MATERIAL TECHNOLOGIES INC /CA/
Form 10-Q
May 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OF 15(D) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended: March 31, 2001 Commission file number: 33-23617

MATERIAL TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-4622822
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification No.)

11661 San Vicente Boulevard
Suite 707
Los Angeles, California 90049
(address of principal executive offices)
(Zip Code) 90064

(310) 208-5589
(Registrant's telephone number including area code)

Securities Registered pursuant to Section 12(g) of the Act:

Common

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this form 10-K. [ ]

The aggregate market value of the voting stock held by Non-affiliates of the registrant at May 10, 2001 was $952,593.

Documents incorporated by reference-None.

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MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)
BALANCE SHEETS

	December 31, 2000	March 31. 2001 (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,954	$ 781
Receivable Due on Research Contract	33,932	157,917
Receivable from Officer	22,052	28,422
TOTAL CURRENT ASSETS	57,938	187,120

FIXED ASSETS		
Property and Equipment, Net of Accumulated Depreciation	2,990	2,750
OTHER ASSETS		
Intangible Assets, Net of Accumulated Amortization	12,712	12,215
Investments	33,000	33,000
Refundable Deposit	2,136	2,136
TOTAL OTHER ASSETS	47,848	47,351
TOTAL ASSETS	$ 108,776	$ 237,221

See accompanying notes

MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)
BALANCE SHEETS

	December 31, 2000	
		(U
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES		
Legal Fees Payable	$ 209,306	$
Fees Payable to R&D Subcontractor	20,474	
Consulting Fees Payable	50,000	
Accounting Fees Payable	26,288	
Other Accounts Payable	10,157	
Accrued Expenses	24,982	
Accrued Officer Wages	40,000	
Notes Payable - Current Portion	25,688	
Loans Payable - Others	54,160	
TOTAL CURRENT LIABILITIES	461,055	
Payable on Research and Development Sponsorship	358,181	
TOTAL LIABILITIES	819,236	
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A Common Stock, $.001 Par Value, Authorized 100,000,000 Shares, Outstanding 24,618,167 at December 31, 2000, and 31,068,167 shares at March 31, 2001	24,618	

Class B Common Stock, $.001 Par Value, Authorized 100,000 Shares, Outstanding 100, 000 Shares at December 31, 2000, and March 31, 2001	100	
Class A Preferred, $.001 Par Value, Authorized 900,000 Shares Outstanding 337,471 Shares at December 31, 2000 and March 31, 2001	337	
Additional Paid in Capital	5,909,782	
Less Notes Receivable - Common Stock	(2,133,251)	
Deficit Accumulated During the Development Stage	(4,512,046)	
TOTAL STOCKHOLDERS' (DEFICIT)	(710,460)	
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 108,776	$

See accompanying notes

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MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2000	2001	Fro (Octo Mar
	(Unaudited)	(Unaudited)	(U
REVENUES			
Sale of Fatigue Fuses	$ -	$ -	$
Sale of Royalty Interests	-	-	
Research and Development Revenue	180,847	264,760	
Test Services	-	-	
TOTAL REVENUES	180,847	264,760	
COSTS AND EXPENSES			
Research and Development	90,617	210,616	
General and Administrative (Note 2)	198,809	540,664	
TOTAL COSTS AND EXPENSES	289,426	751,280	
INCOME (LOSS) FROM OPERATIONS	(108,579)	(486,520)	
OTHER INCOME (EXPENSE)			
Expense Reimbursed	-	-	
Interest Income	1,038	41,150	
Interest Expense	(15,220)	(17,814)	
Gain on Sale of Stock	251,798	-	
Miscellaneous Income	-	-	

Loss on Sale of Equipment	-	-	
Gain on Foreclosure	-	-	
Modification of Royalty Agreement	-	-	
Settlement of Teaming Agreement	-	-	
Litigation Settlement	-	-	
TOTAL OTHER INCOME	237,616	23,336	
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND PROVISION FOR INCOME TAXES	129,037	(463,184)	
PROVISION FOR INCOME TAXES	(800)	(800)	
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	128,237	(463,984)	
EXTRAORDINARY ITEMS			
Forgiveness of Debt	-	-	
Utilization of Operating Loss Carry forward	-	-	
NET INCOME (LOSS)	$ 128,237	$ (463,984)	
PER SHARE DATA			
Basic Income (Loss) Before Extraordinary Item	$ n/a	$ n/a	
Basic Extraordinary Items	-	-	
BASIC NET INCOME (LOSS) PER SHARE	$ n/a	$ n/a	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	14,791,730	27,685,389	

See accompanying notes

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MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31, 2000	2001	
	(Unaudited)	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	$ 128,237	$ (463,984)	
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	737	737	
Interest Income Accrued on Stock Subscription Receivable	(954)	(41,150)	
Bad Debts	-	-	
Gain on Sale of Securities	(251,798)	-	
Charge off of Deferred Offering Costs	-	-	

