AMERICAN ACCESS TECHNOLOGIES INC
Form 10QSB
May 05, 2005
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005

Commission File No. 000-24575

AMERICAN ACCESS TECHNOLOGIES INC.

(Exact name of small business issuer as specified in its charter)

Florida	**59-3410234**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

6670 Spring Lake Road, Keystone Heights, Florida 32656

(Address of principal executive offices)

(352) 473-6673

(Issuer s telephone number)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: YES x. NO ¨.

The number of shares of AMERICAN ACCESS TECHNOLOGIES INC. Common Stock (Par Value $0.001) outstanding at May 4, 2005 was 7,396,260.

Transitional Small Business Disclosure Format YES ¨. NO x.

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 2005	December 31, 2004
	Unaudited	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 637,876	$ 960,012
Investment securities	429,554	424,554
Accounts receivable, net of allowance of $72,000	1,428,931	935,860
Due from stockholders for exercise of options		92,660
Note receivable, other, net of allowance of $361,562		
Inventories	1,245,560	1,165,363
Prepaid expenses and other current assets	71,522	68,724
Total current assets	3,813,443	3,647,173
Property, Plant and Equipment	3,444,227	2,703,407
Intangible Assets	78,836	79,511
Other	100,281	107,772
Total assets	$ 7,436,787	$ 6,537,863
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 1,308,556	$ 336,954
Accrued expenses	120,507	93,912
Total current liabilities	1,429,063	430,866
Commitments, Contingencies, Other Matters and Subsequent Events		
Stockholders Equity:		
Preferred stock, $.001 par value; authorized 1,000,000 shares; issued and outstanding 0 shares		
Preferred stock-Series A, $.001 par value; authorized 60,000 shares; issued and outstanding 0 shares		
Common stock, $.001 par value; authorized 30,000,000 shares; issued and outstanding 7,382,260 shares	7,382	7,382
Additional paid-in capital	15,586,259	15,586,259
Deficit	(9,585,917)	(9,486,644)

Total stockholders equity	6,007,724	6,106,997
Total liabilities and stockholders equity	$ 7,436,787	$ 6,537,863

See notes to unaudited condensed consolidated financial statements.

Table of Contents

American Access Technologies, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Net Sales:		
Formed metal	$ 1,079,243	$ 805,478
Zone cabling termination cabinet	745,356	471,492
	1,824,599	1,276,970
Costs and Expenses:		
Cost of sales	1,510,181	1,134,163
Selling, general and administrative	177,855	224,000
Compensation and related benefits	230,575	200,295
Stock-based compensation	17,400	18,275
	1,936,011	1,576,733
Loss Before Other Income (Expense)	(111,412)	(299,763)
Other Income (Expense):		
Interest income/(expense)	3,000	(95)
Other income (expense)	7,639	31,472
Loss on disposal of equipment		(28,179)
Realized and unrealized gain on investments	1,500	3,050
	12,139	6,248
Net Loss	$ (99,273)	$ (293,515)
Net Loss Per Common Share	$ (.01)	$ (.05)
Weighted Average Common Shares Outstanding	7,382,260	6,342,986

See notes to unaudited condensed consolidated financial statements.

Table of Contents

AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Cash Flows from Operating Activities:		
Net loss	$ (99,273)	$ (293,515)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	92,551	85,759
Warrants and stock issued for services	17,400	18,275
Loss on sale of equipment		28,179
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(493,071)	46,148
Inventories	(80,196)	(17,602)
Prepaid expenses and other current assets	4,692	(49,135)
Increase (decrease) in:		
Accounts payable and accrued expenses	215,945	(16,705)
Deferred revenue		(9,351)
Net cash and cash equivalents used in operating activities	(341,952)	(207,947)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(67,012)	(94,297)
Increase in investments	(5,000)	(3,049)
Increase in patent costs	(831)	(461)
Net cash and cash equivalents used in investing activities	(72,843)	(97,807)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock, net of related costs		290,000
Proceeds from exercise of options	92,660	179,000
Net cash and cash equivalents provided by financing activities	92,660	469,000
Net Increase (Decrease) in Cash and Cash Equivalents	(322,136)	163,246
Cash and Cash Equivalents, Beginning	960,012	283,939
Cash and Cash Equivalents, Ending	$ 637,876	$ 447,185
Non-cash investing and financing activities:		

In March 2005, the Company acquired equipment of approximately $820,000 which is included in accounts payable to be paid subsequent to May 4, 2005.

