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AMERICAN MILLENNIUM CORP INC
Form 10QSB
December 14, 2001

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

OMB APPROVAL

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FORM 10-QSB

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(Mark One)

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

For the quarterly period ended October 31, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____.

Commission File No. 0-10841

American Millennium Corporation, Inc.

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

New Mexico

85-0273340

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

1010 Tenth Street, Suite 100, Golden, CO 80401

(Address of principal executive offices)

(303) 279-2002

(Issuer's telephone number)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of
securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practicable date: 27,523,328 at December 10, 2001.

Transitional small business disclosure format (check one): Yes No

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AMERICAN MILLENNIUM CORPORATION, INC.
FORM 10-QSB

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PART I - FINANCIAL INFORMATION

Item 1-Financial Statements (Unaudited)

The financial statements in response to this item are as follows:

AMERICAN MILLENNIUM CORPORATION, INC.
BALANCE SHEET (Unaudited)

October 31, 2001

ASSETS

CURRENT ASSETS

Accounts receivable, less allowance for doubtful accounts of \$13,045	\$ 247,853
Inventories	66,887
Employee advances	3,000
Prepaid expenses	1,343
Current portion of non-compete agreement.....	26,250

TOTAL CURRENT ASSETS

345,333

PROPERTY AND EQUIPMENT, NET

116,393

OTHER ASSETS

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Securities in closely-held corporation	3,040
Deposits.....	12,753
Other	760
Deferred income tax asset, less valuation allowance of \$5,262,535	--

TOTAL OTHER ASSETS	16,553

TOTAL ASSETS	\$ 478,279
=====	

LIABILITIES AND DEFICIENCY IN ASSETS

CURRENT LIABILITIES	
Bank overdraft	\$ 9,780
Accounts payable	503,193
Accrued payroll and related taxes	120,557
Other accrued liabilities	108,775
Current portion of capitalized lease obligations	5,504
Notes payable to related parties	215,102
Notes payable to shareholder	200,000

TOTAL CURRENT LIABILITIES	1,162,911
Long-term portion of capitalized lease obligations ..	7,440
Interest payable on long-term liabilities	75,562
Series 1 convertible notes	875,000

TOTAL LIABILITIES	2,120,913

DEFICIENCY IN ASSETS	
Preferred stock, 10,000,000 shares authorized; none issued	--
Common stock, \$.001 par value, 60,000,000 shares authorized; 25,523,328 issued and outstanding	25,523
Additional paid-in capital.....	16,237,309
Accumulated deficit.....	(17,905,466)

TOTAL DEFICIENCY IN ASSETS	(1,642,634)

TOTAL LIABILITIES AND DEFICIENCY IN ASSETS	\$ 478,279
=====	

See accompanying notes.

AMERICAN MILLENNIUM CORPORATION, INC.
STATEMENTS OF OPERATIONS

(Unaudited)

For the Three Months Ended October 31,	2001	2000
REVENUES.....	\$ 254,646	\$ 74,411
COST OF REVENUES	195,008	74,076

GROSS PROFIT.....	59,638	335

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation to officers and directors	138,250	137,000
Consulting - others	18,460	147,551
Professional	14,518	38,029
Employee salaries	63,750	145,256
Employee benefits and payroll taxes	29,390	51,969
Travel	18,972	35,146
Telephone and utilities	7,454	12,487
Depreciation and amortization	37,964	14,870
Equipment and property rental	21,004	20,281
Bad debt expense	1,577	383
Computer and internet expenses	14,727	7,984
Other	21,569	26,376

TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ...	387,635	637,332

LOSS FROM OPERATIONS	(327,997)	(636,997)

OTHER (EXPENSES) AND INCOME		
Interest expense	(27,421)	(15,095)
Loan costs	--	(41,875)
Other miscellaneous expenses	7	27,218

TOTAL OTHER EXPENSES	(27,414)	(29,752)

LOSS BEFORE INCOME TAXES	(355,411)	(666,749)
INCOME TAXES	--	--

NET LOSS	\$ (355,411)	\$ (666,749)
=====		
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.014)	\$ (0.031)
=====		
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
(BASIC AND DILUTED)	24,770,067	21,570,739
=====		

See accompanying notes.

