

MATECH Corp.
Form 10-Q/A
August 11, 2009

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

Form 10-Q/A

(Mark One)

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

For the quarterly period ended June 30, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 33-23617

Matech Corp
Formerly Material Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4622822
(I.R.S. Employer
Identification No.)

11661 San Vicente Boulevard, Suite 707, Los Angeles, CA 90049
(Address of principal executive offices)

(310) 208-5589
(Issuer's telephone number)

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer," accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 15, 2008, there were 194,459,421 shares of our Class A common stock issued and outstanding.

MATERIAL TECHNOLOGIES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MATERIAL TECHNOLOGIES, INC.	
(A Development Stage Company)	
CONDENSED CONSOLIDATED BALANCE SHEET	
	June 30,
	2008
	(Unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 530,045
Inventories	148,964
Prepaid expenses and other current assets	62,941
Total current assets	741,950
Property and equipment, net	89,632
Intangible assets, net	2,302
Deposit	2,348
	\$ 836,232

Continued . . .

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MATERIAL TECHNOLOGIES, INC.	
(A Development Stage Company)	
CONDENSED CONSOLIDATED BALANCE SHEET - Continued	
	June 30, 2008 (Unaudited) (Restated)
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable and accrued expenses	\$ 470,017
Current portion of research and development sponsorship payable	25,000
Notes payable	67,573
Total current liabilities	562,590
Accrued legal settlement	250,000
Research and development sponsorship payable, net of current portion	784,100
Convertible debentures and accrued interest payable, net of discount	270,973
Notes payable, long-term	222,110
Derivative and warrant liabilities	75,760,425
	77,287,608
Total liabilities	77,850,198
Minority interest in consolidated subsidiary	825
Commitments and contingencies	
Stockholders' deficit:	
Class A preferred stock, \$0.001 par value, liquidation preference of \$720 per share; 350,000 shares authorized; 337 shares issued and outstanding as of June 30, 2008	-
Class B preferred stock, \$0.001 par value, liquidation preference of \$10,000 per share; 15 shares authorized; none issued and outstanding as of June 30, 2008	-
Class C preferred stock, \$0.001 par value, liquidation preference of \$0.001 per share; 25,000,000 shares authorized; 1,517 shares issued and outstanding as of June 30,2008	1

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Class D preferred stock, \$0.001 par value, liquidation preference of \$0.001 per share; 20,000,000 shares authorized; none shares issued and outstanding as of June 30,2008	-
Class E convertible preferred stock, \$0.001 par value, no liquidation preference; 60,000 shares authorized; 53,700 shares issued and outstanding as of June 30,2008	54
Class A Common Stock, \$0.001 par value, 600,000,000 shares authorized; 168,499 shares issued and 149,330 shares outstanding at June 30,2008	149
Class B Common Stock, \$0.001 par value, 600,000 shares authorized, issued and outstanding as of June 30,2008	600
Warrants subscribed	10,000
Additional paid-in-capital	326,904,859
Deficit accumulated during the development stage	(403,834,055)
Treasury stock (293 shares at cost at June 30, 2008)	(96,399)
Total stockholders' deficit	(77,014,791)
	\$ 836,232

See accompanying notes to the condensed consolidated financial statements.

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**MATERIAL
TECHNOLOGIES,
INC.**

 (A Development
Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Six Months Ended		From October
	June 30,		June 30,		21, 1983
	2007	2008	2007	2008	(Inception)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	through
		(Restated)		(Restated)	June 30, 2008
					(Unaudited)
					(Restated)
Revenues:					
Research and development	\$ -	\$ -	\$ -	\$ -	\$ 5,392,085
Revenue from bridge testing	22,778	-	66,745	1,090	319,714
Other	-	-	-	-	274,125
Total revenues	22,778	-	66,745	1,090	5,985,924
Costs and expenses:					
Research and development	3,294,575	150,847	3,512,076	309,840	20,872,829
General and administrative	41,016,474	5,517,443	62,475,638	25,845,768	329,341,009
Modification of research and development sponsorship agreement	-	-	-	-	5,963,120
Loss on settlement of lawsuits	-	-	-	-	1,267,244
Total costs and expenses	44,311,049	5,668,290	65,987,714	26,155,608	357,444,202
Loss from operations	(44,288,271)	(5,668,290)	(65,920,969)	(26,154,518)	(351,458,278)
Other income (expense):					
Loss on modification of convertible debt	-	(964,730)	-	(964,730)	(378,485)
Loss on subscription receivables					(1,368,555)
Interest expense	(612,416)	(606,028)	(1,590,651)	(977,019)	(12,717,212)

