

MIRENCO INC  
Form 10QSB  
May 20, 2004

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**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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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 March 31, 2004

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 333-41092

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**Mirencos, Inc.**

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

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Iowa  
(State or other jurisdiction of  
incorporation or organization)

39-1878581  
(IRS Employer  
Identification No.)

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206 May Street, P.O. Box 343, Radcliffe, Iowa 50230

(Address of principal executive offices)

(515) 899-2164

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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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  **Not applicable**

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: **13,304,242 shares of no par value common stock as of March 31, 2004.**

Transitional Small Business Disclosure Format (Check one): Yes  No

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**Cautionary Statement on Forward-Looking Statements.**

The discussion in this Report on Form 10-QSB, including the discussion in Item 2 of PART I, contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about the Company's business, based on management's current beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "believes", "plans", "seeks", "estimates", and similar expressions or variations of these words are intended to identify such forward-looking statements. Additionally, statements that refer to the Company's estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company's current perspective based on existing information. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks, and uncertainties include those set forth below in Item 1 as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company's financial condition and results of operations included in Item 2 of PART I should also be read in conjunction with the financial statements and related notes included in Item 1 of PART I of this quarterly report. These quarterly financial statements do not include all disclosures provided in the annual financial statements and should be read in conjunction with the annual financial statements and notes thereto included in the Company's Form 10KSB for the year ended December 31, 2003 filed on April 14, 2004 and as amended by the filing of exhibits on April 15, 2004. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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**PART I Financial Information****Item 1. Financial Statements**

MIRENCO, Inc.

**BALANCE SHEET**

March 31, 2004

(unaudited)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 105,685
Accounts receivable	42,324
Inventories	127,399
Other	24,508
	<hr/>
Total current assets	299,916
	<hr/>
PROPERTY AND EQUIPMENT, net	605,609
	<hr/>
PATENTS AND TRADEMARKS, net of accumulated amortization of \$4,900	4,900
	<hr/>
	<b>\$ 910,425</b>
	<hr/>
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES	
Note payable	\$ 5,051
Accounts payable	67,717
Accrued expenses	33,447
Other current liabilities	532
Note payable to stockholder	4,780
	<hr/>
Total current liabilities	111,527
	<hr/>
LONG-TERM DEBT	
Notes payable	40,000
	<hr/>
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS EQUITY	
Common stock, no par value: 30,000,000 shares authorized, 13,304,242 shares issued and outstanding	8,304,550
Additional paid-in capital	1,719,329
Deferred compensation	(4,375)
Accumulated deficit	(9,260,606)
	<hr/>
	<b>758,898</b>
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**See the Accompanying Notes to the Financial Statements**

## MIRENCO, Inc.

## STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003
Sales	\$ 76,369	\$ 38,121
Cost of sales	60,428	11,227
Gross profit	15,941	26,894
Salaries and wages	196,026	196,104
Royalty expenses	1,931	598
Advertising	4,082	8,037
Other general and administrative expenses	156,383	153,453
	358,422	358,192
Loss from operations	(342,481)	(331,298)
Other income (expense)		
Other income		20,306
Interest income	829	9,633
Interest expense	(462)	(191)
	367	29,748
NET LOSS	\$ (342,114)	\$ (301,550)
Net loss per share available for common shareholders - basic and diluted	\$ (0.03)	\$ (0.02)
Weighted-average shares outstanding - basic and diluted	13,304,242	13,284,030

See the Accompanying Notes to the Financial Statements

**MIRENCO, Inc.****STATEMENTS OF CASH FLOWS****(unaudited)**

	<b>Three months ended</b>	<b>Three months ended</b>
	<b>March 31, 2004</b>	<b>March 31, 2003</b>
	<u>                    </u>	<u>                    </u>
Cash flows (used in) operating activities	\$ (349,954)	\$ (299,439)
Cash flows from investing activities		
Purchase of property and equipment		(275)
Net cash (used in) investing activities		(275)
Cash flows from financing activities		
Proceeds from issue of long-term notes payable	40,000	
Principal payments on long-term note	(2,312)	(2,116)
Principal payments to stockholder	(2,451)	(2,263)
Net cash provided by (used in) financing activities	35,237	(4,379)
Decrease in cash and cash equivalents	(314,717)	(304,093)
Cash and cash equivalents, beginning of period	420,402	1,899,193
Cash and cash equivalents, end of period	<u>\$ 105,685</u>	<u>\$ 1,595,100</u>