AMERICAN MILLENNIUM CORPORATION, INC.
STATEMENTS OF CASH FLOWS

(Unaudited)

For the Three Months Ended October 31,	2001	2000

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	\$ (355,411)	\$ (666,749)
Adjustments to reconcile net (loss) to net cash used by operating activities:		
Depreciation and amortization	37,964	9,720
Amortization of loan costs.....	--	45,041
Provision for bad debts	13,044	1,564
Common stock exchanged for services	--	54,691
(Increase) decrease in assets:		
Accounts receivable	(194,823)	(6,795)
Inventory	(29,129)	(364)
Prepaid expenses	6,881	13,881
Increase (decrease) in liabilities:		
Bank overdraft	9,780	--
Accounts payable	182,243	175,489

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Accrued payroll and related taxes	41,196	16,385
Accrued liabilities	(19,704)	(48,649)

NET CASH USED BY OPERATING ACTIVITIES	(307,959)	(405,786)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements		
Acquisition of property and equipment	(1,355)	(33,376)

DISBURSEMENTS FROM INVESTING ACTIVITIES	(1,355)	(33,376)

NET CASH USED BY INVESTING ACTIVITIES	(1,355)	(33,376)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts		
Proceeds from notes payable to officers	--	139,500
Proceeds from note payable stockholder	30,130	170,000
Proceeds from issuance of common stock, net	275,000	125,000

RECEIPTS FROM FINANCING ACTIVITIES	305,130	434,500

NET CASH PROVIDED BY FINANCING ACTIVITIES	305,130	434,500

NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,184)	(4,662)

CASH AND CASH EQUIVALENTS - BEGINNING	4,184	105,148

CASH AND CASH EQUIVALENTS - ENDING	\$ --	\$ 100,486
=====		
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	\$ 456	\$ --
Income taxes	\$ --	\$ --
In addition to amounts reflected above, common stock was issued for:		
Notes payable to related parties	\$ --	\$ 6,250
=====		

See accompanying notes.

AMERICAN MILLENNIUM CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. GENERAL BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying unaudited financial statements of American Millennium Corporation, Inc. (AMCI) have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the Company has made all adjustments necessary for a fair presentation of the results of the interim periods, and such adjustments consist of only normal recurring adjustments. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year.

The preparation of financial statements in conformity with generally accepted

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accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basic and diluted net loss per common share

Basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during each period. Available stock options at October 31, 2001, to purchase 11,917,923 shares, were anti-dilutive and not considered common stock equivalents for purposes of computing loss per common share.

Revenue Recognition

AMCI develops and sells satellite communication systems. Revenue from sales of satellite communication systems is recorded at the time the goods are shipped or access is granted to the service. The Company provides satellite airtime to its customers on a month-to-month basis, which is recognized as revenue at the time the service is provided.

NOTE 2. RECLASSIFICATIONS AND RESTATEMENTS

Amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current period financial statements. Additionally, retroactive effect has been given to a merger for purposes of comparative financial statement presentation.

NOTE 3. RELATED PARTY TRANSACTIONS

On August 8, 2001, a stockholder advanced the Company \$30,130 in the form of a short term unsecured promissory note bearing interest at the rate of 8% per annum. As of October 31, 2001, this note is still outstanding.

The Company's CEO and President resigned effective September 30, 2001. On October 1, 2001, the Board of Director's elected a new CEO and President. The former CEO will remain on the Board of Directors and will serve as Vice Chairman.

NOTE 4. COMMON STOCK

On August 22, 2001, the Board of Directors authorized the issuance of 900,000 shares of restricted common stock to one private investor. The Company received net proceeds of \$125,000 from the sale of these shares. Each of the shares issued included a warrant to purchase one additional share of the Company's restricted common stock for \$0.27 per share for a period of five years.

On September 25, 2001, the Board of Directors authorized the issuance of 900,000 shares of restricted common stock to one private investor. The Company received net proceeds of \$150,000 from the sale of these shares. Each of the shares issued included a warrant to purchase one additional share of the Company's restricted common stock for \$0.10 per share for a period of five years.