See notes to unaudited condensed consolidated financial statements.

Table of Contents

AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of American Access Technologies, Inc. and Subsidiary (the Company) at March 31, 2005 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position as of March 31, 2005 and results of operations for the three months ended March 31, 2005 and 2004. All adjustments are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 2004 included in the Company s Form 10-KSB.

2. Net Loss per Common Share

The Company follows Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share which requires the presentation of both basic and diluted earnings (loss) per share.

6

Table of Contents

Basic net loss per common share has been computed based upon the weighted average number of shares of common stock outstanding during the periods. Diluted loss per share has not been presented, as it would be anti-dilutive. The computation of net loss per share is reflected in the following schedule:

Computation of Net Loss per Common Share	**Three Months Ended March 31, 2005**	**Three Months Ended March 31, 2004**
Net Loss	$ (99,273)	$ (293,515)
Total Weighted Average Number of Common Shares	7,382,260	6,342,986
Net Loss per Common Share	$ (0.01)	$ (0.05)

3. Issuance of Common Stock

There was no issuance of stock during the first quarter of 2005.

4. Stock-Based Compensation

Stock Options and Warrants

The 2004 Employee Stock Incentive Plan, which authorizes the issuance of up to 1,500,000 shares of the Company s common stock, and the 2004 Director Stock Option Plan, which authorizes up to 1,000,000 shares of the Company s common stock were both approved by shareholders at the Annual Stockholders Meeting held in July, 2004. During the first quarter of 2005, management granted 75,000 stock options with a strike price of $2.11 and 50,000 stock options with a strike price of $1.60 to new employees as an incentive which is reflected in the Fair Value Disclosures. The stock-based compensation expense of $17,400 in the first quarter represents fees for services rendered by outside counsel. 14,000 shares of common stock will be issued in the second quarter in lieu of cash.

Table of Contents

Fair Value Disclosures

For the three months ended March 31, 2005, the following table reflects the effect on net loss and net loss per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation , to stock options granted to employees, officers and directors:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Net Loss:		
As reported	$ (99,273)	$ (293,515)
Total stock-based compensation expense determined under fair value based method for all awards	(12,188)	(47,757)
Pro forma	$ (111,461)	$ (341,272)
Loss Per Share:		
Basic:		
As reported	$ (0.01)	$ (0.05)
Pro forma	$ (0.02)	$ (0.05)

The Company used the Black-Scholes option-pricing model to determine the fair value of grants made in the three months ended March 31, 2005 and 2004, respectively. The following assumptions were applied in determining the pro forma compensation cost:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
RiskFree Interest Rate	4.99%	4.99%
Expected Dividend Yield		
Expected Option Life	1.25 years	1 year
Expected Stock Price Volatility	72.6%	83.3 - 84%

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the financial statements and notes thereto included elsewhere in this Form 10-QSB and our Form 10-KSB for the year ended December 31, 2004. Historical results and percentage relationships set forth in the statement of operations, including trends that might appear, are not necessarily indicative of future operations.

Table of Contents

Forward-Looking Statements

Except for historical and factual information, this document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, such as predictions of future financial performance. All forward-looking statements are based on assumptions made by us based on our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. These statements are subject to numerous risks and uncertainties, many of which are beyond our control, including our ability to maintain key products sales or effectively react to other risks described from time to time in our SEC filings. No forward-looking statement can be guaranteed, and actual results may differ materially from those projected. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

BUSINESS

American Access Technologies, Inc. (the Company) develops and manufactures patented zone cabling and wireless enclosures that mount in ceilings, walls, raised floors, and custom furniture, to facilitate the routing of telecommunications network cabling, fiber optics and wireless solutions to the workspace environment. We believe that zone cabling is a superior approach for growing and open office configurations or wherever frequent moves, additions and changes of telecommunications services are a factor. Zone cabling of the workspace reduces both labor and material costs for initial network installation and facilitates moves, adds, changes and upgrades for the network installations of today and tomorrow.

Omega Metals, Inc. (Omega), a wholly-owned subsidiary of the Company since 1998, was merged into the Company effective February 3, 2005 and will continue to operate as a separate division. Omega Metals is a precision sheet metal fabrication and assembly operation which manufactures our zone cabling and wireless products. It also serves a diverse client base of over 300, including engineering, technology and electronics companies, mostly in the Southeast. Omega Metals operates from a 67,500 sq. ft. manufacturing facility situated on 8 1/2 acres of land which is owned by the Company. Manufacturing services include laser cutting, precision stamping, bending, assembling, painting, powder coating and silk screening.

