ADM TRONICS UNLIMITED INC/DE
Form 10KSB
July 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2006

[_] 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 0-17629

ADM TRONICS UNLIMITED, INC.
(Name of Small Business Issuer in its Charter)

Delaware	22-1896032
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

224-S Pegasus Avenue, Northvale, New Jersey 07647
(Address of Principal Executive Offices) (Zip Code)

(201) 767-6040
(Issuer's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
None	None

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

Common Stock, $.0005 par value
(Title of Class)

Check whether the issuer: (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. YES[X] NO[_]

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in the form, and no disclosure will be contained, to the best of the issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-KSB. [X]

Indicate by check mark whether the issuer is a shell company (as defined by in Rule 12b-2 of the Exchange Act). YES [ ] No [X]

The issuer's revenues for its most recent fiscal year were approximately $1,724,000.

The aggregate market value of the issuer's common stock, par value $.0005 per share (the "Common Stock"), held by non-affiliates of the issuer as of July 5, 2006, based on the average of the closing bid and asked prices of $0.33, for such shares on such date, was approximately $8,600,000. For purposes of such calculation, shares of Common Stock held by each executive officer and director and by each person who owns more than 5% of the outstanding shares of Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Common Stock outstanding as of July 5, 2006 was 53,882,037.

DOCUMENTS INCORPORATED BY REFERENCE

Not applicable.

Transitional Small Business Disclosure Format (check one): Yes [_] No [X]

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-KSB contains various forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and information that is based on management's beliefs as well as assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. When used in this report, the words "anticipate," "believe," "estimate," "expect," "predict," "project" and similar expressions are intended to identify forward-looking statements. We cannot guarantee the accuracy of the forward-looking statements, and you should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including the statements under "Risk Factors" set forth in "Item 1 - Description of Business" and the statements under "Critical Accounting Policies" set forth in "Item 6 - Management's Discussion and Analysis or Plan of Operation." Due to these uncertainties and risks, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-KSB.

Unless otherwise indicated in this prospectus, references to "we," "us," "our" or the "Company" refer to ADM Tronics Unlimited, Inc. and its subsidiaries.

Explanatory Note

Share information in this Form 10-KSB related to our subsidiary, Ivivi Technologies, Inc. gives effect to a stock split of 1.625 shares for each outstanding share of common stock of Ivivi to be effected by Ivivi.

PART I

Item 1. Description of Business

Company Overview

We are a technology-based developer and manufacturer of diversified lines of products in the following three areas: (1) environmentally safe chemical products for industrial use; (2) therapeutic non-invasive electronic medical devices; and (3) cosmetic and topical dermatological products. The Company's currently derives its revenues from the development, manufacture and sale of chemical products and from its therapeutic non-invasive electronic medical devices and topical dermatological products.

The Company is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. The Company's operations are conducted through ADM Tronics Unlimited, Inc. and its three subsidiaries, Ivivi Technologies, Inc.("Ivivi"), Pegasus Laboratories, Inc. ("Pegasus") and Sonotron Medical Systems, Inc. ("SMI"). As of July 5, 2006, the Company owned approximately 68.5%, 100% and 88% of the outstanding capital stock of Ivivi, Pegasus and SMI, respectively.

Company Products

Chemical Products for Industrial Use

The Company develops, manufactures and sells chemical products to industrial users. Such products consist primarily of the following:

- Water-based primers and adhesives;
- Water-based coatings and resins; and
- Water-based chemical additives.

Water-based primers and adhesives are chemical compounds used to bind different plastic films, metal foils and papers. Examples are the binding of polyethylene to polyester, nylon, vinyl, aluminum, paper and cellophane. The Company's water-based primers and adhesives are similar in function to solvent-based primers that are widely used to bind plastic films, papers and foils. Solvent-based systems have come under criticism since they have been found to be highly pollutant, dangerous to health and generally caustic in nature. Based upon the Company's experience since 1969, including information furnished to the Company by certain of its customers, the Company believes that water-based systems have no known polluting effects and pose no known health hazards. There can, of course, be no assurance that any governmental restrictions will not be imposed on the Company's water-based products or that such products will be accepted as replacements for solvent based products.

Coatings and resins for the printing industry are used to impart properties to the printed substrate. The Company's coatings and resins can be used to coat printed material for glossy or aesthetic appeal to make such material virtually impervious to certain types of grease and to impart other characteristics required or desired for various products and specifications.

Certain of the Company's chemical additives are used to impart properties to inks and other chemical products used in the food packaging and printing industries. These additives are used for their ability to improve the performance of such products.

None of the Company's chemical products are protected by patents, although the names of some of such products have been protected by trademarks. The Company does not believe that any such trademarks are material to its business. As of March 31, 2006, the dollar amount of backlog orders for the Company's chemical products believed by the Company to be firm, was not material.

Therapeutic Non-Invasive Medical Devices

SofPulse(R)

Ivivi, a majority-owned subsidiary of ADM, focuses on designing and commercializing its proprietary electrotherapeutic technologies and products for the non-invasive treatment of a wide array of acute and chronic disorders of soft tissue. Its most advanced proprietary products utilize pulsed electromagnetic field, or PEMF technology which we refer to as "electroceuticals(tm)", to induce small electrical currents in soft tissue to stimulate a therapeutic physiological response in the target area. Ivivi is currently utilizing PEMF technology, through its patented SofPulse device line of products, in the chronic wound and plastic and reconstructive surgery markets.

Ivivi was incorporated in March 1989 under the name AA Northvale Medical Associates, Inc. as a majority-owned subsidiary of ADM. From March 1989 until August 1998, Ivivi had very limited operations, which included the operation of medical clinics for conducting clinical studies on certain products of the Company. In August 1998, the Company purchased certain assets from Electropharmacology, Inc. ("EPI") that were then used by EPI in connection with the SofPulse device business, including the right to use the EPI patents, and immediately transferred all of those assets to Ivivi. The assets included all of EPI's rights, title and interest in the SofPulse device business as well as certain rights related to three patents related to the SofPulse device that were issued in 1994, 1996 and 1998. In January 2000, Ivivi acquired all of the rights to the EPI patents. Ivivi has conducted development and sales and marketing activities and has generated increasing revenues, but has incurred significant losses to date.

The device has been cleared by the FDA for the treatment of pain and edema in soft tissue. The device can be used for the treatment of chronic wounds, as well as for post-surgical treatments, including following plastic and reconstructive surgery.

The device consists of the following three components:

- the electroceutical signals
- a signal generator; and
- an applicator.

