 we purchased the assets of Antistatic Industries of Delaware, Inc. 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 $34,170 was paid during the second and third quarter of our fiscal year ending March 31, 2010 and the balance of $32,750 is a note payable, bearing imputed interest rate of 3.5% per annum, which will be repaid over the next 20 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 10 – SUBSEQUENT EVENTS

As reported in its filings with the SEC, on February 12, 2010, Ivivi sold substantially all of its assets pursuant to the terms of an asset purchase agreement and if the Economic Development Authority (the “EDA”) denies its request to sell its tax benefits, which Ivivi believes is likely, Ivivi expects to be dissolved as soon as practicable thereafter. As a result, our future fiscal periods likely will not include material purchase orders from Ivivi, and may not include material purchase orders from the purchaser of its assets. As a result of Ivivi’s asset sale and expected dissolution, we will be required to seek new customers in order to replace such revenue. Correspondingly, Ivivi’s asset sale and expected dissolution will negatively impact ADM’s management services, information technology service and manufacturing agreements with Ivivi, as described above.

Subsequent Events have been evaluated through February 16, 2010, the date the financial statements were filed with the Securities and Exchange Commission (“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, 2009.

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 Montvale Technologies, Inc. (formerly known as Ivivi Technologies, Inc) ("Ivivi") is recognized upon completion of the manufacturing process and shipment of product. Shipping and handling charges and costs are immaterial. We offer a limited 5 year warranty on our spa/hot tub controller units. We have no other post shipment obligations and sales returns have been immaterial. Based on prior experience, no amounts have been accrued for potential warranty costs and such costs were nominal for the nine months ended December 31, 2009.

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 immaterial costs associated with warranty issues. Therefore, no warranty liabilities have yet been recorded. We consider the amount of warranty revenue, included in the sales of our electronic products, to be immaterial based upon our historical experience.

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 of America. 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 nine months ended December 31, 2009 and December 31, 2008, our operations were conducted through ADM itself and its subsidiaries, Action Industries Unlimited, LLC (“Action”), Pegasus Laboratories, Inc. (“PLI”) and Sonotron Medical Systems, Inc (“SMS”). Our investment in Ivivi from October 18, 2006 to March 31, 2008 was reported under the equity method of accounting, whereby we recognized our share of Ivivi's earnings or losses as they were incurred. Effective April 1, 2008, we adopted the accounting pronouncement with respect to fair value measurement for our investment in Ivivi, whereby we report our investment in Ivivi at fair value.

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 Ivivi’s electronics production has been completed and we have not received any material additional purchase orders from Ivivi to date. 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, 2009 AS COMPARED TO DECEMBER 31, 2008

REVENUES

Revenues were $251,801 for the three months ended December 31, 2009 as compared to $257,610 for the three months ended December 31, 2008, a decrease of $5,809, or 2%. The decrease resulted from a decrease in sales to new and existing electronic customers from our electronic subsidiaries in the amount of $29,281, and a slight decrease in total sales to existing chemical customers, offset by an increase in chemical sales to customers in our Antistatic division in the amount of $34,933, and a slight increase in sales to Ivivi in the amount of $3,945. Gross profit was $112,699, or 45%, for the three months ended December 31, 2009 and $74,255, or 29% for the three months ended December 31, 2008. Gross profit percentages decreased 47% from sales of our electronic devices, offset by an increase of 29% on gross profit percentages from our chemical sales.

We are highly dependent upon certain customers to generate our revenues. For the three months ended December 31, 2009, three customers accounted for 43% of our revenue, not including Ivivi which accounted for 3%, and for the three months ended December 31, 2008, four customers accounted for approximately 60% of our revenue, not including Ivivi which accounted for approximately 2% of our revenue during such period. 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. As reported by Ivivi in its filings with the SEC, on February 12, 2010, Ivivi sold substantially all of its assets pursuant to the terms of an asset purchase agreement and if the EDA denies Ivivi'srequest to sell its tax benefits, which Ivivi believes is likely, Ivivi expects to be dissolved as soon as practicable thereafter. As a result, we have not, and likely will not in the future, receive material purchase orders from Ivivi and may not receive material purchase orders from the purchaser of its assets 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, 2009 was $111,146, decreased $106,390, or 49%, compared to a loss from operations for the three months ended December 31, 2008 of $217,536. Selling, general and administrative expenses decreased by $77,698, or 27%, from $291,791 to $214,093, mainly due to decreased compensation costs, decreased computer costs and decreased legal fees, offset by an increase in consulting fees, accounting fees and tax related costs. Research and development expenses increased by $9,752, or 100%, from $0 to $9,752, as a result of new research and development activities during the third quarter of 2009. Cost of sales decreased by $44,253, or 24% from $183,355 to $139,102, primarily as a result of a decrease in sales from the Action Industries division and a decrease in cost of sales due to the mix of products sold in the chemical division, offset by an increase in sales in the chemical Antistatic division, and a slight increase in sales to Ivivi.