On May 8, 2003 we entered into an agreement with Chatsworth Products, Inc. (CPI), Westlake Village, CA establishing a five-year strategic alliance for the manufacture and sales of zone cabling and wireless products developed by American Access. These products, which are currently manufactured by American Access, are co-branded with the names of both American Access and Chatsworth Products and are exclusively sold and distributed by CPI. Under the agreement, American Access will continue to manufacture the products but CPI will have manufacturing rights under certain circumstances. Currently, American Access manufactures all such products. In connection with the alliance, CPI purchased 215,517 shares of American Access common stock in a private placement at $1.16 per share.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are more fully described in Note 1 of our consolidated financial statements located in the annual report on Form 10-KSB.We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Certain accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of certain assets and liabilities. Management believes the following critical accounting policies reflect its most significant estimates and assumptions used in the presentation of our financial statements. We do not have off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as special purpose entities (SPEs), nor do we have any variable interest entities (VIEs), as defined by FIN 46-R.

Revenue Recognition

The Company recognizes revenue from product sales at the time the product is shipped and title passes to the customer.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The estimate is based on management s assessment of the collectibility of specific customer accounts and includes consideration for credit worthiness and financial condition of those specific customers. We also will review historical experience with the customer, the general economic environment and the aging of our receivables. We record an allowance to reduce the specific receivables to the amount that we reasonably believe to be collectible. Based on our historical collection experience, we currently feel our allowance for doubtful accounts is adequate.

Table of Contents

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), encourages, but does not require companies to record stock-based compensation plans using a fair value based method for grants to employees and directors. The Company has chosen to continue to account for stock-based compensation, granted to employees and directors, using the intrinsic value based method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, compensation cost for stock options granted to employees and directors is measured as the excess, if any, of the quoted market price of the Company s common stock at the date of the grant over the amount an employee must pay to acquire the stock. Grants of stock-based compensation to non-employees are accounted for following SFAS No. 123 utilizing the fair value method. SFAS No. 123 requires that fair value of the investment granted be measured, which the Company does using an option pricing model.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123-R, a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. This Statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. SFAS No. 123-R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS No. 123 as originally issued and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services.* This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers Accounting for Employee Stock Ownership Plans. This Statement becomes effective the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Company has not assessed the full impact but believes the adoption of this standard may have a significant, non-cash impact on the Company s results of operations or financial position as of January 2006.

Inventory Valuation

Inventories are stated at the lower of cost or market, with cost determined using an average cost method. Inventory costs for finished goods and work-in-process include material, labor, production overhead, and outside services. Production overhead, including indirect labor, is allocated to finished goods and work-in-progress based on material purchases which is an estimate that could be subject to change in the near term.

Table of Contents

THE THREE MONTHS ENDED MARCH 31, 2005 COMPARED WITH THE THREE MONTHS ENDED MARCH 31, 2004

REVENUES

Formed metal sales increased 34.0% ($273,765) over the three months ended March 31, 2004.

Zone cabling sales increased 58.1% ($273,864) over the three months ended March 31, 2004.

The overall increase in revenues for the three months ended March 31, 2005 is the result of increased sales of formed metal coupled with increased marketing efforts spurred by CPI, a significant distributor of the zone and wireless products and our Original Equipment Manufacturer (OEM) partners. For the three months ended March 31, 2005, 24.4% of total sales and 59.9% of zone cabling sales are attributable to the Company s marketing and manufacturing agreement with CPI.

	Three Months Ended March 31,		
	2005	2004	% Change
Formed metal	$ 1,079,243	$ 805,478	34.0%
Zone cabling	745,356	471,492	58.1%
Total	$ 1,824,599	$ 1,276,970	42.9%

We recognize that our zone cabling and wireless products have a longer sales cycle that depends on our products being incorporated into larger projects. Therefore, quarterly sales of these products are not consistent. We anticipate that subsequent quarters will continue to reflect positive results from the relationships that our AATK sales efforts have nurtured with our OEM partners and the relationships that the CPI sales force has developed for these products.

COSTS AND EXPENSES

Direct costs of $1,510,181, those costs incurred by the Company to have its products manufactured and assembled, represent 82.8% of revenues for the three months ended March 31, 2005 as compared with direct costs of $1,134,163 which represent 88.8% of revenues for the three months ended March 31, 2004.