The signal generator produces a specific electromagnetic signal that is pulsed through a cable and into the applicator, which functions as a broadcast antenna. Without touching the skin, the applicator transmits the electromagnetic signal into the desired area, penetrating medical dressings, casts, coverings, clothing and virtually all other non-metal materials. This process allows the SofPulse device to be used immediately following acute injury, trauma and surgical wounds, as well as in chronic conditions, unimpeded by standard clinical practices and more importantly, requiring

no alteration of those practices to accommodate the therapy provided by the SofPulse device. The Company's product has been used in over 600,000 treatments by healthcare professionals on medical conditions, such as:

- acute or chronic wounds, including post-surgical wounds;
- edema and pain following reconstructive and plastic surgery; and
- pain associated with the inflammatory phase of chronic conditions.

For such purpose, the Company regards each 15-minute application of the device on a target area of a patient as one treatment.

We are currently focusing on the commercialization of products utilizing our PEMF technology for the treatment of a wide array of acute and chronic disorders. We are currently utilizing our PEMF technology, through the following products, for the treatment of edema (swelling) and pain in soft tissue.

SofPulse M-10. The SofPulse M-10 utilizes a box-shaped signal generator that weighs approximately seven pounds. The signal generator delivers the proprietary electroceutical signals through a lightweight and conformable applicator that ranges in diameter. The SofPulse M-10 is primarily marketed as a rental product to the chronic wound care markets, particularly for use in long-term acute care hospitals, as well as in long-term care nursing facilities, rehabilitation hospitals, acute care hospitals and facilities and home health systems.

Roma3. We intend to replace the SofPulse M-10 with our new product, the Roma3. The Roma3 utilizes a disk-shaped signal generator that is approximately nine inches in diameter and weighs approximately two pounds. The signal generator delivers the proprietary electroceutical signals simultaneously through up to three lightweight and conformable applicators that range in diameter, allowing multiple treatments on the same patient. The signal generator contains a programmable microprocessor that can automatically activate and deactivate the Roma3 for ongoing, unattended treatment. The applicators utilized by the Roma3 are intended for single-patient use and are disposable. The Roma3 is primarily marketed as a rental product to the chronic wound care markets, particularly for use in long-term acute care hospitals, as well as in long-term care nursing facilities, rehabilitation hospitals, acute care hospitals and facilities and home health systems.

Torino I. The Torino I utilizes a portable, battery powered disk-shaped signal generator that is approximately two and a half inches in diameter and weighs approximately four ounces. The signal generator delivers the proprietary electroceutical signals through variable sized lightweight and conformable applicators, depending on the application. The signal generator used in the Torino I is pre-programmed to provide treatment at optimal intervals throughout the course of therapy. The Torino I is primarily marketed in the plastic and reconstructive surgery market, where the product is being sold to physicians who then offer it to their patients.

Torino II. The Torino II is a battery powered, disposable single unit consisting of both the signal generator and applicator for ease of use. The Torino II is expected to replace the Torino I in mid-2006. The applicators that are incorporated into the Torino II are also lightweight and conformable and come in varying sizes, depending on the application. The signal generator used in the Torino II is also pre-programmed to provide therapy at optimal intervals throughout the course of therapy. The Torino II is primarily marketed in the plastic and reconstructive surgery market, where the product is sold to physicians who then offer it to their patients.

The Company is considering additional applications of its device,

as well as developing other products using PEMF. For example, the Company is currently researching and clinically testing potential applications of the PEMF technology for therapeutic angiogenisis (the regeneration of new blood vessels) and vascularization (the creation of new blood vessels) for use in circulatory and cardiac impairment conditions as well as for proliferation of implanted stem cells. The Company is also exploring the possibility of utilizing PEMF technology in an over-the-counter application for pain and edema to compete as a non-invasive, non-pharmacological alternative to other pain treatments, such as acetaminophen, without any of the potential known side-effects or complications that are associated with such products. The Company's ability to successfully expand the use of its product for these applications will depend on a number of risks, including:

- o establishing the efficacy of such applications;
- o obtaining regulatory approval or clearance as needed for the use of the Company's technology for these applications;
- o developing and commercializing new products utilizing the Company's technology for these applications; and
- o establishing market acceptance and reimbursement of its products for these uses.

Ivivi has built a portfolio of patents and applications covering its technology and products, including its hardware design and methods. As July 5, 2006, Ivivi had three issued U.S. patents, seven non-provisional pending U.S. patent applications and one provisional U.S. patent pending covering various embodiments and end use indications for PEMF and related signals and configurations. The titles, patent numbers and normal expiration dates (assuming all the U.S. Patent and Trademark Office fees are paid) of the three issued U.S. patents are set forth in the chart below.

Title	Patent Number	Expiration Date
Apparatus and Method for Therapeutically Treating Human Body Tissue with Electromagnetic Radiation	5723001	March 3, 2019
Pulsed Radio Frequency Electrotherapeutic System	5584863	December 17, 2013
Athermapeutic Apparatus Employing Electro-Magnetic Fields	5370680	December 6, 2011

Sonotron Technology

SMI, a majority-owned subsidiary of ADM, has developed a technology, known as the "Sonotron Technology," which is described in detail below, and has utilized the Sonotron Technology to develop medical devices to treat subjects suffering from the pain of inflammatory joint conditions. Although some of the devices utilizing this technology are commercially available for the treatment of animals, none of such devices have received clearance from the U.S. Food and Drug Administration (the "FDA") for human application in the United States.

The late Dr. Alfonso Di Mino, founder of the Company, while employed by the Company, conceived and developed a technique pursuant to which a subject being treated is exposed to a corona discharge beam generated by combining audio and radio frequency waves (the "Sonotron Technology"). The Sonotron Technology is the subject of four United States patents (the "Sonotron Patents"), which

expire in 2006, 2011, 2012 and 2016. Foreign patents relating to the Sonotron Technology have been issued in Brazil, Canada, France, Holland, Italy, Japan, Sweden, Switzerland, the United Kingdom and West Germany, which patents expire on various dates from 2007 through 2009.

