

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

AERO MARINE ENGINE INC
Form 10QSB/A
May 27, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A
Amendment No. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2004

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(D) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____

Commission File Number 000-49698

AERO MARINE ENGINE, INC.

(Exact name of registrant as specified in its charter)

Nevada 98-0353007

(State or other jurisdiction of incorporation or organization) (IRS Employer
Identification No.)

New Address

2190 Smithtown Avenue, Ronkonkoma, New York 11779

(Address of principal executive offices)

(631) 285-7101

(Issuer's telephone number)

Former Address

200 Trade Zone Drive, Ronkonkoma, New York 11779

(Address of principal executive offices)

Indicate by check mark whether the registrant (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 registrant was required to file
such reports), and (2) has been subject to such filing requirements for the past
90 days:

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

Yes X No

As of May 24, 2004, 54,134,923 shares of Common Stock of the issuer were outstanding.

This amended Form 10QSB is being filed as the signature page was omitted from the previous filing. This is the only revision to the amended Form 10QSB.

PART I. FINANCIAL INFORMATION

AERO MARINE ENGINE, INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
QUARTER ENDED MARCH 31, 2004

AERO MARINE ENGINE, INC.

TABLE OF CONTENTS

| | PAGE |
|--|------|
| CONSOLIDATED FINANCIAL STATEMENTS: | |
| Consolidated Balance Sheet at March 31, 2004 | A-3 |
| Consolidated Statement of Operations for the Three Months Ended March 31, 2004, the Nine Months Ended March 31, 2004, and the period of December 30, 2002 (date of inception) to March 31, 2004 | A-4 |
| Consolidated Statement of Cash Flows for the Nine Months Ended March 31, 2004 and the period of December 30, 2002 (date of inception) to March 31, 2004 | A-5 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | A-6 |

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2004

(UNAUDITED)

ASSETS:

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

| | |
|---|--------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 33 |
| Inventories | 266,519 |
| Prepays and other current assets | 25,670 |
| | ----- |
| Total current assets | 292,222 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$18,803 | |
| | 107,964 |
| INTANGIBLE ASSETS, net of accumulated amortization of \$20,037 | |
| | 174,963 |
| DEPOSITS AND OTHER ASSETS | |
| | 5,150 |
| GOODWILL | |
| | 526,384 |
| | ----- |
| TOTAL ASSETS | \$ 1,106,683 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 53,418 |
| Accrued expenses | 76,168 |
| | ----- |
| Total current liabilities | 129,586 |
| DUE TO RELATED PARTIES | |
| | 218,966 |
| ADVANCES FROM SHAREHOLDERS | |
| | 406,584 |
| | ----- |
| Total liabilities | 755,136 |
| | ----- |
| STOCKHOLDERS' EQUITY: | |
| Preferred stock, \$0.001 par value, 100,000,000 shares authorized, none issued and outstanding | - |
| Common stock, \$0.001 par value, 100,000,000 shares authorized, 54,994,922 issued and outstanding | 54,995 |
| Paid in capital | 4,491,982 |
| Deficit accumulated during the development stage | (4,195,430) |
| | ----- |
| Total stockholders' equity | 351,547 |
| | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,106,683 |
| | ===== |

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

A-3

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

| | Three Months Ended March 31, 2004 | Nine Months Ended March 31, 2004 | Period of December 30, 2002 (date of inception) through March 31, 2004 |
|--|---|--|--|
| REVENUES | \$ - | \$ - | \$ - |
| OPERATING EXPENSES: | | | |
| Selling, general and administrative | 251,405 | 520,623 | 520,623 |
| Consulting | 3,353,749 | 3,354,145 | 3,355,270 |
| Professional fees | 11,111 | 133,600 | 269,757 |
| Depreciation and amortization | 13,952 | 38,840 | 38,840 |
| Total operating expenses | 3,630,217 | 4,047,208 | 4,184,490 |
| OPERATING LOSS | (3,630,217) | (4,047,208) | (4,184,490) |
| INTEREST EXPENSE | (5,440) | (10,940) | (10,940) |
| LOSS BEFORE INCOME TAXES | (3,635,657) | (4,058,148) | (4,195,430) |
| INCOME TAX PROVISION (BENEFIT) | - | - | - |
| NET LOSS | \$ (3,635,657) | \$ (4,058,148) | \$ (4,195,430) |
| NET LOSS PER SHARE: | | | |
| Basic | \$ (0.07) | \$ (0.08) | \$ (0.09) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | |
| Basic | 53,896,021 | 51,285,831 | 47,102,143 |