**See the Accompanying Notes to the Financial Statements**

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**MIRENCO, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2004 and 2003**

**(Unaudited)**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and Item 310(b) of Regulation S-B. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements of the Company as of December 31, 2003 and for the two years then ended, including notes thereto included in the Company's Form 10-KSB.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*1. Nature of Business*

MIRENCO, Inc. (the Company) was incorporated as an Iowa corporation in 1997. The Company is a marketing company that distributes a variety of automotive and aftermarket products for which it has exclusive licensing rights. The products primarily reduce emissions and increase vehicle performance. The Company's products are sold primarily in the domestic market.

*2. Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with an original maturity of 3 months or less to be cash equivalents. Interest income is generated from cash invested in these short-term financial instruments. At times the Company maintains cash balances at financial institutions which exceed the federally insured limit.

*3. Revenue Recognition*



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Revenue is recognized from sales when a product is shipped and from services when they are performed.

### *4. Inventories*

Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market.

### *5. Income Taxes*

The Company accounts for income taxes under the asset and liability method where deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. Deferred tax assets are recognized to the extent management believes that it is more likely than not that they will be realized.

### *6. Patents and Trademarks*

Patents and trademarks are amortized on the straight-line method over their remaining legal lives of approximately 7 years. The company recorded amortization expense of \$245 for each of the three months ended March 31, 2004 and 2003.

*7. Property and Equipment*

Property and equipment are stated at cost. The Company provides for depreciation on the straight-line method over the estimated useful lives of 3 years for computer equipment, 5 years for manufacturing and test equipment and other equipment, and 39 years for building.

*8. Impairment of Long-Lived Assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

*9. Stock-Based Compensation*

The Company has adopted the disclosure provisions of Statement of Financial Accounting Standards No. 123 ( SFAS No. 123 ), *Accounting for Stock-Based Compensation*, and elected to continue the accounting set forth in Accounting Principles Board Opinion No. 25 ( APB No. 25 ), *Accounting for Stock Issued to Employees*. This opinion requires that for options granted at less than fair market value, a compensation charge must be recognized for the difference between the exercise price and fair market value.

*10. Net Loss Per Share*

Basic net loss per share is calculated on the basis of the weighted-average number of common shares outstanding during the periods, which includes the effects of all stock splits. Net loss per share, assuming dilution, is calculated on the basis of the weighted-average number of common shares outstanding including those shares subject to rescission and the dilutive effect of all potential common stock equivalents. Net loss per share assumes that dilution for the three months ended March 31, 2004 and 2003 is equal to basic net loss per share, since the effect of common stock equivalents outstanding during the periods is antidilutive.

*11. Fair Value of Financial Instruments*

The Company's financial instruments consist of cash, accounts receivable, accounts payable, and accrued expenses. The carrying amounts of financial instruments approximate fair value due to their short maturities.

*12. Royalty Expense*

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Royalty expense is recorded and paid based upon the sale of products, services, and rights related to patents according to a contractual agreement.

### 13. *Advertising*

Advertising costs are charged to expense as incurred and were \$4,082 and \$8,037 for the three months ended March 31, 2004 and 2003, respectively.

### 14. *Offering Costs*

Specific incremental costs are directly attributable to the Company's equity offerings. These costs include advertisements in newspapers, radio, and direct mail, letters, printing costs, and certain identifiable legal fees and are charged against the gross proceeds of the offerings.

### 15. *Software Development Costs*

In connection with the development of software, the Company will incur external costs for software, and consulting services, and internal costs for payroll and related expenses of its technology employees directly involved in the development. Purchased software costs will be capitalized in accordance with Statement of Position 98-1 Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. All other costs will be reviewed for determination of whether capitalization or expense as product development cost is appropriate in accordance with Statement of Position 98-1.

16. *Research and Development*

The Company expenses research and development costs as incurred. Such costs include certain prototype products, test parts, consulting fees, and costs incurred with third parties to determine feasibility of products. Costs incurred for research and development were \$2,503 and \$15,701 for the three months ended March 31, 2004 and 2003, respectively.