Charge off of Long-lived Assets due to Impairment	-	-
Modification of Royalty Agreement	-	-
Gain on Foreclosure	-	-
(Increase) Decrease in Accounts Receivable	70,846	(123,985)
(Increase) Decrease in Prepaid Expense	-	-
Loss on Sale of Equipment	-	-
Issuance of Common Stock for Services	48,950	442,500
Issuance of Stock for Agreement Modification	-	-
Forgiveness of Indebtedness	-	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	(98,540)	173,282
Interest Accrued on Note Payable	14,532	17,127
Increase in Research and Development Sponsorship Payable	-	-
(Increase) in Note for Litigation Settlement	-	-
(Increase) in Deposits	-	-
TOTAL ADJUSTMENTS	(216,227)	468,511
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(87,990)	4,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale of Equipment	-	-
Purchase of Property and Equipment	-	-
Proceeds from Sale of Securities	251,798	-
Purchase of Securities	-	-
Proceeds from Foreclosure	-	-
Investment in Joint Venture	-	-
Payment for License Agreement	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	251,798	-

See accompanying notes

MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31, 2000	For the Three Months Ended March 31, 2001	From (Octob T Marc
	(Unaudited)	(Unaudited)	(Un
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of Common Stock Net of Offering Costs	$ -	$ -	$
Costs incurred in Offering	-	-	
Sale of Common Stock Warrants	-	-	
Sale of Preferred Stock	-	-	

Sale of Redeemable Preferred Stock	-	-	
Capital Contributions	-	-	
Payment on Proposed Reorganization	-	-	
Loans From Officers	-	1,600	
Repayments to Officer	(10,500)	(7,300)	
Increase in Loan Payable-Others	-	-	
CASH FLOWS FROM FINANCING ACTIVITIES:	(10,500)	(5,700)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,308	(1,173)	
BEGINNING BALANCE CASH AND CASH EQUIVALENTS	62,904	1,954	
ENDING BALANCE CASH AND CASH EQUIVALENTS	$ 216,212	$ 781	

See accompanying notes

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MATERIAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

NOTE 1. In the opinion of the Company's management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position of the Company as of March 31, 2001, and the results of its operations and cash flows for the three-month periods ended March 31, 2001 and 2000. The operating results of the Company on a quarterly basis may not be indicative of operating results for the full year.

NOTE 2. During the first quarter of 2001, the Company issued its President 6,000,000 shares of its common stock in lieu of cash payment of accrued salary owed him for the years 1991 through 1995. According to the Board resolution that authorized the retroactive accrual of this compensation, the payment was contingent on the Company's financial position and its ability to pay such amounts. The shares were valued at $420,000.

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MATERIAL TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

During the three-month period ended March 31, 2001, the Company generated approximately $264,760 under its research and development contracts as compared to $180,847 generated during the three-month period ended March 31, 2000.

During the three-month periods ended March 31, 2001 and 2000, the Company incurred approximately $210,616 and $90,617, respectively, in development costs all of which related to the above-indicated contracts.

General and administration costs were $540,664 and $198,809, respectively, for the three-month periods ended March 31, 2001 and 2000. The major expenses incurred during 2001 consisted of Officer's salary of $450,000, office salaries of $9,903, consulting of $5,998, professional fees of $43,636, telephone of $2,060, and travel of $5,009. Officer's salary consists of $30,000 of accrued wages and the issuance of 6,000,000 shares of common stock valued at $420,000 for the amount of accrued compensation for the years 1991 through 1995.

The major expenses incurred during 2000, consisted of consulting fees of $64,521, professional fees of $71,333, officer's compensation of $30,000, travel expenses of $14,800, rent expense of $6,033 and office expense of $8,285.

Interest credited to operations for 2001 and 2000 were $41,150 and $1,038, respectively. Significantly all interest income credited to operations has been accrued on non-recourse notes due from the Company's president and a director amounting to $1,995,000.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as of March 31, 2001 and 2000 were $781 and $216,212, respectively. During the first quarter of 2001, the Company received a total of $141,669, which consisted of $140,069 from its research and development contracts, and advances from its President totaling $1,600. Of the $141,669 received, $137,142 was used in operations and $7,300 was paid to the Company's President.

During the first quarter of 2000, the Company received a total of $503,491, which consisted of $251,693 from its research and development contracts, and net proceeds from the sale of investment securities totaling $251,798. Of the $503,491 received, $339,683 was used in operations and $10,500 was repaid to the Company's President.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

In January 2001, the Company issued 250,000 shares of its common stock to consultants for services rendered, 100,000 shares of common stock to Mr. John Goodman, a Director, for services rendered, and 100,000 shares to an attorney for legal services.

Under a 1998 resolution, the Board of Directors retroactively adjusted its President's salary to $150,000 a year commencing in 1991. Under the resolution, the payment of the amount accrued each year was contingent on the Company's financial position and its ability to pay such amounts without causing undue hardship to the Company. In March 2001, the Company issued 6,000,000 shares of its common stock to its President as payment for the amount of accrued compensation for the years 1991 through 1995. The shares issued have certain restrictions that must lapse prior to the President being able to sell or transfer the shares. The shares issued were valued at $420,000.

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Material Technologies, Inc.

Registrant

s/s/ Robert M. Bernstein

Robert M. Bernstein, President and Chief Financial Officer