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

A-4

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| | Nine Months Ended March 31, 2004 | Period December 31 (date of inc through March 31, |
|---|--|---|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (4,058,148) | \$ (4,195,000) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 38,840 | 38,840 |
| Common stock issued for services | 3,350,000 | 3,350,000 |
| Changes in assets and liabilities (net of business acquisition): | | |
| Inventory | 70 | 70 |
| Prepaid expenses and other current assets | (10,088) | (2,000) |
| Deposits and other assets | (5,150) | (5,150) |
| Accounts payable and accrued liabilities | 23,817 | 15,000 |
| Net cash used by operating activities | (660,659) | (798,000) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of fixed assets | (26,767) | (26,767) |
| Purchase of business | - | (1,018) |
| Net cash (used in) investing activities | (26,767) | (1,045) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related parties | 218,966 | 218,966 |
| Proceeds from shareholders | 406,584 | 406,584 |
| Proceeds from sale of common stock and contributed capital | - | 1,218 |
| Net cash provided by financing activities | 625,550 | 1,844 |
| (DECREASE)/INCREASE IN CASH | (61,876) | (61,876) |
| CASH, BEGINNING OF PERIOD | 61,909 | 61,909 |
| CASH, END OF PERIOD | \$ 33 | \$ 33 |
| | ===== | ===== |

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

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2004

1. ORGANIZATION AND BASIS OF PRESENTATION

Princeton Ventures, Inc. (the "Company") was incorporated in the State of Nevada on May 10, 2001. The Company had not commenced operations. On May 30, 2003, the Company exchanged 37,944,922 shares of its common stock for all of the issued and outstanding shares of Aero Marine Engine Corp. ("Aero"). Aero was formed on December 30, 2002. Aero had no operations and was formed to acquire the assets of Dyna-Cam Engine Corporation. The Company changed its name from Princeton Ventures, Inc. to Aero Marine Engine, Inc.

At the time that the transaction was agreed to, the Company had 20,337,860 common shares issued and outstanding. In contemplation of the transaction with Aero, the Company's two primary shareholders cancelled 9,337,860 shares of the Company's common stock held by them, leaving 11,000,000 shares issued and outstanding. As a result of the acquisition of Aero, there were 48,944,922 common shares outstanding, and the former Aero stockholders held approximately 78% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Aero, under the purchase method of accounting, and was treated as a recapitalization with Aero as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the May 30, 2003, acquisition of the Company. The financial statements have been prepared to give retroactive effect to December 30, 2002, the date of inception of Aero, of the reverse acquisition completed on May 30, 2003, and represent the operations of Aero. Consistent with reverse acquisition accounting: (i) all of Aero's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on May 30, 2003.

Additionally, on June 30, 2003, the Company acquired the operating assets of Dyna-Cam Engine Corp. ("Dyna-Cam"). Dyna-Cam was a development stage enterprise developing a unique, axial cam-drive, free piston, internal combustion engine. Dyna Cam intended to produce and sell the engine primarily for aircraft and marine applications. Dyna-Cam had not generated significant revenues at the time of the Company's acquisition.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and Aero, its wholly owned subsidiary. Because there were no operations in the period of January 1, 2003 through March 31, 2003, there are no comparative statements of operations and cash flows for the three month period ended March 31, 2003. The purchase of the operating assets of Dyna-Cam occurred on June 30, 2003, and the effect of that purchase is included in the accompanying balance sheet at March 31, 2004. The consolidated entity is considered a development stage enterprise as of March 31, 2004. (See Subsequent Event Footnote.)

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company faces many operating and industry challenges. The Company intends to do business in a highly competitive industry. Future operating losses for the Company are anticipated and the proposed plan of operations, even if successful, may not result in cash flow sufficient to finance the initiation and

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

continued expansion of its business. These factors raise substantial doubt about the Company's ability to continue as a going concern. Realization of assets is dependent upon continued operations of the Company, which in turn is dependent upon management's plans to meet its financing requirements, as discussed below, and the success of its future operations. The financial statements do not include any adjustments that might result from this uncertainty.