17. *Other Income*

The Company has received New Job Training Grants from the state of Iowa. The grants are distributed from the community college system and repaid to the community colleges through an allocation of state withholding taxes.

18. *Accounts Receivable*

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectibility, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances.

19. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

20. *Segment Information*

The Company follows SFAS 131, Disclosures about Segments of an Enterprise and Related Information. Certain information is disclosed, per SFAS 131, based on the way management organizes financial information for making operating decisions and assessing performance. The Company currently operates in a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

21. *Recent Pronouncements*

In May 2003, the Financial Accounting Standards Board ( FASB ) issued SFAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 changes the accounting guidance for certain financial instruments that, under previous guidance, could be classified as equity or mezzanine equity by now requiring those instruments to be classified as liabilities (or assets in some

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circumstances) on the balance sheet. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 in the first quarter of fiscal 2004 has not had a material impact on the Company's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS 149 amends SFAS 133 to clarify the definition of a derivative and incorporate many of the implementation issues cleared as a result of the Derivatives Implementation Group process. This statement is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively after that date. The adoption of SFAS 149 has not had a material effect on the financial statements.

In December 2002, the FASB issued SFAS 148 "Accounting for Stock-Based Compensation: Transition and Disclosure" an amendment of SFAS 123. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by APB 25. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic value-based method of accounting, and has adopted the disclosure requirements of SFAS 123. The Company currently does not anticipate adopting the provisions of SFAS 148.

In July 2002, the FASB issued SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS 146 provides new guidance on the recognition of costs associated with exit or disposal activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS 146 supercedes previous accounting guidance provided by the EITF Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). EITF Issue No. 94-3 required recognition of costs at the date of commitment to an exit or disposal plan. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 by the Company has not had a material impact on the Company's financial position, results of operations, or cash flows.

In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. Among other things, this statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, will now be used to classify those gains and losses. The provisions of SFAS 145 related to the classification of debt extinguishment are effective for years beginning after May 15, 2002. The adoption of SFAS 145 by the Company has not had a material impact on the Company's financial position, results of operations, or cash flows.

#### **NOTE B - REALIZATION OF ASSETS**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred and is expected to continue to incur net losses in the future, and it had a stockholders' deficit of \$758,898 as of March 31, 2004. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company's ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. In an effort to make the transition from a development stage company to a viable business entity, the Company's management team has diligently explored several market segments relative to the Company's product and service lines over the past 3 years. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax® product line. Management also believes a large market exists for the Company's testing services and the information provided by those services. A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. The Company has designed such a program for the school bus fleet in the state of Iowa and is awaiting funding to complete a 5-year contract. Management will focus on the Company's efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company's liquidity and operating results, allowing it to continue in existence.

#### **NOTE C - STOCK SUBJECT TO RESCISSION OFFER**

On August 12, 2000, the Company determined that resales of Iowa-Only Offering Shares by Iowa residents to non-Iowa residents violated certain provisions of the Securities Act of 1933. In response, the Company undertook an offering to rescind the earlier Iowa-Only Offering. As a result, the Iowa-Only Offering Shares, 1,561,248 shares, in the amount of \$7,806,240, were classified as a liability.

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Once approved for distribution, the Rescission Offer was outstanding from January 26, 2001 to February 26, 2001. During this period Iowa-Only Offering Stockholders had the option to reject the Rescission Offer formally in writing; to take no action within the 30 days, thereby retaining their outstanding Iowa-Only Offering Shares; or to accept the Rescission Offer formally in writing. Seventy-one formal rescission acceptances representing 52,340 shares were received from Iowa-Only Offering Stockholders, resulting in a total of \$276,690 being paid in cash to these stockholders for the return of their original investment plus interest at 8% annually. The maximum obligation under this offer was estimated to be \$8,100,000, including the original investment plus interest at 8% per year. As a result of the rescission, the Company has paid interest in the amount of \$14,990.