Table of Contents

	Three Months Ended March 31,			
	2005		2004	
Materials	$ 474,240	26.0%	$ 205,158	16.1%
Labor & Related Costs	693,099	38.0%	541,521	42.4%
Contracted Services	26,798	1.5%	91,534	7.2%
Supplies	110,961	6.1%	120,323	9.4%
Utilities	62,131	3.4%	92,181	7.2%
Site Expenses/ Depreciation	142,952	7.8%	83,446	6.5%
Total Cost of Sales	1,510,181	82.8%	1,134,163	88.8%
Gross Margin	$ 314,418	17.2%	$ 142,807	11.2%

A significant factor in our march to achieve profits is that sales of our fast growing zone cabling and wireless products currently provide a higher gross margin than our formed metal products. The zone/wireless division contributed 40.9% of the total sales in the first quarter of 2005 as compared to 36.9% for the same period in 2004. Our gross margins improved by 6.0% as compared to the three months ended March 31, 2004.

We expect our new laser cutting machinery, which became operational during the first quarter of 2005, to enhance our gross margins by expanding our capacity, reducing our labor expense and utilizing less raw materials during the manufacturing process. Although we continue to experience increased fuel and steel prices, and our new laser cutting machinery will add approximately $21,000 of non-cash depreciation expense quarterly, the Company continues its ongoing demand for efficiencies throughout the organization.

Selling, General and Administrative expenses of $177,855 for the three months ended March 31, 2005 decreased $46,145, decreasing 7.8% as a percent of sales and 20.6% as compared to $224,000 for the three months ended March 31, 2004. Decreases approximating $69,000 in office, amortization, consulting and legal expenses are offset primarily by an approximate increase of $23,000 in sales commission expense.

Compensation and related benefits expense of $230,575 increased $30,280 for the three months ended March 31, 2005, decreasing 3.1% as a percent of sales but increasing 15.1% as compared to $200,295 for the three months ended March 31, 2004. The increase is the result of the supplementation of the staff in our sales and engineering departments.

Stock-based compensation expense of $17,400 decreased $875 for the three months ended March 31, 2005, decreasing 0.4% as a percent of sales and 4.8% as compared to $18,275 for the three months ended March 31, 2004.

Table of Contents

	Three Months Ended March 31,				
	2005	% Sales	2004	% Sales	% Change
Selling, General & Administrative	$ 177,855	9.7%	$ 224,000	17.5%	-20.6%
Compensation and related benefits	230,575	12.6%	200,295	15.7%	15.1%
Stock based compensation	17,400	1.0%	18,275	1.4%	-4.8%
Total	$ 425,830		$ 442,570		-3.8%

OVERALL RESULTS OF OPERATIONS

For the three months ended March 31, 2005, we generated a net loss of $99,273 or $0.01 per share, which was a $194,242 decrease (or 66.2%) in net loss compared to the net loss of $293,515 or $0.05 per share over the comparative three-month period in the prior year.

Our sales and distribution partners report that they are continuing their active marketing campaigns and the training and education of end users in conjunction with the industry standards approval for our zone cabling and wireless products in late 2004.

Our recently purchased laser cutting equipment will enable us to compete for new customers as well as to improve the efficiency of our current manufacturing processes. We will continue to focus on achieving profitability.

	Three Months Ended March 31,		
	2005	2004	% Change
Loss before other income	$ (111,412)	$ (299,763)	-62.8%
Net loss	$ (99,273)	$ (293,515)	-66.2%

LIQUIDITY AND CAPITAL RESOURCES

The Company s operating activities utilized cash of $341,952 and $207,947 during the three months ended March 31, 2005 and March 31, 2004, respectively. Net cash consumed by operating activities consisted of net losses, and increases in accounts receivable, and inventories. The cash decrease is offset by increases in accounts payable, depreciation, amortization, prepaid expenses.

Net cash used from investing activities for the three months ended March 31, 2005 was $72,843 as compared with $97,807 for the three months ended March 31, 2004.

Table of Contents

For the three months ended March 31, 2005 the net cash provided from financing activities was $92,660 as compared with $469,000 for the three months ended March 31, 2004. The Company received $92,660 from the exercise of options for the three months ended March 31, 2005. The Company received $290,000 from the sale of stock and $179,000 from the exercise of options for the three months ended March 31, 2004.