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Other-than-temporary impairment of marketable securities available for sale					(9,785,947)
Net unrealized and realized loss of marketable securities	(8,556,211)		(8,556,219)	(8)	(9,398,226)
Change in fair value of investments derivative liability	-	-	-	-	(210,953)
Change in fair value of derivative and warrant liabilities	6,942,597	(71,103,676)	22,920,017	(62,544,101)	(18,957,012)
Interest income	12,594	3,080	15,966	15,523	482,405
Other	-	-	-	-	(25,992)
Other income (expense), net	(2,213,436)	(72,671,354)	12,789,113	(64,470,335)	(52,359,977)
Loss before provision for income taxes	(46,501,707)	(78,339,644)	(53,131,856)	(90,624,853)	(403,818,255)
Provision for income taxes	-	-	(800)	(800)	(15,800)
Net loss	\$ (46,501,707)	\$ (78,339,644)	\$ (53,132,656)	\$ (90,625,653)	\$ (403,834,055)
Per share data:					
Basic and diluted net loss per share	\$ (448.38)	\$ (500.20)	\$ (580.45)	\$ (614.04)	
Weighted average Class A common shares outstanding - basic and diluted	103,710	156,617	91,538	147,589	

See accompanying notes to the condensed consolidated financial statements.

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MATERIAL TECHNOLOGIES, INC. (A Development Stage Company)			
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS			
	For the Six Months Ended June 30,		From October 21, 1983 (Inception) through June 30, 2008
	2007 (Unaudited)	2008 (Unaudited) (Restated)	(Unaudited) (Restated)
Cash flows from operating activities:			
Net loss	\$ (53,132,656)	\$ (90,625,653)	\$ (403,834,055)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on modification of convertible debt	-	964,730	378,485
Impairment loss	19,255,875	-	21,391,528
Loss on charge off of subscription receivables	-		1,368,555
Issuance of common stock for services	15,558,944	3,625,200	210,110,040
Increase in debt for services and fees	-	1,100,000	5,556,625
Officer's stock based compensation	30,000,000	19,885,333	86,460,675
Issuance of common stock for modification of research and development sponsorship agreement	-		7,738,400
Change in fair value of derivative and warrant liabilities			(41,351,889)
Net realized and unrealized loss on marketable securities	8,556,200		7,895,705
Other-than-temporary impairment of marketable securities available for sale	-		9,785,946
Legal fees incurred for note payable			1,456,142
Accrued interest expense added to principal	156,901	135,816	1,630,821

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Amortization of discount on convertible debentures	1,431,081	824,072	10,930,350
Change in fair value of investments derivative liability	(22,920,017)	62,544,101	65,767,423
Accrued interest income added to principal	(5,428)	25,433	(279,565)
Depreciation and amortization	1,951	10,621	238,405
Other non-cash adjustments	-	-	(114,730)
(Increase) decrease in trade receivables	91,787	108,661	(50,328)
(Increase) decrease in inventories	-	(86,748)	(148,964)
(Increase) decrease in prepaid expenses and other current assets	(22,500)	(17,257)	225,316
Increase in deposits	-	-	(2,348)
(Decrease) increase in accounts payable and accrued expenses	(141,766)	(130,968)	2,377,927
Net cash used in operating activities	(1,169,628)	(1,636,659)	(12,469,536)
Cash flows from investing activities:			
Proceeds from the sale of marketable securities	95,006	300,000	3,758,476
Purchase of marketable securities	(302,038)	-	(2,206,379)
Investment in certificate of deposits and commercial paper	(700,177)	(565,000)	(1,965,000)
Maturities of certificate of deposits and commercial paper	-	1,565,000	1,965,000
Payment received on officer loans	-	3,803	880,058
Funds advanced to officers	-	-	(549,379)
Proceeds received in acquisition of consolidated subsidiaries	-	-	600,000
Purchase of property and equipment	-	(17,167)	(373,419)
Investment in joint ventures	-	-	(102,069)
Proceeds from foreclosure	-	-	44,450
Proceeds from the sale of property and equipment	-	-	19,250
Payment for license agreement	-	-	(6,250)