As a result of the Rescission Offer, the Company had classified the Iowa-Only Offering Shares and proceeds as a liability. These shares remained as a liability until the time the violations under the securities laws were cured. Subsequent to the close of the original sale of Iowa-Only Offering Shares, the Company believed that Iowa-Only Offering Stockholders are estopped from arguing injury. However, the Company was contingently liable to such stockholders during the period covered by the statute of limitations, a period of 3 years from the date of the Rescission Offer which expired on February 26, 2004 at which time the Company reclassified the amounts to equity.

**NOTE D NOTES PAYABLE**

During the three months ended March 31, 2004 the Company received an aggregate of \$40,000 from the proceeds of notes which bear interest at 9% per annum are due in March 2007. In conjunction with these notes the Company agreed to issue 10,000 shares of common stock with a fair market value of \$4,375. The value of these common shares will be amortized over the term of the notes.

**NOTE E STOCKHOLDERS EQUITY**

During January 2004 the shareholders of the Company voted to increase the number of authorized common shares to 100,000,000 and to authorize 50,000,000 shares of preferred stock. As of March 31, 2004 the Company had not amended its Articles of Incorporation to reflect these changes.

**Item 2.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**General and Background**

We have incurred annual losses since inception while developing and introducing our original products and focusing management and other resources on capitalizing the Company to support future growth. Relatively high management, personnel, consulting and marketing expenditures were incurred in prior years in preparation for the commercialization of our products. We expect distribution, selling, general and administrative expenses to increase directly with sales increases, however, as a percentage of sales, these expenses should decline.

From July 30, 1999 through July 30, 2000, we raised \$7,806,240 from our Iowa-Only Offering. On August 12, 2000, we determined that resales of Iowa-Only shares by Iowa residents to non-Iowa residents violated certain provisions of the Securities Act of 1933. In response, the Company undertook an offering to rescind the earlier Iowa-Only Offering. As a result, the Iowa-Only Offering Shares, 1,561,248 shares, in the amount of \$7,806,240, were classified as a liability.

Once approved for distribution, the Rescission Offer was outstanding from January 26, 2001 to February 26, 2001. During this period Iowa-Only Offering Stockholders had the option to reject the Rescission Offer formally in writing; to take no action within the 30 days, thereby retaining their outstanding Iowa-Only Offering Shares; or to accept the Rescission Offer formally in writing. Seventy-one formal rescission acceptances representing 52,340 shares were received from Iowa-Only Offering Stockholders, resulting in a total of \$276,690 being paid in cash to these stockholders for the return of their original investment plus interest at 8% annually. As a result of the rescission, the Company has paid interest in the amount of \$14,990.



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Previously the Company had classified the Iowa-Only Offering Shares and proceeds as a liability. On February 26, 2004 the applicable statute of limitations expired and the Company reclassified the amounts to equity.

### **Liquidity and Capital Resources**

Cash and equivalents are currently the Company's substantial source of liquidity. The changes in Cash and Equivalents for the three months ended March 31, 2004 and 2003 can be reviewed in the Statements of Cash Flows in PART I Item 1 above. During the three months ended March 31, 2004, revenues of \$4,000 were recognized from the arrangement with the Iowa Foundation for Educational Administration, Inc. for emissions testing services being conducted on the Iowa School Bus fleet. This was substantially less than original revenues expected to be received from this project. The remainder of these revenues were previously removed from the Company's books by the Direct Write Off method. If any of these revenues are recovered in the future, they will be recorded as revenues in the period recovered. While the amount is difficult to predict, management still anticipates that additional revenue will be realized by year-end from this arrangement.

According to the terms of our purchase agreement with American Technologies to acquire the patents and trademarks, we will pay a 3% royalty of annual gross sales for a period of 20 years, which began November 1, 1999.

## Results of Operations

Gross sales for the nine months ended March 31, 2004 were \$38,248 higher than gross sales for the same period one year ago. However, cost of sales for the three months ended March 31, 2004 was \$49,201 higher resulting in a reduction of \$10,953 in gross profit margin. This reduction was the result of costs of the emissions testing program being reflected in Cost of Sales in the period ending March 31, 2004 and not reflected in Costs of Sales in the period ending March 31, 2003.

A total of 21 individuals, 19 full time and two part time, were employed with the Company at March 31, 2004 compared to 16 at March 31, 2003. The increases in personnel were directly related to marketing and testing services offered by the Company. In the three months ended March 31, 2004 \$44,072 of employment costs were included in Cost of Sales compared to none in the corresponding period in the prior year.