The Company believes that the Sonotron Technology can be utilized to reduce lameness in both thoroughbred and standard-bred horses. In this connection, the Company commissioned the School of Veterinary Medicine of the University of Wisconsin-Madison (the "SVM") to gather data which would confirm the effectiveness of the Sonotron Device on horses. In a report dated December 10, 1987, the SVM concluded that the evidence from its experiments indicated that treatment with a Sonotron Device designed for veterinary use had a significant effect in reducing the level of lameness in ponies which had arthritis experimentally induced and as the degree of arthritic changes increased, the reduction in lameness was more dramatic and became statistically more significant. The SVM further found that there is statistical evidence that the therapy had a beneficial effect on the level of joint motion in the arthritic ponies and resulted in reduced joint swelling in ponies with severe arthritis. A significant reduction occurred in the degree of joint changes seen radiographically in the ponies with severe arthritis and in the milder cases of arthritis treated with low doses of the therapy. The SVM further reported that there were significant reductions in the severity of the growth of pathological lesions seen in ponies with mild arthritis which received low doses of therapy and that a trend appears to exist toward seeing reduced severity of lesions in ponies which had a severe degree of arthritis and were treated with a Sonotron Device designed for veterinary use. No differences in the degree of histopathological changes were noted between the treated ponies and the untreated ponies with mild or severe arthritis. The SVM did not arrive at any conclusions with respect to whether treatment with a Sonotron Device designed for veterinary use has a beneficial effect upon chronic degenerative joint disease in a horse and whether such treatment will be effective upon naturally occurring cases of equine degenerative joint disease. The Company has conducted tests utilizing Sonotron Devices designed for veterinary use on several race horses and has obtained results substantially as those of SVM. Significant further testing will be required to determine whether or not the administration of the Sonotron Technology to race horses will support the establishment of a viable market.

The Company granted to each of SMI and VET Sonotron Systems, Inc., a former majority-owned subsidiary of the Company ("VET"), a royalty-free, worldwide, exclusive, irrevocable license to the Sonotron Patents, the foreign patent applications and the Sonotron Technology. The license granted to SMI permits SMI to manufacture, to have manufactured and to sell apparatus utilizing the Sonotron Technology exclusively in connection with human medical applications thereof (the "SMI License"). The SMI License provides that future improvements or discoveries relating to the Sonotron Technology, if any, which are made by any officer or employee of the Company or any affiliates thereof, whether or not patentable, and applicable to human medical applications, are to be included in the SMI License. The license granted to VET is substantially identical in its terms to that of the SMI License, except that the use of the Sonotron Technology by VET is limited exclusively to veterinary applications. In 2003, all of the assets of VET, including such license, were transferred to SMI, and VET ceased operations and was abandoned by the Company in order to minimize the ongoing expense of maintaining the corporate entity and for other cost saving reasons.

The FDA permits companies to begin to recoup certain expenses by charging others for use of medical machines, provided that the use of such machines does not constitute a commercial distribution thereof. Accordingly, the Company is permitted to maintain a clinic and treatment center utilizing Sonotron Devices, but may not advertise or otherwise promote Sonotron Devices as being safe and effective for their intended use. Since 1989, four clinics have

operated at various times, none of which produced any significant revenues.

SMI intends to use data obtained from clinics utilizing the Sonotron Device as well as additional data it may obtain from others in the Company's FDA application, if filed. As of July 5, 2006, there were five Sonotrons in use by clinical investigators collecting data for submission to the FDA. SMI believes that sufficient data may be collected from these investigations to support a submission to the FDA; however, there can be no assurance that such data will be sufficient or if sufficient will result in the filing of an application with the FDA. There can be no assurance that the Company will obtain sufficient data in the foreseeable future, if at all, to file an FDA application for FDA clearance of the Sonotron Device for marketing in the United States for human application or that any data theretofore or thereafter obtained by the Company will be satisfactory or will be sufficient to support the Company's FDA application. SMI does not intend to make any material changes to the Sonotron Devices nor have any such changes been made since the completion of the research and development. In the event that Sonotron Devices cannot be marketed pursuant to FDA clearance and the data obtained by the Company are not favorable or, for any other reason, the Company's FDA application is not filed or, if filed, is not approved by the FDA, neither the Company nor SMI will be able to market the Sonotron Devices in the United States to others in connection with human applications, other than for research purposes. Under such circumstances, it is probable that the Sonotron Devices will not be able to be marketed with respect to human applications thereof in many foreign countries.

In 1997, Dr. Di Mino developed a device which utilizes the Sonotron Technology to non-invasively treat neural-cerebral conditions (the "NCCD Device"). The NCCD Device is a non-invasive electronic therapy device which is designed to emit certain radio and audio waves at prescribed power outputs to a patient's brain and spinal cord. Since 1997, the NCCD Device has been in the prototype stage. Limited initial preliminary tests on human subjects on a non-controlled basis appear to indicate that treatment with the NCCD Device has a beneficial effect on the symptoms related to certain neuro-cerebral disorders. The results ranged from minor improvement in certain limited symptoms to dramatic overall improvements. Based upon such results, subject to obtaining sufficient capital, Ivivi intends to conduct extensive controlled clinical studies of the NCCD Device. Testing involves applying radio and audio waves to the patients' spinal cords and cerebrum on a weekly basis for several weeks to small groups of patients having cerebral palsy, multiple sclerosis and Parkinson's Disease.

In order to commercially exploit the NCCD Device, Ivivi must successfully conduct significant engineering and design work. Such work includes the design and manufacture of a pre-production model and the production of approximately 40 similar units for use in the proposed clinical studies. If the clinical studies establish the efficacy of the NCCD Device, Ivivi intends to seek FDA approval of the NCCD Device. The Company also plans to file applications for certain foreign and domestic patents in connection with the NCCD Device. There can be no assurance that any clinical studies of the NCCD Device will yield successful results or that FDA approval will be obtained. The Company believes that the cost of clinical studies and the engineering and design work will be approximately $2,000,000. Because Ivivi does not presently have sufficient funds to complete such tests and studies, Ivivi has sought and will continue to seek financing for such purposes. There can be no assurance that Ivivi will be able to obtain such financing on terms not unfavorable to it, if at all.

As of March 31, 2006, the dollar amount of backlog orders for Sonotron Devices was not material.

Aurex-3

Dr. Di Mino developed an electronic device (the "Aurex-3") for the treatment of Tinnitus. Tinnitus is a human medical condition which manifests itself in a constant and annoying ringing in the ears. The Aurex-3 uses a probe that transmits a vibratory and audio signal. In February 1997, Dr. Di Mino filed a patent application for a United States patent with respect to the Tinnitus Device. Dr. Di Mino advised the Company that any patents issued to him in connection with the Tinnitus Device will be assigned to the Company. Although significant testing of the Aurex-3 has not been conducted, pre-production and production prototypes were built and testing and marketing strategies have been developed. In May 1998, a 510-K Pre-market Notification ("PMN") was filed by the Company with the FDA. In August 1998, the United States Patent and Trademark Office issued a patent with respect to the Aurex-3 and the FDA notified the Company that the PMN was accepted. Accordingly, the Company may market the product in the United States for its intended indication, "[t]he treatment and control of tinnitus." From August 1998 to November 1999, the Company finalized manufacturing plans for the Aurex-3. In July 1999 the Company began taking advance orders for Aurex-3 units from distributors and patients and began to deliver the units in November 1999. Sales of the Aurex-3 have not been material. There can be no assurance that the Company will receive significant orders for the Aurex-3 or, if such orders are received, that the Company will be able to manufacture the Aurex-3 in sufficient quantities.