NET LOSS AND NET LOSS PER SHARE

Net loss for the three months ended December 31, 2009 was $109,753, or $0.00 per share, compared to a net loss for the three months ended December 31, 2008 of $860,999, or $0.02 per share. With the adoption of accounting pronouncements with respect to fair value measurement we recorded a decrease in fair value of $0 with respect to our investment in Ivivi for the three months ended December 31, 2009. The fair value was written down to $0 at June 30, 2009. During the three months ended December 31, 2008, we recorded a decrease in fair value of $650,000 from our investment in Ivivi. Interest income decreased $5,144 to $1,393 in the three months ended December 31, 2009, from $6,537 in the three months ended December 31, 2008, due to decreased funds invested in a money market account.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AS COMPARED TO DECEMBER 31, 2008

REVENUES

Revenues were $850,988 for the nine months ended December 31, 2009 as compared to $1,248,140 for the nine months ended December 31, 2008, a decrease of $397,152, or 32%. The decrease mainly resulted from a decrease in sales of finished medical devices to Ivivi of approximately $475,150, a decrease we expect to continue, and a decrease in sales to new and existing electronic customers from our electronic subsidiaries in the amount of $10,452, and a slight decrease in sales to existing chemical customers in the amount of $7,643. This decrease is offset by an increase in sales to chemical customers in our new Antistatic division in the amount of $51,184, and an increase in sales to an existing electronic customer in the amount of $47,796. Gross profit was $380,711, or 45%, for the nine months ended December 31, 2009 and $407,305, or 33%, for the nine months ended December 31, 2008. Gross profit percentages decreased 19% from sales of our electronic devices, offset by a 10% increase on gross profit percentages from our chemical sales.

We are highly dependent upon certain customers to generate our revenues, including Ivivi. For the nine months ended December 31, 2009, three customers accounted for 55% of our revenue, not including Ivivi which accounted for 7%, and for the nine months ended December 31, 2008, Ivivi accounted for approximately 43% of our revenue and one other customer accounted for approximately 14% of our revenue. The loss of business from Ivivi has resulted in a material reduction in our revenue. In addition, the complete loss of, or significant reduction in business from, or a material adverse change in the financial condition of, any other customers, could cause a material and adverse change in our revenues and operating results. As reported by Ivivi in its filings with the SEC on February 12, 2010, Ivivi sold substantially all of its assets pursuant to the terms of an asset purchase agreement and if the EDA denies Ivivi's request to sell its tax benefits, which Ivivi believes is likely. Ivivi expects to be dissolved as soon as practical. As a result, we have not, and likely will not in the future, receive material purchase orders from Ivivi and may not receive material purchase orders from the purchaser of its assets and we will need to seek new customers in order to increase our revenues.

OPERATING LOSS

Loss from operations for the nine months ended December 31, 2009 was $311,795, compared to a loss from operations for the nine months ended December 31, 2008 of $485,067. Selling, general and administrative expenses decreased by $225,974, or 25%, from $892,372 to $666,398, mainly due to decreased compensation and health insurance costs, decreased computer costs, decreased consulting fees, decreased commissions and decreased advertising costs offset by an increase in depreciation, accounting fees and insurance. Research and development expenses increased by $26,108, or 100%, from $0 to $26,108, as a result of new research and development activities during the nine months ended December 31, 2009. Cost of sales decreased by $370,558, or 44%, from $840,835 to $470,277, primarily as a result of the decrease in sales to Ivivi, offset by an increase in cost of sales due to the mix of products sold in the chemical division including an increase in sales in the new Antistatic chemical division, and an increase in sales to an existing electronics customer.

NET LOSS AND NET LOSS PER SHARE

Net loss for the nine months ended December 31, 2009 was $1,021,527, or $0.02 per share, compared to a net loss for the nine months ended December 31, 2008 of $8,489,701, or $0.16 per share. With the adoption accounting pronouncements with respect to fair value measurement, we recorded a decrease in fair value of $715,000 with respect to our investment in Ivivi for the nine months ended December 31, 2009. During the nine months ended December 31, 2008, we recorded a decrease in fair value of $10,465,000 from our investment in Ivivi. Interest income decreased $29,910 to $5,268 in the nine months ended December 31, 2009, from $35,178 in the nine months ended December 31, 2008, due to decreased funds invested in a money market account. We recognized an income tax benefit in the amount of $2,425,188 during the nine months ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009, we had cash and equivalents of $827,184 as compared to $1,155,786 at March 31, 2009. The $328,602 decrease was primarily the result of our loss from operations during the nine month period. 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. The market value of our investment in Ivivi at December 31, 2009 was $0. Our note payable of $187,000 at December 31, 2009, is secured and collateralized by restricted cash of $228,282. This note bears an interest rate of 2.98%.

On July 17, 2009 we purchased the assets of Antistatic Industries of Delaware, Inc. 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 $34,170 was paid during the second and third quarter and the balance of $32,750 is a note payable, bearing imputed interest rate of 3.5% per annum, which will be repaid over the next 20 months.

OPERATING ACTIVITIES

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.

Net cash used by operating activities was $517,241 for the nine months ended December 31, 2008. The use of cash during the nine months ended December 31, 2008 was primarily due to a net loss of $8,489,701, recognition of a deferred tax benefit of $2,425,188 and decreases in operating liabilities of $289,001 which was primarily offset by a change in the fair market value of our investment in Ivivi of $10,465,000 and a decrease in net operating assets of $199,170.

INVESTING ACTIVITIES

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.

For the nine months ended December 31, 2008, net cash used by investing activities was $429,573. The primary use of cash was for our acquisition of Action Spas, whereby we acquired intangible assets of $200,000, property and equipment of $14,888, and restricted $225,000 in operating cash for collateral on borrowings under our bank loan. Uses of cash were partially offset by collections from related parties of $23,456, which was received from an officer for repayment of advances made prior to 2000.

FINANCING ACTIVITIES

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.

During the nine months ended December 31, 2008, we borrowed $200,000 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.

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 Ivivi. We have no control over the market value of our investment in Ivivi.

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 Securities and Exchange Commission'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 Securities Exchange Act Rule 13a-15. Based on that evaluation as of December 31, 2009, 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 Securities Exchange Act of 1934) 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 Securities Exchange Act of 1934 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, 2009.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. 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 16, 2010