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ADVANCE TECHNOLOGIES INC  
Form 10QSB  
August 16, 2004

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Quarterly report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004

or

Transition report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27175

ADVANCE TECHNOLOGIES, INC.

\_\_\_\_\_  
(Exact name or registrant as specified in its charter)

Nevada

95-4755369

\_\_\_\_\_  
(State or other jurisdiction  
Incorporation or organization)

\_\_\_\_\_  
(I.R.S. Employer  
Identification No.)

716 Yarmouth Rd Suite 215  
Palos Verdes Estates, CA 90274

\_\_\_\_\_  
(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 265-7776

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 that the registrant was  
Required to file such reports), and (2) has shorter period been subject to  
Such filing requirements for the past 90 days. Yes  No

APPLICABLE ONLY TO ISSUES INVOLVED IN BANKRUPTCY.

Indicate by check whether the registrant has filed all documents And report  
required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange  
Act of 1934 subsequent to the distribution of securities Under a plan  
confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes

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of common stock, as of the latest practicable date.

As of June 30, 2004, approximately 28,306,416 shares of the Registrant's Common Stock, \$0.001 par value were outstanding. As of June 30, 2004, approximately 37,208,951 shares of the Registrant's Class A Preferred Stock par value \$0.001 were outstanding.

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### ITEM 1. FINANCIAL STATEMENTS

ADVANCE TECHNOLOGIES, INC.

(A Development Stage Company)

Consolidated Financial Statements

June 30, 2004

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Advance Technologies, Inc.  
(a Development Stage Company)  
Consolidated Balance Sheets

ASSETS  
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	June 30, 2004	September 30, 2003
	-----	-----
	(Unaudited)	

Current Assets

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Cash	\$	1,192	\$	(2,029)
		-----		-----
Total Current Assets		1,192		(2,029)
		-----		-----
Property & Equipment, Net		8,532		14,440
		-----		-----
Total Assets	\$	9,724	\$	12,411
		=====		=====

LIABILITIES AND STOCKHOLDERS' EQUITY

-----				
Current Liabilities				
Accounts Payable	\$	9,637	\$	9,637
Accrued Interest		-		-
Note Payable - Officer		64,700		46,800
Advance Royalties		-		25,000
		-----		-----
Total Current Liabilities		74,337		81,437
		-----		-----
Total Liabilities		74,337		81,437
		-----		-----
Stockholders' Equity				
Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 28,306,416 shares, and 22,766,517		28,306		22,766
Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 37,208,958 Shares, and 38,748,857		37,209		38,749
Additional Paid in Capital		549,780		549,780
Deficit Accumulated During the Development Stage		(679,908)		(680,321)
		-----		-----
Total Stockholders' Equity		(64,613)		(69,026)
		-----		-----
Total Liabilities and Stockholders' Equity	\$	9,724	\$	12,411
		=====		=====

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Advance Technologies, Inc.  
(a Development Stage Company)  
Consolidated Statements of Operations (Unaudited)

	For the Three months ended June 30, 2004	For the Three months ended June 30, 2003	For the nine months ended June 30, 2004	For the nine months ended June 30, 2003	From the beginning of Development stage October 1, 1985 thru June 30, 2004
	-----	-----	-----	-----	-----
Revenues	\$ -	\$ 466	\$ 149,439	\$ 2,115	\$ 209,463

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Operating Expenses					
Depreciation & Amortization	1,969	1,964	5,908	5,892	43,354
Organization Costs	-	-	-	-	11,331
Research & Development	-	-	-	-	72,750
General & Administrative	12,012	9,744	143,117	18,601	778,239
-----					
Total Operating Expenses	13,981	11,708	149,025	24,493	905,674
-----					
Operating Income (Loss)	(13,981)	(11,242)	414	(22,378)	(696,211)
-----					
Other Income (Expense)					
Miscellaneous Income	-	-	-	-	98,000
Interest Expense	-	(2,700)	-	(7,830)	(81,696)
-----					
Total Other Income (Expense)	-	(2,700)	-	(7,830)	16,304
-----					
Net Income (Loss)	\$ (13,981)	\$ (13,942)	\$ 414	\$ (30,208)	\$ (679,907)
=====					
Net Income (Loss) Per Share					
	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.22)
=====					
Weighted Average Shares Outstanding					
	27,491,303	17,218,967	25,162,510	17,218,967	3,035,963
=====					

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Advance Technologies, Inc.  
(a Development Stage Company)  
Consolidated Statements of Cash Flows(Unaudited)

	For the nine months ended June 30,		From the beginning of development stage October 1, 1985 thru June 30, 2004
	2004	2003	
	-----	-----	-----
Cash Flows from Operating Activities			
Net Income (Loss)	\$ 414	\$ (16,266)	\$ (679,908)
Adjustments to Reconcile Net Loss to			