A-6

The Company, under its new management, has raised over \$1,200,000 in cash to effect the acquisition of Dyna-Cam. Management believes that significant capital is required to adequately develop the Dyna-Cam engine and begin operations. In the nine months ended March 31, 2004, shareholders of the Company have contributed advances of approximately \$407,000.

During the remainder of 2004 and beyond the Company will require additional capital. Although the current majority stockholders of the Company, as well as an affiliate, have made verbal commitments, with no guarantees, to continue to fund the development and sales and marketing efforts of the Company, if alternate financing cannot be obtained, there can be no assurance that any new capital would be available to the Company or that adequate funds for the Company's operations, whether from the Company's revenues, financial markets, or other arrangements will be available when needed or on terms satisfactory to the Company. The failure of the Company to obtain adequate additional financing will require the Company to delay, curtail or scale back some or all of its research and development programs, sales, marketing efforts and manufacturing operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash includes all short-term highly liquid investments that are readily

convertible to known amounts of cash and have original maturities of three months or less.

Principles of Consolidation: The consolidated financial statements include the

accounts of the Company and its wholly owned subsidiary, Aero Marine Engine Corp. All significant intercompany accounts and transactions are eliminated.

Inventories consist of raw materials and purchased parts used in the

manufacturing of engines. The Company records its inventory at the lower of cost (first-in, first-out) or market.

Property and equipment is stated at cost less accumulated depreciation.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to seven years. The depreciation expense for the three months ended March 31, 2004 was \$6,586 and \$18,803 for the nine months ended March 31, 2004.

Income taxes: The Company provides for income taxes based on the provisions of

Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of financial statements.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

Financial Instruments: Financial instruments consist primarily of cash and

obligations under accounts payable and accrued expenses. The carrying amounts of cash, accounts payable and accrued expenses approximate fair value because of the short maturity of those instruments. The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

Net loss per share is calculated using the weighted average number of shares of

common stock outstanding during the year as prescribed by the provisions of SFAS No. 128 Earnings Per Share.

Use of Estimates: The preparation of financial statements in conformity with

generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A-7

Intangible Assets: Intangible assets are comprised of goodwill and certain

finite life intangible assets purchased in the acquisition of the Dyna-Cam operating assets. These assets represent the value of the difference between the purchase price of the acquired business and the fair value of the identifiable tangible net assets. The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142, Goodwill and Other Intangible Assets. The Company does not amortize goodwill but rather annually evaluates the carrying value of goodwill for impairment, in accordance with the provisions of SFAS No. 142. The finite life of the intangibles will be amortized over 7 to 10 years. The amortization expense for the three months ended March 31, 2004 was \$6,679 and \$20,037 for the nine months ended March 31, 2004.

Recently Issued Accounting Pronouncements:

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities". This Standard requires costs associated with exit or disposal activities to be recognized when they are incurred. The requirements of SFAS No. 146 apply prospectively after June 30, 2003, and as such, the Company cannot reasonably estimate the impact of adopting these new rules.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." SFAS No. 147 is effective October 1, 2002. The adoption of SFAS No. 147 did not have a material effect on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," effective for contracts entered into or modified after June 30, 2003. This amendment clarifies when a contract meets the characteristics of a derivative, clarifies when a derivative contains a financing component and amends certain other existing pronouncements. The Company believes the adoption of SFAS No. 149 will not have a material effect on the Company's financial statements.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 requires the classification as a liability of any financial instruments with a mandatory redemption feature, an obligation to repurchase equity shares, or a conditional obligation based on the issuance of a variable number of its equity shares. The Company does not have any authorized preferred shares or other financial instruments with a mandatory redemption feature. The Company believes the adoption of SFAS No. 150 will not have a material effect on the Company's financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements for periods ending after December 15, 2002. The adoption of FIN 45 did not impact the Company's financial statements.