At the end of December 1999, six Aurex-3 devices were made available to the Dutch Commission on Tinnitus & Hyperacusis by a third party. On December 24, 1999, six participants were examined by the Dutch Commission for their tinnitus and trained in the use of the Aurex-3 by an audiologist and adviser of the group. After a six-week trial period with six participants, during which one participant reported a worsening of tinnitus, the Dutch Commission concluded that no positive results could be reported. Although the Dutch Commission tentatively concluded that the Aurex-3 seldom or never has a positive effect on tinnitus, especially on high frequency tinnitus, it did not exclude the possibility that application of the Aurex-3 on patients with a low tone tinnitus might show better results.

The Company believes that the Dutch Commission's conclusions are flawed primarily because of the small number of participants and the probable selection of participants whose condition could not be improved through the use of the Aurex-3. In addition, in the Company's limited experience, when potential users of the Aurex-3 were pre-screened to eliminate those with non-noise induced or variable intensity tinnitus, more than 60% of the users of the Aurex-3 have experienced significant improvement.

In November 2002, the Company sold, among other things, certain rights to the Aurex-3 to a wholly owned subsidiary of New England Acquisitions, Inc. The purchase price was 150,375 shares of New England's common stock and its subsidiary's agreement to make certain payments with respect thereto. New England's subsidiary provided a sample Aurex-3 to a Chinese distributor for its evaluation. The distributor advised the subsidiary, on the basis of limited use, that the sample has not been found to be effective. If the subsidiary did not make required minimum royalty payments or purchase certain quantities of products from the company within one year of its purchase of the rights, subject to extension by the Company, it could lose certain rights of exclusivity. In January, 2004 the Company notified New England that it had not purchased the minimum quantity of Aurex-3 devices and therefore the Company exercised its right to terminate the exclusive provision of the agreement.

In April 2004, the Company signed an agreement with Carepoint Group of the United Kingdom ("Carepoint") granting Carepoint exclusive, worldwide rights to manufacture and distribute the Aurex-3, for the treatment and control of

tinnitus. The agreement provides that Carepoint will manufacture a redesigned version of the device and market it throughout the world. Carepoint is required to pay royalties to the Company on revenues generated pursuant to the agreement. The Company retains manufacturing and distribution rights for the new version of the device for the United States. There can be no assurance that Carepoint and/or the Company will successfully distribute the new version of the device or generate meaningful revenues pursuant to the agreement.

Needle Eater

In May 1999 the Company acquired certain assets related to the Needle-Eater, a patented device used to dispose of used syringes and other medical sharps. The Company acquired the worldwide rights to the patent covering the technology in the Needle-Eater product; an inventory of finished units and parts; the rights to trademarks; and, information needed to assist it in manufacturing the units. The Company paid $14,206 to the previous owner of the Needle-Eater, and issued options to purchase an aggregate of 500,000 shares of the Company's common stock at an exercise price of $.625 per share, all of which have expired. The Company also agreed to pay a consulting fee of $750 per month for 24 months and a royalty of 5% on gross sales of Needle-Eater products for the life of the patent as well as certain other compensation. To date, sales of Needle Eater products have not been material.

Cosmetic and Topical Products

The Company, through its subsidiary, Pegasus, has developed several cosmetic and topical products. The Company has not realized any significant revenues from such products and there can be no assurance that any such products will account for significant revenues or any profits in the future.

Although the Company believes that its proposed products can be successfully marketed for over-the-counter use through one or more entities representing numerous retail pharmacies and otherwise, there can be no assurance that sales of such products will be material or that the Company will be able to derive any profits therefrom.

In November 2002, the Company sold certain rights to an ethnic shave cream, a burn lotion and the Aurex-3 to a wholly owned subsidiary of New England Acquisitions, Inc. The purchase price was 150,375 shares of New England's common stock and its subsidiary's agreement to make certain payments. The agreement provided that if the subsidiary did not make required minimum royalty payments or purchase certain quantities of products from the Company within one year of its purchase of the rights, it would lose certain rights of exclusivity. In January, 2004 the Company notified New England's subsidiary that it had not made the required payments and the Company thereby terminated the exclusive rights.

Customers

During the Company's fiscal years ended March 31, 2006 and 2005, sales of chemical products accounted for approximately 50% and 68% of the Company's operating revenues, respectively; sales and/or rentals of medical device products accounted for approximately 50%, and 32% of the Company's operating revenues, respectively; and sales of our cosmetic and topical dermatological products were not material. No contract exists with any of the Company's customers that would obligate any customer to continue to purchase and/or rent products from the Company.

During the fiscal year ended March 31, 2006, no one customer accounted for more than 10% the Company's revenue. During the year ended March 31, 2005, the Company sold 32% of its products to two customer. At March 31, 2006, two customers accounted for 27% of the Company's accounts receivable. The

loss of these major customers could have a material impact on the Company's operations and cash flow.

Marketing and Distribution

A majority of ADM's chemical product sales are distributed to customers directly from ADM's headquarters. Customers place purchase orders with the Company and chemical products are then shipped via common carrier truck delivery on an "FOB shipping point" basis. A portion of the sales are accomplished through distributors who place purchase orders with ADM for certain quantities of it's chemical products which are shipped by common carrier to their respective warehouses. These stocking distributors then ship product to the ultimate customer via common carrier from their inventory of ADM's chemical products.

Ivivi is currently marketing and generating revenues in the wound care and plastic surgery markets. In order to facilitate the marketing of its products, it has developed and intends to further develop relationships with sales and distribution companies currently operating in these markets. In the wound care market, it is focusing its marketing efforts on the long-term acute care hospitals because of the high concentration of wound care patients and fixed reimbursements from Medicare. In the plastic surgery market, it is currently focusing its efforts on surgical procedures requiring compression garments, by establishing relationships with garment manufacturers and their principle distributors. Ivivi also intends to pursue additional markets and applications, assuming it obtains FDA approval, such as angiogenesis and vascularization for the treatment of certain circulatory impairment conditions and pain relief. As Ivivi develops additional products and technologies, it intends to develop the distribution arrangements for this market in concert with overall regulatory and marketing approaches.