Royalty expense for the three months ended March 31, 2004 and 2003 was 3% of sales calculated per the patent purchase agreement with American Technologies.

Marketing and advertising expenses were less during the nine months ended March 31, 2004 compared to the three months ended March 31, 2003 due to reduced use of advertising and increased use of company personnel in marketing efforts.

A comparative breakdown of Other general and administrative expenses per the Statements of Operations included in PART I Item 1 above is as follows:

	ended March 31, 2004	ended March 31, 2003	Note
Depreciation and amortization	17,234	20,266	1
Insurance	19,728	16,228	2
Professional fees	59,456	51,112	3
Office expenses	18,898	11,507	4
Research and development	2,503	15,701	5
Travel	22,576	20,666	6
Utilities and occupancy	15,988	17,973	7
	<u>156,383</u>	<u>153,453</u>	
Patents and Trademarks			
Amortization expense	245	245	
	<u>4,082</u>	<u>8,037</u>	
Advertising	4,082	8,037	

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Research and development	2,503	15,701
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- 1 Depreciation and amortization expense were less than the same period in the prior year because of a significant number of computers and related equipment becoming fully depreciation in the intervening period.
  - 2 The increase in insurance expense is primarily due to the addition of product liability coverage and increases in general rates. Rates for this type of coverage have increased nationwide over the past year.

- 3 The legal and accounting expenses incurred during the first three months of 2004 were higher than the first nine months of 2003 primarily due to outsourcing general accounting services which were previously included in salary expense.
- 4 Office expenses were higher for the three months ended March 31, 2004 than the first three months in 2003 due to postage and delivery charges, supplies and other related costs.
- 5 Research and Development costs decreased because in the three months ended March 31, 2003, the Company acquired equipment and supplies to implement the testing program as well as developing the Econo Cruise® product in the three months ending March 31, 2003.
- 6 Travel expense was higher for the three months ended March 31, 2004 than the comparable period in the prior year because of significantly increased marketing activities.
- 7 Utilities for the three months ended March 31, 2004 were \$1,985 less than in the same period in the prior year.

Interest income continues to decline significantly with decreasing Cash and Equivalent balances and low certificate of deposit interest rates.

Interest expense for the three months ended March 31, 2004 and 2003 relates to the financing of the purchase of Company vehicles from the majority shareholder.

**Item 3.**

**CONTROLS AND PROCEDURES**

An evaluation of the Company's disclosure controls and procedures and internal controls and procedures was performed on March 11, 2004. Based on that review, management concludes that the Company's disclosure controls and procedures adequately ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation date. There have been no corrective actions with regard to significant deficiencies and material weaknesses since the evaluation date.

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**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 2. Changes in Securities**

None

**Item 3. Defaults upon Senior Securities**

None

**Item 4. Submission of Matters to a Vote of Security Holders**

On January 17, 2004 at a Special Meeting of the Shareholders, two proposals were voted upon by the shareholders:

1. Amend the Company's Articles of Incorporation to increase the number of authorized common shares from 30,000,000 to 100,000,000; and
2. Amend the Company's Articles of Incorporation to authorize 50,000,000 shares of Preferred Stock to be issued at a price and terms as provided for by the Board of Directors.

The results of the votes were as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1. Authorize increase in common stock authorized	9,666,429	-0-	100
2. Authorize Preferred Stock as described above	9,666,029	-0-	500

The Articles of Amendment have not yet been filed with the Iowa Secretary of State.

**Item 5. Other Information**

None

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**ITEM 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

The following are the exhibits to this quarterly report.