A-8

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN No. 46 states that companies that have exposure to the economic risks and potential rewards from another entity's assets and activities have a controlling financial interest in a variable interest entity and should consolidate the entity, despite the absence of clear control through a voting equity interest. The consolidation requirements apply to all variable interest entities created after January 31, 2003. For variable interest entities that existed prior to February 1, 2003, the consolidation requirements are effective for annual or interim periods beginning after June 15, 2003. Disclosure of significant variable interest entities is required in all financial statements issued after January 31, 2003, regardless of when the variable interest was created. The adoption of FIN No. 46 did not have a material impact on the Company's financial statements.

Impairment of long-lived assets is assessed by the Company for impairment

whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

3. STOCKHOLDERS' EQUITY

The Company declared a 3.1126202 for 1 stock split effective June 30, 2003. The number of shares presented in these financial statements has been retroactively restated for all periods to reflect this stock split.

The Company issued 37,944,922 shares of its common stock in connection with the acquisition of Aero Marine Engine Corp. Under reverse acquisition accounting, these shares are reflected as issued on the date of inception and valued at the book value of the net assets of as of the date of the transaction.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

Aero was incorporated in contemplation of the reverse acquisition of the Company as well as the Dyna-Cam acquisition. A total of 38,944,922 common shares were issued in the reverse merger transaction. However, 1,000,000 of those shares were designated for the Dyna-Cam acquisition. (See Subsequent Event Footnote.) The Company raised \$1,218,598 as part of its initial capitalization. This capital was raised among four individuals in contemplation of their receiving the 37,944,922 shares of the Company's common stock in connection with the acquisition of Aero Marine Engine Corp. The value of the 1,000,000 shares issued in connection with the Dyna-Cam purchase was determined to be \$0.032 per share, which is the price per share paid by the investors that acquired the 37,944,922 shares for cash.

In connection with the reverse acquisition transaction with Aero, the Company's two controlling shareholders at that time cancelled 9,337,860 shares of common stock held by them. Upon completion of this cancellation, the Company had 11,000,000 shares of common stock remaining outstanding prior to the reverse acquisition transaction.

During the quarter ended March 31, 2004, the Company issued 5,000,000 shares of its common stock in exchange for consulting services rendered to the company pursuant to an S-8 registration statement.

4. RELATED PARTY TRANSACTIONS

Certain of the Company's shareholders have advanced funds to the Company to cover cash flow deficiencies. During the three and nine months ended March 31, 2004, these shareholders advanced \$9,900 and \$406,584, respectively, to the Company. The advances have no stated repayment terms. The advances will bear interest at the Federal Reserve prime rate plus 1.25% and interest will be payable annually. In addition, an affiliated entity is providing office space to the Company at no charge, and is providing funds for payroll, moving and other general expenses. In the three and nine month periods ended March 31, 2004, the Company incurred and accrued \$190,091 and \$218,966, respectively, in liabilities to this entity. The advances and funding are based on verbal commitments with no guarantees of future advances or funding.

5. Subsequent Event

In April, 2004 the Company cancelled 860,000 shares of common stock related to the Dyna-Cam acquisition due to non-performance.

* * * * *

A-9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH ON THE FORWARD LOOKING STATEMENTS AS A RESULT OF THE RISKS SET FORTH IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, GENERAL ECONOMIC CONDITIONS, AND CHANGES IN THE ASSUMPTIONS USED IN MAKING SUCH FORWARD LOOKING STATEMENTS.

OVERVIEW

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

The Company was incorporated in the State of Nevada on May 10, 2001 under the name Princeton Ventures, Inc. The Company owns 100% of the issued and outstanding stock of Aero Marine Engine Corp., incorporated in the State of Nevada on December 30, 2002 (hereinafter "Aero"). The Company acquired Aero in a reverse merger during the fiscal year ended June 30, 2003. The Company has not generated any revenues and is considered a development stage enterprise, as defined in Financial Accounting Standards Board No. 7.

During the 2003 fiscal year, Aero acquired all of the tangible and intangible assets regarding a proprietary internal combustion, gasoline powered engine (the "Dyna-Cam Engine"). These assets, included, but were not limited to, three Dyna-Cam Engines, all engineering plans, designs and drawings, system maps, abstracts, blueprints, surveys and drawings relating thereto, materials to assemble approximately twenty Dyna-Cam Engines, the tooling to manufacture the Dyna-Cam Engine, the "Dyna-Cam" web site and all interest in and to the trade name and trademarks and all other rights related to the use of the name "Dyna-Cam" or any combination or variation thereof. The Company, through Aero, is currently engaged in the development, manufacture and distribution of the Dyna-Cam Engine.