Net cash provided by (used in) investing activities	(907,209)	1,286,636	2,064,738
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MATERIAL TECHNOLOGIES, INC. (A Development Stage Company)			
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued			
	For the Six Months Ended June 30,		From October 21, 1983 (Inception) through June 30, 2008
	2007 (Unaudited)	2008 (Unaudited) (Restated)	(Unaudited) (Restated)
Cash flow from financing activities:			
Proceeds from the sale of common stock and warrants	\$ 2,850,000	\$ 18,624	\$ 9,464,577
Proceeds from convertible debentures and other notes payable	200,000	55,000	2,102,766
Proceeds from the sale of preferred stock	100,000	-	473,005
Costs incurred in offerings	(773,779)	-	(1,130,932)
Capital contributions	-	-	301,068
Purchase of treasury stock	(17,381)	(3,266)	(170,641)
Principal reduction on notes payable	(26,671)		(100,000)
Payment on proposed reorganization	-	-	(5,000)
Net cash provided by (used in) financing activities	2,332,169	70,358	10,934,843
Net change in cash and cash equivalents	255,332	(279,665)	530,045
Cash and cash equivalents, beginning of period	129,296	809,710	-
Cash and cash equivalents, end of period	\$ 384,628	\$ 530,045	\$ 530,045
Supplemental disclosure of cash flow information:			
Interest paid during the period	\$ 2,669	\$ 281	
	\$ 800	\$ 800	

Income taxes paid during the period

Supplemental disclosures of non-cash investing and financing activities:

2008

During the six months ended June 30, 2008, the Company issued 4,230 shares of its Class A common shares in the conversion of \$491,132 of convertible debt.

During the six months ended June 30, 2008, the Company issued 13,207 shares of its Class A common stock for consulting services valued at \$3,668,400.

During the six months ended June 30, 2008, the Company issued 378 shares of its Class A common stock pursuant to the anti-dilution provisions of a settlement agreement.

During the six months ended June 30, 2008, a former employee returned 450 shares of the Company's Class A common stock to treasury which were subsequently cancelled.

During the six months ended June 30, 2008, the Company's president returned 30,000 shares of the Company's Class A common stock to treasury which were subsequently cancelled.

During the six months ended June 30, 2008, the Company issued 34,500 shares of its Class A common stock in consideration of the exercise of cashless warrants. The Company accrued derivative liability in connection with the granting of the warrants, which had a balance of \$1,151,900 on the date of exercise. The liability balance was credited to equity.

During the six months ended June 30, 2008, the Company issued 78 shares of its Class A common stock for \$18,624.

During the six months ended June 30, 2008, the Company issued 1,040 shares of the Company's common stock was issued through the conversion of 1,300 shares of the Company's Class E preferred shares.

During the six months ended June 30, 2008, the Company contingent obligation to Mr. Beck under a settlement agreement was reduced to \$0, therefore the Company reduced its legal settlement liability by the remaining accrued provision of \$230,000, which was credited to equity.

During the six months ended June 30, 2008, the Company obtained \$55,000 through the issuance of convertible debt. In connection with this debt, the Company recognized a beneficial conversion feature of \$28,140 that was credited to equity.

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During the six months ended June 30, 2008, the Company recognized compensation expense of \$8,800 on the grant of options to its employees and officers for the purchase of 800,000 shares of Class A common stock. In addition, during the six months the Company granted options to its President for the purchase of 400,000,000 shares of its Class A common stock and granted options to a consultant to purchase 15,390,546 shares of its Class A common stock. The Company recognized a derivative liability of \$6,400,000 on the granting of these options.