- 3.2 Certificate of Incorporation and Certificates of Amendment to the Certification of Incorporation of Registrant (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 3.3 Bylaws of Registrant (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.2(d) Stock Option Agreement between Registrant and Betty Fosseen (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.2(f) Stock Option Agreement between Registrant and J. Richard Relick (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.3 American Technologies LLC, Fosseen Manufacturing & Development, Mirenc, Inc., Ethaco Agreements to Terminate Prior Agreements and Transfer License, respectively (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.4 Purchase Agreement Between Registrant and American Technologies, LLC (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.5 Environmental Regulatory Approvals with the U.S. Environment Protection Agency and California Air Resources Board (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.6 Summary of Patents and Associated Service Marks (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.7 Copies of U.S. and Canadian Patents Issued to Dwayne L. Fosseen (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.8 Summary of Mexican Patents and Associated Protections Issued to Dwayne L. Fosseen (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.9 Rental Agreement Between Registrant and Fosseen Manufacturing & Development, Inc (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.10 March 31, 2000 Warrant Agreement between Registrant and Duncan, Blum & Associates (incorporated by reference to the Company's Registration Statement filed on July 10, 2000).
- 10.13 Lease for Land (incorporated by reference to the Company's Registration Statement Amendment filed on April 17, 2001).
- 10.13(a) Stock Option Agreement between Registrant and Betty Fosseen (incorporated by reference to the Company's Registration Statement Amendment filed on April 17, 2001).
- 10.14 2001 Common Stock Compensation Plan (incorporated by reference to the Company's 10KSB for the fiscal year ended December 31, 2001).
- 10.15 Cooperative Agreement between registrant and Iowa Foundation for Educational Administration, Inc. (Incorporated by reference to the Company's 10QSB for the quarter ended September 30, 2002 filed on August 14, 2002).
- 10.16 Vehicle Purchase Agreement between registrant and Fosseen Manufacturing Co., Inc. (Incorporated by reference to the Company's 10QSB for the quarter ended September 30, 2002 filed on November 14, 2002).
- 10.17 Bank Note between registrant and Randall-Story State Bank. (Incorporated by reference to the Company's 10QSB for the quarter ended September 30, 2002 filed on November 14, 2002).
- 10.18 Agreement between Richard A. Musal and registrant for Chief Financial Officer Services. (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2002 filed on April 14, 2003).

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- 10.19 Offer and Acceptance to purchase land from Dwayne Fosseen and spouse. (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2002 filed on April 14, 2003).
- 10.20 Distribution Agreement with D-Max West, LLC for Exclusive Distribution rights for California. (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004).
- 10.21 Distribution Agreement with D-Max West for exclusive distribution rights for Arizona and Texas (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004).
- 10.22 Cancellation of distributor agreements between MirencO and D-Max West (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004).
- 10.23 Cancellation Of SPAP Company, LLC Sales Representative Agreement (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004).
- 10.24 Sales Representative Agreement with Nevison Group, LLC (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004).



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- 10.25 Sales Agreement with Grant Brothers Sales, Ltd. (Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004).
- 10.26 Cancellation of Sales Representative Agreement with Grant Brothers Sales, Ltd. (*Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004.*)
- 10.27 Distributor Agreement with Integrated Vision Marketing (*Incorporated by reference to the Company's 10KSB for the year ended December 31, 2003 filed on April 14, 2004.*)
- \* 31.1 Certificate of Principal Executive Officer dated May 18, 2004.
- \* 31.2 Certificate of Principal Financial Officer dated May 18, 2004.
- \* 32.1 Dwayne Fosseen's Certification dated May 18, 2004 pursuant to 18 U.S.C. SECTION 1350, as adopted pursuant to, SECTION 906 of the Sarbanes-Oxley Act of 2002
- \* 32.2 Richard A. Musal's Certification dated May 18, 2004 pursuant to 18 U.S.C. SECTION 1350, as adopted pursuant to SECTION 906 of the Sarbanes-Oxley Act of 2002

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\* Filed herewith

Except as noted, these exhibits were filed in the July 10, 2000 and March 4, 2001 Registration Statements. Since no changes to such filings have occurred and/or are not material, these exhibits are not filed herewith and are hereby incorporated by reference.

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the first quarter of the year ended March 31, 2004.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Mirencos, Inc.**

(Registrant)

*By: /s/ Richard A. Musal*

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*Richard A. Musal  
Chief Financial Officer*

Date: May 19, 2004

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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.

By: */s/ Dwayne Fosseen*

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*Dwayne Fosseen  
Chairman of the Board,  
Chief Executive Officer and Director*

Date: May 19, 2004

By: */s/ Donald Williams*

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*Donald Williams  
Director*

Date: May 19, 2004

By: */s/ Richard A. Musal*

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*Richard A. Musal  
Director, Chief Operating Officer,  
and Secretary*