Ivivi is currently a party to, and intends to continue to seek, collaborative and strategic agreements to assist it in the marketing of its products. Ivivi has engaged third-party distributors to market its products in the United States and intends to engage additional distributors and sales organizations to expand the scope of its markets nationally and internationally, with an initial international focus in Western Europe. Ivivi has granted these distributors, subject to maintaining certain revenue goals, the exclusive right to distribute its SofPulse device products to long-term acute care hospitals, acute care facilities, rehabilitation/wound centers, nursing homes and skilled nursing facilities. Additionally, Ivivi has contracted with one third party to help it penetrate the home health care market. Ivivi is also actively pursuing exclusive arrangements with strategic partners it believes have leading positions in its target markets, in order to establish nationwide, and in some cases worldwide, marketing and distribution channels for its products. Generally, under these arrangements, the strategic partners would be responsible for marketing, distributing and selling Ivivi's products while Ivivi continues to provide the related technology, products and technical support. Through this approach, Ivivi expects to achieve broader marketing and distribution capabilities in multiple target markets.

In April 2003, SMI entered into a distribution agreement with THM Group, LLC ("THM") with respect to the distribution and sale by THM of the veterinary Sonotron Device for the treatment of animals. Pursuant to the agreement THM was granted an exclusive territory comprising North America and Europe for a term of three years conditioned upon THM arranging for the purchase of certain minimum quantities of product from SMI on an annual basis. In April 2005, SMI terminated the agreement with THM due to THM's failure to arrange for the minimum purchases required thereby.

Manufacturer and Suppliers

Manufacturer

ADM manufactures its chemical products and SMI's and Ivivi's medical device products at its facilities located in Northvale, New Jersey.

ADM, Ivivi and SMI are parties to a manufacturing agreement, pursuant to which ADM serves as the exclusive manufacturer of all current and future medical, non-medical electronic and other devices or products to be produced by such subsidiaries. Pursuant to the terms of the manufacturing agreement, for each product that the Company manufactures for a subsidiary, the subsidiary pays ADM an amount equal to 120% of the sum of (i) the actual, invoiced cost for raw materials, parts, components or other physical items that are used in the manufacture of the product and actually purchased for the subsidiary by the Company, if any, plus (ii) a labor charge based on the Company's standard hourly manufacturing labor rate. The subsidiaries generally purchase and provide ADM with all of the raw materials, parts and components necessary to manufacture their respective products and, as a result, the manufacturing fee paid to the ADM is generally 120% of the labor rate charged by ADM.

ADM warrants the products it manufactures for its subsidiaries against defects in material and workmanship for a period of 90 days after the completion of manufacture. After such 90-day period, the Company has agreed to provide repair services for the products to the subsidiary at its customary hourly repair rate plus the cost of any parts, components or items necessary to repair the products unless the subsidiary provides such parts, components or items to the Company.

Under the manufacturing agreement, all inventions, patentable or otherwise, trade secrets, discoveries, ideas, writings, technology, know-how, improvements or other advances or findings relating to the subsidiaries' products and technologies shall be and become the exclusive proprietary and confidential information of such subsidiary or any person to whom such subsidiary may have assigned rights therein. The Company has no rights in any such proprietary or confidential information and is prohibited from using or disclosing any of such proprietary or confidential information for its own benefit or purposes, or for the benefit or purpose of any other person other than the subsidiary without such subsidiary's prior written consent. The Company has also agreed to cooperate with each subsidiary in securing for it any patents, copyrights, trademarks or the like which it may seek to obtain in connection therewith. If the Company breaches any of the confidentiality agreements contained in the manufacturing agreement, or if these agreements are not sufficient to protect a subsidiary's technology or are found to be unenforceable, the subsidiary's competitors could acquire and use information that it considers to be our trade secrets and the subsidiary may not be able to compete effectively.

Since ADM is the exclusive manufacturer of all of its subsidiaries' current and future products under the manufacturing agreement, if the operations of the Company are interrupted or if orders or orders of other customers of the Company exceed the manufacturing capabilities of the Company, the Company may not be able to deliver products on time and the subsidiaries may not be able to deliver their respective products to their respective customers on time. Under the terms of the manufacturing agreement, if the Company is unable to perform its obligations thereunder or is otherwise in breach of any provision thereof, the subsidiaries have the right, without penalty, to engage third parties to manufacture some or all of their products. In addition, if a subsidiary elects to utilize a third-party manufacturer to supplement the manufacturing being completed by ADM, such subsidiary has the right to require the Company to accept delivery of the

products from these third-party manufacturers, finalize the manufacture of the products to the extent necessary for such subsidiary to comply with FDA regulations and ensure that the design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process have been met.

As the exclusive manufacturer of the medical devices of its subsidiaries, ADM is required to comply with QSR requirements, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process. In addition, the Company's manufacturing facility is required to be registered as a medical device manufacturing site with the FDA and is subject to inspection by the FDA. The Company has been registered by the FDA as a Registered Medical Device Establishment since 1988 allowing it to manufacture medical devices in accordance with procedures outlined in FDA regulations, which include quality control and related activities. Such registration is renewable annually and although the Company does not believe that the registration will fail to be renewed by the FDA, there can be no assurance of such renewal. The failure of the Company to obtain any annual renewal would have a material adverse effect on its subsidiaries if they were not able to secure another manufacturer of their products.

Suppliers

ADM purchases the raw materials used in the manufacture of its chemical products from numerous sources. The Company believes that all necessary raw materials for its chemical products are readily available and will continue to be so in the foreseeable future. The Company has never had, nor does it anticipate experiencing, any shortages of such materials. The raw materials for chemical products consist primarily of water, resins, elastomers and catalysts. The Company generally maintains sufficient quantities of inventories of its chemical products to meet customer demands. When orders are received by the Company for its chemical products, the Company's customers require immediate shipment thereof. Accordingly, in order to satisfy its customers' needs, the Company has maintained an inventory ranging, in dollar amounts, from 15% to 30% of sales of chemical products in the form of either raw materials or finished goods.

Ivivi and SMI purchase and provide the Company with the raw materials, parts, components and other items that are required to manufacture their respective products. Such subsidiaries rely on a single or limited number of suppliers for such raw materials, parts, components and other items. Although there are many suppliers for each of these raw materials, parts, components and other items, the subsidiaries are dependent on a limited number of suppliers for many of the significant raw materials and components. Neither Ivivi nor SMI have any long-term or exclusive purchase commitments with any of its suppliers. Their failure to maintain existing relationships with their respective suppliers or to establish new relationships in the future could also negatively affect their ability to obtain raw materials and components used in their products in a timely manner. If either Ivivi or SMI is unable to obtain ample supply of product from its existing suppliers or alternative sources of supply, it may be unable to satisfy customers' orders which could reduce its revenues and adversely affect its relationship with its customers.