On March 10, 2005, the Company took title and delivery of a new Trumpf L3050 Laser Cutting Machine. We acquired the equipment from TRUMPF Inc. of Farmington, CT and the cost of the new equipment and installation in addition to supplemental equipment purchased approximated $820,000. The Company paid approximately $60,000 in October 2004 and the remainder is due in the second quarter of 2005.

We believe that we can acquire additional working capital, if required, through the sale of additional securities, including the potential exercise of outstanding options and warrants, a private placement, or borrowings, including bank borrowing and private equity lines. Since our 67,500 sq. ft. plant is unencumbered, we also have the potential to mortgage it to raise capital.

RISK FACTORS THAT COULD AFFECT FUTURE RESULTS

The Company and our business continues to be subject to a number of risk factors, including but not limited to the fluctuations in demand for our product line due to economic conditions, a history of operating losses, the need for additional funds, competition, and technological obsolescence. Before deciding to invest in our company or to maintain or increase your investment, you should carefully consider the risks contained in our Annual Report on Form 10-KSB, our other Quarterly Reports on Form 10-QSB; and in our other filings with the Securities and Exchange Commission, including any subsequent reports filed on Forms 10-KSB, 10-QSB and 8-K. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

Because of the following factors, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Telecommunications networking products are subject to rapid technological change and to compete, we must offer products that achieve market acceptance.

Economic weakness has affected adversely, and could continue to affect adversely, our revenue, gross margin and expenses.

We depend significantly on a distributor of our zone cabling and wireless products.

Table of Contents

Our failure to adequately protect our proprietary rights could adversely affect our ability to compete effectively.

Decreased effectiveness of equity compensation could adversely affect our ability to attract and retain employees, and proposed changes in accounting for equity compensation could adversely affect earnings.

The exercise of our outstanding stock options could adversely affect our outstanding common stock. Our stock option plans are an important component of our compensation program for our employees and directors. As of March 31, 2005, we have issued and outstanding options to purchase approximately 5,967,402 shares of common stock with exercise prices ranging from $0.56 to $10.00 per share. The existence of such rights to acquire common stock at fixed prices may prove a hindrance to our efforts to raise future funding by the sale of equity. The exercise of such options may dilute the percentage ownership interest of our existing stockholders and may dilute the value of their ownership. The possible future sale of shares issuable on the exercise of outstanding options could adversely affect the prevailing market price for our common stock. Further, the holders of the outstanding rights may exercise them at a time when we would otherwise be able to obtain additional equity capital on terms more favorable to us.

ITEM 3. CONTROLS AND PROCEDURES

(a) Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended (the *Exchange Act*), as of March 31, 2005. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective.

(b) There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings of various types in the ordinary course of business. While any such litigation to which we are a party contains an element of uncertainty, we presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

Table of Contents

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

31	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Executive Officer and Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer

(b) Reports on Form 8-K:

The following reports on Form 8-K were filed during the quarterly period ended March 31, 2005.

January 7, 2005	Press release announcing that on January 4, 2005, Timothy C. Adams has been named Vice President of Sales and Marketing, where he will be responsible for directing sales and marketing for both the patented zone cabling/wireless division and the contract manufacturing division of the Company. Mr. Adams succeeds Scott Simpson, who will remain with the Company in his prior role as a commissioned salesman and the Company will continue to benefit from Mr. Simpson s 29 years of experience in communications technology under Item 8.01.
January 12, 2005	Press release announcing preliminary unaudited sales for the three months and year ended December 31, 2004 and 2003, respectively, under Item 2.02.
March 11, 2005	Press release announcing financial results for the three months and year ended December 31, 2004 and 2003, respectively, under Item 2.02.
March 14, 2005	Press release announcing that the Company took title and delivery of a new Trumpf L3050 Laser Cutting Machine that was acquired from TRUMPF Inc. of Farmington, CT pursuant to a purchase order under Items 1.01 and 2.01.

Table of Contents

SIGNATURES

In accordance with the requirements of the Exchange Act, the small business issuer caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 4, 2005

AMERICAN ACCESS TECHNOLOGIES, INC.

By: /s/ JOHN E. PRESLEY

John E. Presley
President & Chief Executive Officer

By: /s/ JOSEPH F. MCGUIRE

Joseph F. McGuire
Chief Financial Officer
Treasurer & Secretary