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Net Cash Provided by Operations:			
Depreciation & Amortization	5,906	3,928	30,854
Stock Issued for Services	4,000	-	407,025
Organization Costs	-	-	11,331
Decrease in Prepaids	-	-	14,680
Change in Assets and Liabilities			
Increase (Decrease) in Accounts Payable and Accrued Expenses	(25,000)	5,130	81,109
	-----	-----	-----
Net Cash Provided(Used) by Operating Activities	(14,680)	(7,208)	(134,909)
	-----	-----	-----
Cash Flows from Investing Activities			
Investment in Subsidiary	-	-	286
Purchase of Equipment	-	-	(39,386)
	-----	-----	-----
Net Cash Provided (Used) by Investing Activities	-	-	(39,100)
	-----	-----	-----
Cash Flows from Financing Activities			
Payments for Officer Loan	-	-	(41,200)
Proceeds from Officer Loan	17,900	1,000	105,900
Proceeds from Line of Credit	-	4,500	85,500
Proceeds from Issuance of Stock	-	-	25,000
	-----	-----	-----
Net Cash Provided(Used) by Financing Activities	17,900	5,500	175,200
	-----	-----	-----
Increase (Decrease) in Cash	3,220	(1,708)	1,191
	-----	-----	-----
Cash and Cash Equivalents at Beginning of Period	(2,029)	1,719	-
	-----	-----	-----
Cash and Cash Equivalents at End of Period	1,191	11	1,191
	=====	=====	=====
Cash Paid For:			
Interest	\$ -	\$ -	\$ -
	=====	=====	=====
Income Taxes	\$ -	\$ -	\$ -
	=====	=====	=====

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2004

GENERAL

Advance Technologies, Inc. (the Company) has elected to omit substantially all footnotes to the financial statements for the three and six months ended June 30, 2004 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on Form 10-KSB for the

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fiscal year ended September 30, 2003.

## UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

## Part II - Management's Discussion

### BUSINESS OVERVIEW

The tragic events of September 11, 2001 and the resulting high level of security activity continues to effect ATI and our strategic plans. As time passes the impact is lessen and the over-all business recovery will improve. The cost of venture capital remains high for the technology sector. US Government restrictions on the application of Infrared Technology to commercial application continue to be tight as we learn to work with new restrictions and reporting requirements.

Advance Technologies had reached an agreement via a letter of intent in principle with a marketing and sales group to launch the NITEAGLE program. Terms of this agreement were projected to be completed in April 2004. As of June 30, 2004 a final agreement has not been reached. As of now, ATI believes that it is unlikely that a satisfactory agreement can be reach. Therefore, ATI has re-open our discussions with other potential business partners.

ATI application for an export license for 50 additional IR Cameras for United Integrated Services is proceeding. This will be the third license ATI has obtained for UIS. The export license application is with United States Department of Commerce.

ATI was contacted by a medical service facility in the USA. The medical service company is interested in conducting clinical trials on the Spectrum 9000 produced by UIS to investigate potential benefits in the treatment of circulatory diseases. The medical company is fully engaged in bring their core business (varicose vein treatment) up to speed utilizing a new approach based upon LASER technology. This project has slipped into 2005 at the earliest. As a result, ATI will remain in contact, but will continue to investigate other options as they present themselves.

### ENHANCED VISION ACTIVITIES

Enhance Vision System, our first project; has entered production. Advance Technologies benefits through a license agreement with Kollsman Inc.

Kollsman has issued a detailed report of all sales and deliveries through June 30, 2004. A summary of those sales are as shown.

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### ANNUAL UNITS DELIVERED & SOLD =====

<u>INITIAL DELIVERY</u>	<u>UNITS SOLD</u>	<u>TOTAL</u>
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Year 2002	47	29	29
Year 2003	108	107	107
Year 2004 (Q2)	29	46	48
<hr/>			
TOTAL	184	182	184

The EVS market continues to develop on schedule. Beginning with our next filing we will no longer report on units delivered and sold. In lieu of this we will report on royalties received. This change has been done at Kollsman's request to prevent tracking of EVS sales by potential competitors. In the future Advance Technologies will report only those unit sales publicly reported by Kollsman.

On March 30, 2004 Gulfstream Aerospace announced that they have received an amendment to the EVS Supplemental Type Certification (STC) for their G-IV Aircraft. The addition of the G-IV increases the EVS market by more than 500 systems. As a result of this action, Gulfstream now offers EVS as a retrofit on six models (GIV, GIV-SP, G300, G400, and GV). The retrofit modification is combined with scheduled maintenance and can be performed at five Service Centers in the USA. EVS remains standard equipment on G450 & G550 currently in production. See Gulfstream.com for more details.

The proposed rule change (February 2003, Federal Registrar) by the FAA was adopted after nearly a year of study and review. The flight rule specifically approvals EVS for precision approaches in FAA defined low visibility operations. This rule takes away the last restriction, and EVS can now be expanded beyond the Business Jet (Part -91 operations) to the Regional Carriers (Part -135), Major Carriers (Part -121), and the Package Carrier operators (Part -127/-121).