PLAN OF OPERATIONS

The Company has verbal commitments to satisfy its cash requirements for the next twelve months at current operating levels and to commence production of the Dyna-Cam Engine. However, the commitments are not binding and there can be no assurance that the Company will in fact receive such funding.

Currently, the Company is developing a spark-assisted version of the Dyna-Cam Engine and researching a full diesel version. The Company intends to conduct further research and development on the Dyna-Cam Engine regarding its chamber design, cylinder heads, fuel delivery system and exhaust removal system.

The Company will need to acquire additional milling capacity and machining equipment to achieve commercial levels of production. At this time, the Company cannot determine with reasonable certainty the amount of equipment that it will need. In January 2004, the Company moved its headquarters and future production capabilities of the Dyna-Cam Engine to Ronkonkoma, New York.

The Company anticipates that it will need to hire several additional skilled machinists to achieve commercial levels of production of the Dyna-Cam Engine. The number of machinists hired will depend on the volume of production.

In January 2004, Richard Powers was appointed President and Chief Executive Officer and serves as the sole director and Alan Cohen was appointed Executive Vice President. In January of 2004, Garth S. Bailey resigned as Chief Executive Officer, President and Director.

In February of 2004 the Company was an exhibitor at the Miami International Boat Show. During this trade show the Company explored new marketing and sales opportunities as well as new applications in the marine industry.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED MARCH 31, 2004

REVENUES

The Company had no revenues for the three months ended March 31, 2004, and the nine months ended March 31, 2004

COSTS AND EXPENSES

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

For the three months ended March 31, 2004 and nine months ended March 31, 2004, the Company had costs and expenses of \$3,635,657 and \$4,058,148, respectively. For the three months ended March 31, 2004, these expenses consisted of selling, general and administrative ("SG&A") expenses of \$251,405, consulting expense of \$3,353,749, professional fees of \$11,111 and depreciation and amortization of \$13,952. The consulting expenses for the three months and nine months are primarily a result of 5,000,000 shares issued in connection with consulting services performed for the company and valued at market. For the nine months ended March 31, 2004, these expenses consisted of selling, general and administrative ("SG&A") expenses of \$520,623 consulting expenses of \$3,354,145, professional fees of \$133,600 and depreciation and amortization of \$38,840.

LOSS FROM OPERATION AND NET LOSS

Loss from operations for the three months ended March 31, 2004 was \$3,630,217 and \$4,047,208 for the nine months ended March 31, 2004.

Net Loss

Net loss was \$3,635,657 for the three months ended March 31, 2004 and \$4,058,148 for the nine months ended March 31, 2004. Interest expense for the three months and nine months ended March 31, 2004 was \$5,440 and \$10,940 respectively. The Company did not recognize a deferred income tax provision or benefit.

Net Loss Per Share

The Company had a net loss per share of \$0.07 for the three months ended March 31, 2004 and \$0.08 for the nine months ended March 31, 2004.

Liquidity and Capital Resources

For the three months ended March 31, 2004 as well as the nine months ended March 31, 2004, the Company did not generate cash flow from its operations. As a result, the Company requires additional working capital to develop its business until the Company either achieves a level of revenues adequate to generate sufficient cash flows from operations or obtains additional financing necessary to support its working capital requirements.

As of March 31, 2004, the Company had accounts payable of \$53,418, accrued expenses of \$76,168, and due to related parties of \$218,966. The due to related party of \$218,966 is primarily a result of cash advances made from an affiliate to fund the company's payroll, cash advances for expense's associated with the Company's move to New York, trade show expenses, and funding development costs in connection with the reconfiguration of the Dyna-Cam engine.

As of March 31, 2004, the Company had inventories of \$266,519 and working capital of \$162,636.