2007

During the six months ended June 30, 2007, the Company issued 2,839 shares of its Class A common stock for consulting services valued at \$13,158,944.

During the six months ended June 30, 2007, the Company received \$1,000,000 in consideration of issuing 2,500 units. Each unit consists of one share of the Company's Class A common stock and a warrant to purchase one share of the Company's common stock at a price of \$.60 per share. In connection with the private offering the Company paid \$239,065 in fees and issued warrants to purchase 2,118 shares of the Company's common stock at a price of \$1.20 per share.

During the six months ended June 30, 2007, the Company issued 50,000 shares its Class E Series convertible preferred stock in exchange for receiving all of the outstanding shares of Stress Analysis Technologies, Inc. ("SATI"). The Company valued the acquisition at \$19,355,875 of which \$19,255,875 was allocated to the acquired license. During the six months ended June 30, 2007, the Company deemed the license to be impaired and charged of the \$19,255,875 to operation. In connection with this transaction, the Company issued an additional 5,000 preferred shares valued at \$2,400,000 for fees in connection with the purchase. The \$2,400,000 was charged to operations.

During the six months ended June 30, 2007, the Company issued 10,800 shares in escrow pursuant to an agreement it has with its convertible debenture holders. During 2007, 5,800 shares of Class A common stock was issued to certain debenture holders in the conversion of \$580,000 of indebtedness. In addition, for the redemption of 1,000 shares by certain debenture

holders, the balance due on the debentures was increased by \$600,000.

During the six months ended June 30, 2007, the Company received 50 shares of prior issued common stock which was subsequently cancelled.

See accompanying notes to the condensed consolidated financial statements.

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MATERIAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended June 30, 2008 and 2007

NOTE 1 - BASIS OF PRESENTATION

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations.

In the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the periods presented have been included. The operating results of the Company on a quarterly basis may not be indicative of operating results for the full year. For further information, refer to the financial statements and notes included in Material Technologies, Inc.'s (the Company's) Form 10-KSB for the year ended December 31, 2007.

Reverse Stock Split

Effective on October 3, 2008, the Company declared a 1-for-1,000 reverse split of the Company's Class A common stock. All share amounts and per share amounts have been adjusted throughout these financial statements for the reverse stock split.

Restatement of Financial Statements

The Company entered into an agreement with the Palisades convertible note holders to modify the terms of the convertible notes with an effective date of June 16, 2008 (See Note 9). In addition, effective on October 3, 2008, the Company declared a 1-for-1,000 reverse split of the Company's Class A common stock. All share amounts and per share amounts have been adjusted throughout the financial statements for the reverse stock split. Based upon these two reansactions. the Company has restated its financial statements for the three and six months ended June 30, 2008 as follows:

Statements of operations:

	For the Three Months Ended June 30, 2008		
	As Originally Stated	Adjustments	As Corrected
Revenues:			
Research and development	\$ -	\$ -	\$ -
Revenue from bridge testing	-		-
Other	-		-

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MATERIAL TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended June 30, 2008 and 2007

Total revenues	-	-	-
Costs and expenses:			
Research and development	150,847		150,847
General and administrative	5,517,443		5,517,443
Total costs and expenses	5,668,290	-	5,668,290
Loss from operations	(5,668,290)	-	(5,668,290)
Other income (expense):			
Interest expense	(397,973)	1)	(208,055) (606,028)
Loss on modification of convertible debt	-	2)	(964,730) (964,730)
Change in fair value of derivative liabilities	(6,036,711)	3)	(65,066,965) (71,103,676)
Interest income	3,080		3,080
Other expense, net	(6,431,604)		(66,239,750) (72,671,354)
Loss before provision for income taxes	(12,099,894)		(66,239,750) (78,339,644)
Provision for income taxes	-		-
Net loss	\$ (12,099,894)	\$ (66,239,750)	\$ (78,339,644)
Per share data:			
Basic and diluted net loss per share	\$ (77.26)	\$ (422.94)	\$ (500.20)
Weighted average Class A common shares outstanding - basic and diluted	156,617	156,617	