Gulfstream Aerospace received the prestigious Collier Award for their G550 aircraft. This award was in recognition for Gulfstream's contribution to aviation. Industry observers have given Enhance Vision System credit as a key element in GAC winning the award.

The agreement between Kollsman and FedEx is proceeding with the EVS being slated for operation on all of FedEx's widebody aircraft. See Kollsman.com for additional details.

In June Elbit Systems Ltd., the parent company of Kollsman announced that they have concluded an agreement with Honeywell to supply the electro-optical projection units for the FedEx program. This is an important step forward to develop a full EVS capability (i.e. HUD & EVS) For additional information see Elbitsystems.com.

### NITEAGLE

The advancements in price, performance, and delivery of the microbolometer IR technology have matured to the point where NITEAGLE is commercially viable. This long awaited event is key to several commercial applications besides NITEAGLE. As a result of the termination of negotiations with the major principles, other options will be explored for NITEAGLE. ATI has



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been working with key suppliers for NITEAGLE. ATI remains confident over the viability of the NITEAGLE opportunity, but the direction and timing of the business opportunity is unclear at this time.

### SPECTRUM 9000, MEDICAL EQUIPMENT

Advanced Technologies was working with a US medical service company to provide a clinical study, peer group review proposal to study and evaluate potential benefits to the treatment of circulatory diseases such as varicose veins, diabetes, and other potential applications.

The US medical service company has experienced start up problems with their LASER equipment. The nature and extent of the problem is unknown. The impact of the problem has caused a delay in the program. ATI has informed UIS of the current status, and the situation is under review.

### DEVELOPMENT PROJECTS

Advance Technologies Inc. continues development activities on new Infrared systems for commercial markets. These projects cannot be forecast with any degree of certainty and all strategic partnerships or business arrangements remain confidential until such time as a formal announcement is appropriate without compromising the development plan and/or the application market.

### CAPITAL RESOURCES

No commitment for capital resources has been made during this reporting period.

### FINANCIAL ANALYSIS

The results on the operation present projects of likely future events that cannot be guaranteed. Therefore, the financial analysis does not include projects, and no quantitative assessment has been provided based upon the future discussion of potential events in section 3.

No material changes have been provided; therefore impact of unforeseeable events cannot be assessed.

Present financial plans are adequate to meet our cash flow needs with our current project schedule.

### ADVANCE TECHNOLOGIES INC. BOARD OF DIRECTOR ACTIONS

The maturity of the Enhanced Vision Project has provided the need to make adjustments to prepare for our transition from a "development company" to a mature self-sustaining company. We had anticipated a full transition by mid-2004, it now appears achievement of this milestone will be in the fourth quarter of 2004 or January 2005. Accordingly, the following actions have been authorized by the AVTX Board of Directors to smooth the transition of AVTX.

On June 15, 2004 the Board of Directors has authorized that all Class B preferred shares to be eligible for conversion to Class A common shares provided the two year holding period has been satisfied. The effective date for 100% conversion is January 1, 2005.

On June 15, 2004 the Board of Directors extended an invitation to Gary L. Bane to re-join the Board of Directors of Advance Technologies Inc. Mr. Bane had been on ATI's BOD since our founding in 1992. Mr. Bane withdrew from the BOD in 2002 due to pressing demands from his many business ventures. We are pleased that Mr. Bane's schedule abated, which has

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permitted him to re-join the BOD. Mr. Bane term on ATI's BOD will be effective on September 1, 2004.

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On June 15, 2004 the Board of Directors has authorized the contacting of two additional individuals to join ATI's Board of Directors.

ATI's BOD members have served on the Board without compensation. Because the Board Members were major shareholders, the need for supplement compensation was deemed as unnecessary. As ATI moves to expand our Board of Directors to include individuals that are not necessary share holders in ATI, it is appropriate that the subject of BOD compensation be revisited. Therefore, the Board of Directors has authorized the investigation of Board of Directors compensation to determine suitable and common practices in this regard.

The President & CEO, Gary E. Ball, continues to serve without salary compensation or stock incentives. Once a full and independent Board of Directors has been established, this subject will be reviewed in 2005.

Wendy S. Ball, has asked to be removed from the Board of Directors. Ms. Ball will continue to serve until January 1, 2005. Ms. Ball, was recently promoted to National Sales Manager for Christian Lacroix. The executive level position requires extensive travel and work demands that necessitates the request.

In February 2004, the Board of Directors directed our corporate attorney to file for the issuance of 4,000,000 shares and instructed the corporate attorney to prepare a Private Placement Memorandum for the private placement of 4,000,000 common shares subject to Rule 144 restrictions to provide for operating capital and new business development for 2004. As of June 30, 2004, 500,000 shares of ATI preferred shares has been placed, and the activity is continuing.

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### SIGNATURES

Pursuant to the requirement 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.

ADVANCE TECHNOLOGIES, INC.  
(Registrant)

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Date: August 10, 2004

By: /s/ GARY E. BALL

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Gary E. Ball  
President and Director