The Company received financing from its majority shareholders in the amount of \$1,218,598 during the period from inception (December 30, 2002) through March 31, 2004. In addition, the Company secured financing in the amount of \$2,500,000 from existing shareholders, to be advanced to the Company as unsecured shareholder loans, of which \$406,584 had been loaned as of March 31, 2004. Although the commitments mentioned above were made, the Company has not been able to obtain such funding. If the Company receives funds, the advances will bear interest at the Federal Reserve prime rate plus 1.25% and interest will be payable annually. There is no repayment schedule at this time. As of March 31, 2004, interest expense of \$10,940 has been accrued. In addition, Trans Max Technologies has agreed to extend to the Company a \$1.5 million credit line to provide products and services to the Company as discussed below in Part II, Item

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

5, but this credit line requires the Company to spend money in order to receive additional credit.

During the remainder of 2004 and beyond the Company will require additional capital. Although the current majority stockholders of the Company, as well as an affiliate, have made verbal commitments, with no guarantees, to continue to fund the development and sales and marketing efforts of the Company, if alternate financing cannot be obtained, there can be no assurance that any new capital would be available to the Company or that adequate funds for the Company's operations, whether from the Company's revenues, financial markets, or other arrangements will be available when needed or on terms satisfactory to the Company. The failure of the Company to obtain adequate additional financing will require the Company to delay, curtail or scale back some or all of its research and development programs, sales, marketing efforts and manufacturing operations. The Company is currently dependant on receiving funding from its majority shareholders and an affiliate with the same majority shareholders. If funding were to stop or the Company could not raise additional capital, the Company would not be able to continue operations beyond its current pay cycle.

Critical Accounting Estimates

As of March 31, 2004, the Company has goodwill and net intangible assets of \$526,384 and \$174,963, respectively. In addition, the Company has a large Net Operating Loss Carry-forward for income tax purposes which is fully reserved.

ITEM 3. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and our principal financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report (the "Evaluation Date"), has concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to him by others within those entities.

(b) Changes in internal control over financial reporting. There were no significant changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None.

ITEM 5. OTHER INFORMATION

Robert E. Fyn, Murray H. Stark, Garth S. Bailey and Peter Mergenthaler own majority control of Trans Max Technologies, Inc. as well as majority control of the Registrant. Messrs. Fyn and Stark each own approximately 29% of Trans Max Technologies, Inc. and Messrs. Bailey and Mergenthaler own approximately 12% of Trans Max Technologies, Inc.

In November 2003, Trans Max Technologies, Inc., formally Perma-Tune Electronics,

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

Inc agreed to provide a \$1.5 million line of credit to provide products and services to the Company. Pursuant to the agreement between the Company and Trans Max Technologies, Inc., for every \$2 paid to Trans Max Technologies, Inc. by the Company, Trans Max Technologies, Inc. will extend \$1 of credit, up to a maximum of \$1.5 million dollars.

In January 2004, our former Chief Executive Officer, President, and Director resigned and Richard Powers became our Chief Executive Officer and Director. In addition, Alan Cohen was elected as our Executive Vice President.

The Company has relocated to a temporary location it is sharing with Trans Max Technologies, Inc., which is under common control with the Company while renovation and possible purchase of a 65,000 square foot building in Ronkonkoma, New York is pending.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

| Exhibit No. | Description | |
|-------------|--|---|
| 31 | Certificate of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | * |
| 32 | Certificate of the Chief Executive Officer and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 | * |

* FILED HEREIN.

B) REPORTS ON FORM 8-K

The Company filed the following report on Form 8-K during the quarter covered by this Report:

On January 15, 2004, a report on Form 8-K was filed announcing that Richard Powers had become a Director and the Company's Chief Executive Officer.

SIGNATURES

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

Aero Marine Engine, Inc.

Date: May 24, 2004

By: /s/ Richard Powers

Richard Powers
Chief Executive Officer

EXHIBIT 31

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICIER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Powers, certify that:

I have reviewed this quarterly report on Form 10-QSB of Aero Marine Engine, Inc.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

As the small business issuer's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

Paragraph omitted in accordance with SEC transition instructions contained in SEC Release No. 33-8238;

Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 24, 2004

By: /s/ Richard Powers

Richard Powers,

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB/A

Chief Executive Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Powers, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Aero Marine Engine, Inc. on Form 10-QSB for the quarterly period ended March 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-QSB fairly presents in all material respects the financial condition and results of operations of Aero Marine Engine, Inc.

Date: May 24, 2004

By: /s/ Richard Powers

Richard Powers,
Chief Executive Officer and
Principal Financial Officer