Research and Development

During the Company's fiscal years ended March 31, 2006 and 2005, the Company made no material expenditures with respect to company-sponsored research and development activities relating to its chemical business other than a portion of the regular salaries of its executive officers which may be allocated thereto. During such fiscal years, the Company did not expend any funds on

customer-sponsored research and development activities with respect thereto.

During the Company's fiscal years ended March 31, 2006 and 2005, other than the regular compensation paid by the Company to its executive officers, the Company did not spend any appreciable amounts on testing, application, clinical studies and company-sponsored research and development activities in connection with the Sonotron Technology and other activities determined in accordance with generally accepted accounting principles. During each of such years no material amounts were spent on customer-sponsored research and development activities relating to the development of new products, services or techniques or the improvement of any of the foregoing.

Pursuant to a sponsored research agreement with Montefiore Medical Center that expired in September 2005, Ivivi conducted, under the supervision of Dr. Diana Casper, research studies relating to the potential benefits of its PEMF technology in connection with the treatment of Parkinson's disease and other neurodegenerative disorders. Ivivi completed the first phase of such studies in September 2005. Based on the results of such studies, Ivivi initiated a second phase of such studies under the supervision of Dr. Casper at Montefiore Medical Center pursuant to an unwritten month-to-month arrangement with Montefiore Medical Center. Such studies ceased during the fourth quarter of 2005 when Dr. Casper received an NIH grant in the amount of $270,000 to commence studies to examine the effects of pulsed magnetic fields on neurons and vessels in cell culture and intact brain and neural transplants, as well as to explore the potential of this modality to lessen neurodegeneration (progressive damage or death of neurons leading to a gradual deterioration of the bodily functions controlled by the affected part of the nervous system) and increase vascular plasticity (the lifelong ability of the brain to reorganize neural pathways based on new experiences). We believe this modality could have applications in the treatment of chronic and acute vascular and neurodegenerative diseases, including Parkinson's disease. Although Dr. Casper is not required to do so pursuant to the NIH grant, she has advised us that she intends to use our PEMF technology in connection with these studies.

Ivivi also expects to commence research studies with respect to pain relief at Montefiore Medical Center and although we do not have any specific plans to date, we are seeking opportunities to commence additional studies at other research facilities. We believe that two studies to validate consumer pain application for FTC purposes will be completed within four to six months from commencement and estimate that the aggregate cost of such studies will be approximately $200,000.

Ivivi's research and development efforts continue on several fronts directly related to its technology, including its expansion into the angiogenesis and vascularization market, as well as new technologies and products. Although we do not have any specific plans to date, we intend to pursue entering into joint ventures, license agreements or other relationships with third-parties to commercialize any new technologies and products we develop in the future. Ivivi's research and development expenditures were $544,426 and $270,894 for the fiscal years ended March 31, 2006 and 2005, respectively.

Ivivi is currently a party to a sponsored research agreement with Montefiore Medical Center pursuant to which it funds research in the fields of pulsed electro-magnetic frequencies under the supervision of Berish Strauch, M.D., of Montefiore Medical Center's Department of Plastic Surgery, that commenced on October 17, 2004 and expires on December 31, 2009, subject to renewal in one-year increments by mutual agreement. Ivivi also funded the research in the field of neurosurgery under the supervision of Diana Casper, Ph.D., of Montefiore Medical Center's Department of Neurosurgery pursuant to a sponsored research agreement with Montefiore Medical Center that commenced on September 24, 2004 and expired on September 24, 2005. Although this sponsored research

agreement expired, Dr. Casper continued to conduct research in this field pursuant to a month-to-month arrangement with Montefiore Medical Center during the fourth quarter of 2005, for which Ivivi paid $23,000. Ivivi's sponsored research agreements provided for total payments to be made to Montefiore Medical Center of $524,435, payable at various times from September 2004 through April 2005. Montefiore Medical Center has been paid in full.

Under Ivivi's sponsored research agreement, Montefiore Medical Center is required to use its reasonable efforts to complete the applicable research project that is directed and controlled by the principal investigator, subject to informal consultation with our technical representative, Arthur A. Pilla, Ph.D. Under the agreement, Montefiore Medical Center is required to promptly disclose any discovery or invention made by it, the principal investigator or any other personnel in the performance of the research project, and title to any and all of such discoveries or inventions and all other intellectual property rights developed that relate to any of our products will be our sole and exclusive property. Ivivi also has the first option to obtain a worldwide royalty bearing license to all other inventions not owned by us that are conceived or made during the performance of the research project. Although Montefiore Medical Center and its employees have sole ownership of any copyrighted or copyrightable works (including reports and publications) that are created by them in the performance of the research project, Ivivi has an irrevocable royalty-free, nontransferable, non-exclusive right to copy and distribute research reports furnished to us under the agreement and to prepare, copy and distribute derivative works based on these research reports. Further, subject to certain limited exceptions, each of Montefiore Medical Center, the principal investigator and us are required to keep all confidential information of the other party in strict confidence for a period of five years after the end of the term of the agreement.

In January 2006, Ivivi entered into a Master Clinical Trial Agreement with Cleveland Clinic Florida, a not-for-profit multispecialty medical group practice, to set forth the basic terms and conditions with respect to studies to be conducted by Cleveland Clinic Florida thereunder from time to time during the term of the agreement, which is from January 9, 2006 to January 9, 2009. Ivivi expects to pay an aggregate of approximately $220,000 to Cleveland Clinic Florida for its services during the term of the agreement. Ivivi also expects to pay additional fees, costs and expenses in the aggregate amount of approximately $125,000 to third parties for lab work to be handled by such third parties during the term of the agreement. The IRB approved a double-blind randomized placebo-controlled clinical trial in patients who are not candidates for angioplasty or cardiac bypass surgery, which has begun at the Cleveland Clinic Florida. The study is looking at the use of our PEMF technology on patients with ischemic cardiomyopathy the primary endpoint of which will be the improvement in regional myocardial perfusion and function and the secondary endpoint of which will be improvement in patient angina and exercise tolerance.