NOTE 5. OPERATING AND ECONOMIC CONDITIONS

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, conditions have limited the ability of the Company to market its products and services at amounts sufficient to recover its operating and administrative costs. The Company has continued to incur operating losses (\$355,411 for the period ending October 31, 2001). In addition, the Company has used substantial working capital in its operations. As of October 31, 2001, current liabilities exceeded current assets by \$817,578. Because of

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these factors, there is substantial doubt as to our ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts or classifications of liabilities that might be necessary in the event the Company cannot continue in existence.

NOTE 6. SUBSEQUENT EVENTS

On November 5, 2001, the Board of Directors authorized the issuance of 2,000,000 shares of restricted common stock to one private investor. The Company received net proceeds of \$150,000 from the sale of these shares. The investor also has the option to purchase up to 2,000,000 shares of restricted common stock for \$0.10 per share until December 31, 2001. Each of the shares issued carried a warrant to purchase one additional share of the Company's common stock for \$0.10 per share for a period of five years.

Item 2. Management's Discussion and Analysis or Plan of Operations

SAFE HARBOR STATEMENT

Certain statements in this Form 10-QSB, including information set forth under this Item 2 - Management's Discussion and Analysis or Plan of Operations constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act). American Millennium Corporation, Inc. desires to avail itself of certain 'safe harbor' provisions of the Act and is therefore including this special note to enable us to do so. Forward-looking statements in this Form 10-QSB or hereafter included in other publicly available documents filed with the Securities and Exchange Commission, reports to our stockholders and other publicly available statements issued or released by us involve known and unknown risks, uncertainties and other factors which could cause our actual results, performance (financial or operating) or achievements to differ from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Such future results are based upon our management's best estimates based upon current conditions and most recent results of operations.

OVERVIEW

AMCI provides easy, convenient and cost-effective Internet based services where customers can access information about various fixed and mobile assets through a custom internet based software application. With our SatAlarm backend server software application, our customers can use their existing PC and Internet connection to select a particular asset and obtain information from sensors located at that asset.

Through utilization of newly available two-way satellite communication, we can monitor isolated facilities and equipment. We have activated over four hundred of our Sentry systems for satellite monitoring of oil and gas production and pipeline equipment.

RECENT DEVELOPMENTS

During the quarter ended October 31, 2001:

We have continued to implement our current product line and business strategy to enhance our ability to achieve profitability by focusing on our core business of remote asset monitoring. We shipped approximately 250 of our Sentry units to new and existing oil and gas customers. These shipments produced one time revenues of approximately \$220,000 and will produce monthly recurring revenues of

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approximately \$8,000. We experienced a change in senior management. In September 2001, Andy Cauthen resigned from the position of CEO and President. Garrett Thomas was appointed CEO and President. Mr. Cauthen will remain on the Board of Directors as Vice Chairman.

RESULTS OF OPERATIONS

Revenue. Revenue consists of hardware and airtime sales and custom development of products for our customers. During the three months ended October 31, 2001, revenues increased approximately 342% to \$254,646 compared to the same period in 2000. This increase in year over year revenue was due to a higher number of subscribers to our service.

Cost of Revenues. Costs of revenues principally consists of manufacturing costs and the purchase of satellite airtime. Cost of revenues was \$195,008 for the three months ended October 31, 2001, compared to \$74,076 for the three months ended October 31, 2000. Our cost of revenue increased primarily due to the increase in hardware and airtime costs relating to the increased revenue.

Payroll, Payroll Taxes and Related Benefits. Payroll, payroll taxes, and related benefits decreased by \$102,835 in the three months ended October 31, 2001, as compared to October 31, 2000. This is attributable to the fact that we had four less employees during the three months ended October 31, 2001. The total number of employees as of October 31, 2001, is 10.

Consulting fees. Consulting fees decreased 87% from \$147,551 to \$18,460 for the three months ended October 31, 2000 and 2001, respectively. The large decrease is because we have narrowed our development to the Sentry and Satalarm products, which are now commercially available.

Selling, General and Administrative. Selling, general and administrative expenses principally consist of compensation and related costs for personnel, fees for legal and other professional services and depreciation of equipment and software used for general corporate purposes. There was an approximate 61% decrease in total selling, general and administrative expenses compared to the three-month period a year ago. Selling, general and administrative expenses for the three months ended October 31, 2001 and 2000 were \$387,635 and \$637,332, respectively. The decrease is primarily due to increased cost control efforts and the reduction in headcount.