Competition

ADM's chemical business is highly competitive and substantially all of it's competitors possess greater experience, financial resources, operating history and marketing capabilities than does ADM. Although the Company does not believe that there are one or more dominant competitors in such industry, there can be no assurance that ADM will be able to effectively compete with any or all of its competitors on the basis of price, service or otherwise. Competitors may be better able to withstand a change in conditions within the chemical products industry and throughout the economy as a whole. In addition, current and anticipated future consolidation among our competitors and customers may cause ADM to lose market share as well as put downward pressure on pricing. Furthermore, there is a trend in the chemical industry toward relocation of manufacturing facilities to

lower-cost regions such as Asia. Such relocation may permit some of the Company's competitors to lower their costs and improve their competitive position. If ADM does not compete successfully, its business, operating margins, financial condition, cash flows and profitability could be adversely affected.

ADM's results of operations depend, in part, on its ability to expand its chemical product offerings. ADM is committed to remaining a competitive producer and believes that its portfolio of new or re-engineered products is strong. However, ADM may not be able to continue to develop new products, re-engineer our existing products successfully or bring them to market in a timely manner. While ADM believes that the products, pricing and services it offers customers are competitive, it may not be able to continue to attract and retain customers to which to sell its chemical products.

The manufacture, distribution and sale of medical devices and equipment designed to relieve swelling and pain or to treat chronic wounds is highly competitive and substantially many of Ivivi's competitors possess greater experience, financial resources, operating history and marketing capabilities than the Company. For example, Diapulse Corporation of America, Inc. manufactures and markets devices that are deemed by the FDA to be substantially equivalent to SofPulse, Regenesis Biomedical, Inc., manufactures and markets a device that is similar to Ivivi's first generation SofPulse device, and KCI Concepts, Inc., manufactures and markets negative pressure wound therapy devices in the wound care market. A number of other manufacturers, both domestic and foreign, and distributors market shortwave diathermy devices that produce deep tissue heat and that may be used for the treatment of certain of the medical conditions in which the SofPulse is also indicated. In addition, SofPulse may be deemed to be competitive with pain relief drugs as well as pain relief medical devices. Ivivi also faces competition from companies that have developed other forms of treatment, such as hyperbaric oxygen chambers, thermal therapies and hydrotherapy. Other companies with substantially larger expertise and resources than Ivivi's may develop or market new products that directly compete with SofPulse or other products or technologies developed by the Company. In addition, other forms of treatment that compete with the Company's technologies and products may achieve more rapid acceptance in the medical community.

In addition, several other companies manufacture medical devices based on the principle of electrotherapeutic technologies for applications in bone healing and spinal fusion, and may adapt their technologies or products to compete directly with Ivivi. Ivivi is also aware of other companies that manufacture and market devices in the same target markets as it does. Certain of these companies have significant product sales and have greater financial, technical, personnel and other resources than Ivivi. Also, universities and research organizations may actively engage in research and development to develop technologies or products that will compete with the Company's technologies and products. Barriers to entry in Ivivi's industry include (i) a large investment in research and development; (ii) numerous costly and time-consuming regulatory hurdles to overcome before any products can be marketed and sold; (iii) high costs for marketing and for building an effective distribution network; and (iv) the ability to obtain financing during the entire start up period.

The medical products market is characterized by rapidly changing technology that may result in product obsolescence or short product life cycles. Ivivi's ability to compete will be dependent on it's ability to continually enhance and improve its products and to develop successfully or acquire and market new products. There can be no assurance that Ivivi will be able to compete successfully, that competitors will not develop technologies or products that render it's medical device products obsolete or less marketable or that Ivivi will be able to enhance successfully its existing

products or develop or acquire new products. Furthermore, there can be no assurance that other technologies or products that are functionally similar to those of Ivivi are not currently under development.

Government Regulation

Several of the Company's products are medical devices subject to extensive and rigorous regulation by the FDA, as well as other regulatory bodies. The FDA regulations govern the following activities that the Company performs and will continue to perform to help ensure that medical products distributed worldwide are safe and effective for their intended uses:

- product design and development;
- product testing;
- product manufacturing;
- product safety;
- product labeling;
- product storage;
- record keeping;
- pre-market clearance or approval;
- advertising and promotion;
- production; and
- product sales and distribution.

FDA's Pre-market Clearance and Approval Requirements

Unless an exemption applies, each medical device the Company wishes to commercially distribute in the United States will require either prior 510(k) pre-market notification ("PMN") clearance or pre-market approval ("PMA") from the FDA. The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risks are placed in either class I or II, which requires the manufacturer to submit to the FDA a PMN requesting permission to commercially distribute the device. This process is generally known as 510(k) clearance. Some low risk devices are exempt from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device, are placed in class III, requiring pre-market approval.

510(k) Clearance Pathway

When a 510(k) clearance is required, the Company must submit a PMN demonstrating that its proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of PMA applications. By regulation, the FDA is required to clear or deny a PMN within 90 days of submission of the application. As a practical matter, clearance often takes significantly longer. The FDA may require further information, including clinical data, to make a determination regarding substantial equivalence. On January 17, 1991, EPI received FDA clearance for commercial marketing of the SofPulse device for the treatment of pain and edema in soft tissue pursuant to a 510(k) PMN. In 1999, the Company received FDA clearance for the commercial marketing of the Aurex-3 pursuant to a 510(k) PMN.

Pre-market Approval Pathway

A PMA application must be submitted to the FDA if the device cannot be cleared through the 510(k) process. The process of submitting a satisfactory PMA application is significantly more expensive, complex and time consuming than the process of establishing "substantial equivalence" to a device marketed prior to 1976 pursuant to a PMN and requires extensive research and clinical studies. A PMA application must be supported by extensive data, including, but not limited

to, technical, preclinical, clinical trials, manufacturing and labeling to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. Upon completion of these tasks, an applicant is required to submit to the FDA all relevant clinical, animal testing, manufacturing, laboratory specifications and other information. If accepted for filing, the application is further reviewed by the FDA and subsequently may be reviewed by an FDA scientific advisory panel comprised of physicians, statisticians and other qualified personnel. A public meeting may be held before the advisory panel in which the PMA application is reviewed and discussed. Upon completion of such process, the advisory panel issues a favorable or unfavorable recommendation to the FDA or recommends approval with conditions. The FDA is not bound by the opinion of the advisory panel. The FDA may conduct an inspection to determine whether the applicant conforms with CGMP guidelines. If the FDA's evaluation is favorable, the FDA will subsequently publish a letter approving the PMA application for the device for a mutually agreed upon indication of use. Interested parties can file comments on the order and seek further FDA review. The PMA process may take several years and no assurance can be given concerning the ultimate outcome of PMA applications submitted by an applicant.