Other Income and Expenses. Other income (expense) consisted of income from cash equivalents and short term investments, less interest expense related to financing obligations. Other income (expense) for the three months ended October 31, 2001 and 2000 was (\$27,414) and (\$29,752), respectively. The variance is due to the amortization of loan costs we incurred for the period ended October 31, 2000.

Net Loss. We had a net loss of \$355,411 (or \$0.014 per share) on revenues of \$254,646 for the period ended October 31, 2001, compared to a net loss of \$666,749 (or \$0.031 per share) on revenues of \$74,411 for the period ended October 31, 2000. The decrease in net loss was primarily attributable to increased revenues and a decrease in selling, general and administrative expenses.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We understand that cash and equivalents on hand at October 31, 2001, are not adequate to meet even our short-term capital needs. As a result of net losses incurred, we have used substantial working capital in our operations. As of October 31, 2001, current liabilities exceeded current assets by \$817,578. There is substantial doubt as to our ability to continue as a going concern without

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additional financing or capital infusion.

During the last three months we have sold 1,800,000 shares of our restricted common stock for net proceeds of \$275,000, and have issued unsecured promissory notes to shareholders and related parties in the amount of \$30,130. Although we believe that our current investors and several new investors are committed to our future success, there can be no assurance that additional funds will be available when needed on commercially reasonable terms.

Conditions have existed to limit our ability to market our products and services at amounts sufficient to recover an acceptable amount of operating and administrative costs. However, we anticipate that newly instituted controls and new products may reverse this condition within the next fiscal year.

We have over 400 Sentry units in the field currently being used for production purposes and under assessment by various customers and resellers. Within the next two calendar quarters, we anticipate several orders, which could have a significant impact on our net sales and income.

We believe that recurring revenues derived from monthly satellite and paging monitoring charges should continue to build value for our shareholders. Our principal marketing efforts are directed toward the oil and gas industry, which has a need for monitoring high value assets. We anticipate that during the latter part of fiscal year year 2002, revenues should increase from the enrollment of subscribers based on our various initiatives underway with manufacturers of gas compressors. We will continue to market our services to those companies for deployment of our system on a fleet basis in order to optimize upon subscriber enrollment. We currently have over 400 satellite subscriber communicators (the industry term for transceivers) deployed in field operations. These units are currently monitoring a variety of assets although the bulk of them are on gas compressors in the southwest United States.

We have made no material commitments for capital expenditures and expect no significant changes in the number of employees. We will continue to outsource production and manufacturing. Research, development, and major marketing efforts will be performed by our existing employees.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

On August 22, 2001, the Board of Directors authorized the issuance of 900,000 shares of restricted common stock to Patrick Galvin, a private investor. We received net proceeds of \$125,000 from the sale of these shares. Each of the shares issued carried a warrant to purchase one additional share of the Company's restricted common stock for \$0.27 per share for a period of five years.

On September 25, 2001, the Board of Directors authorized the issuance of 900,000 shares of restricted common stock to Jerry D. Kennett, MD, a private investor. The Company received net proceeds of \$150,000 from the sale of these shares. Each of the shares issued carried a warrant to purchase one additional share of the Company's restricted common stock for \$0.10 per share for a period of five years.

Item 3. Defaults Upon Senior Securities

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Not applicable.

Item 4. Submission of Matters to a Vote of Securities Holders

No matters were submitted to a vote.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(A) Reports on Form 8-K - None

SIGNATURES

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

American Millennium Corporation, Inc.

DATED: December 14, 2001

By: /s/ Garrett L. Thomas

Garrett L. Thomas, President
(Chief Executive Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

DATED: December 14, 2001

By: /s/ Stephen F. Watwood

Stephen F. Watwood, Director, Chairman
of the Board, Vice President of
Business Development

DATED: December 14, 2001

By: /s/ Andrew F. Cauthen

Andrew F. Cauthen, Director,
Vice Chairman

DATED: December 14, 2001

By: /s/ Bruce R. Bacon

Bruce R. Bacon, Director, Chief
Technology Officer, Vice President
of Engineering

DATED: December 14, 2001

By: /s/ Shirley Harmon

Shirley Harmon, Director
(Corporate Secretary)

DATED: December 14, 2001

By: /s/ Ronald J. Corsentino

Ronald J. Corsentino, Controller, Treasurer

(Principal Accounting Officer)