In March 1989, in response to a PMN filed by the Company with the FDA, the FDA notified the Company that the then current model of the Sonotron Device, under the FDA's standards, was not substantially equivalent to certain medical devices marketed in interstate commerce prior to May 28, 1976. In March 1991, a further PMN was filed with the FDA on behalf of the Company with respect to the then current model of the Sonotron Device which was subsequently voluntarily withdrawn by the Company. The FDA advised the Company that its determination with respect to the initial PMN was based upon (a) the new intended use of applying superficial heat at non-therapeutic temperatures for the treatment of osteoarthritis, and (b) new types of safety and effectiveness questions that are raised by the new technological characteristics of the Sonotron Devices when compared to certain devices marketed before May 28, 1976. In the event that Sonotron Devices cannot be marketed pursuant to a PMN, before Sonotron Devices can be marketed in the United States, the Company would be required to obtain a PMA before the Sonotron Devices can be marketed in the United States for commercial distribution in connection with human applications. There can be no assurance that any approval can be obtained from the FDA in the foreseeable future, if at all.

In January 1991, the FDA advised EPI of its determination to treat the MRT100, the first model of the SofPulse device, as a class III device. The FDA retains the right to require the manufacturers of certain Class III medical devices to submit a PMA application in order to sell such devices or to promote such devices for specific indications. To date, the Company has not been asked by the FDA to seek pre-market approval for the SofPulse device; however, there can be no assurance that the Company will not be required to do so and that, if required, the Company will be able to comply with such requirement for the SofPulse device.

Pervasive and Continuing Regulation

After a device is placed on the market, numerous regulatory requirements apply. These include:

- quality system regulations, or QSR, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or "off-label" uses;
- medical device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way

that would likely cause or contribute to a death or serious injury if the malfunction were to recur; and

- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

The FDA has broad post-market and regulatory enforcement powers. The Company is subject to unannounced inspections by the FDA to determine its compliance with the QSR and other regulations, and these inspections may include the Company's manufacturing facilities, or any other manufacturing subcontractors that the Company may engage. The Company has been registered by the FDA as a Registered Medical Device Establishment allowing it to manufacture medical devices in accordance with procedures outlined in FDA regulations which include quality control and related activities. Such registration is renewable annually and although the Company does not believe that the registration will fail to be renewed by the FDA, there can be no assurance of such renewal. The failure of the Company to obtain any annual renewal would have a material adverse effect on it.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions:

- fines, injunctions, consent decrees and civil penalties;
- recall or seizure of the Company's products;
- operating restrictions, partial suspension or total shutdown of production;
- refusing the Company's requests for 510(k) clearance or pre-market approval of new products or new intended uses;
- withdrawing 510(k) clearance or pre-market approvals that are already granted; and
- criminal prosecution.

The FDA also has the authority to require us to repair, replace or refund the cost of any medical device that has been manufactured for us or distributed by the Company. If any of these events were to occur, they could have a material adverse effect on the Company's business.

The Company is also subject to a wide range of federal, state and local laws and regulations, including those related to the environment, health and safety, land use and quality assurance. The Company believes that it is in compliance with these laws and regulations as currently in effect, and its compliance with such laws will not have a material adverse effect on the Company's capital expenditures, earnings and competitive and financial position.

International Regulations

International sales of medical devices are subject to foreign governmental regulations, which vary substantially from country to country. The time required to obtain clearance or approval by a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may be different. There can be no assurance that the Company will be successful in obtaining or maintaining necessary approvals to market its products in certain foreign markets, or obtain such approvals for additional products that may be developed or acquired by the Company.

The primary regulatory environment in Europe is that of the European Union, which consists of 25 countries encompassing most of the major countries in Europe. Three member states of the European Free Trade Association have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices. Other countries, such as Switzerland, have entered into Mutual Recognition Agreements and allow the marketing of medical devices that meet European Union requirements.

The European Union has adopted numerous directives and European Standardization Committees have promulgated voluntary standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear a CE conformity marking (which stands for Conformite Europeenne), indicating that the device conforms with the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout the member states of the European Union, the member states of the European Free Trade Association and countries which have entered into a Mutual Recognition Agreement. The method of assessing conformity varies depending on the type and class of the product, but normally involves a combination of self-assessment by the manufacturer of the product and a third-party assessment by a Notified Body, an independent and neutral institution appointed by a country to conduct the conformity assessment. This third-party assessment may consist of an audit of the manufacturer's quality system and specific testing of the manufacturer's device. An assessment by a Notified Body in one member state of the European Union, the European Free Trade Association or one country which has entered into a Mutual Recognition Agreement is required in order for a manufacturer to commercially distribute the product throughout these countries. ISO 9001 and ISO 13845 certification are voluntary harmonized standards. Compliance establishes the presumption of conformity with the essential requirements for a CE Marking.

Reimbursement

Ivivi's products are rented principally to nursing homes and extended care facilities that receive payment coverage for products and services they utilize from various public and private third-party payors, including the Medicare program and private insurance plans. As a result, the demand and payment for our products are dependent, in part, on the reimbursement policies of these payors. The manner in which reimbursement is sought and obtained for any of our products varies based upon the type of payor involved and the setting to which the product is furnished and in which it is utilized by patients.

Ivivi cannot determine the effect of changes in the healthcare system or method of reimbursement for its products or any other products that may be produced by us in the United States. For example, from 1991 to 1997, products utilizing our technology were marketed primarily for use in nursing homes for the Medicare reimbursable treatment of chronic wounds through a rental program. Due to changes in reimbursement made by CMS, in 1997, which prohibited Medicare coverage of the use of the technology used in our products in the treatment of non-healing wounds, the nursing home revenue diminished significantly by 2001 and Ivivi pursued alternative markets and applications for use of its technology. In December 2003, CMS reversed its policy and issued an NCD providing for Medicare reimbursement for electromagnetic therapies for non-healing wounds, which became effective in July 2004. In response to this significant regulatory change, Ivivi re-entered the wound care market.

CMS has not yet cleared reimbursement for the home health use of the technology used in our products. Accordingly, in December 2005, Ivivi retained a consulting company specializing in CMS reimbursement and coverage matters to assist it in arranging and preparing for a meeting with CMS to request such clearance. In May 2006, with the assistance of this consulting company, Ivivi held a meeting with CMS and made a presentation in support of reimbursement for the home health use of the technology used in our products, and we currently await feedback from CMS. Even if Ivivi were to obtain clearance from CMS for reimbursement for home health use of the technology used in our products, the regulatory environment could again be changed to bar CMS coverage for treatment of chronic wounds utilizing the technology used in our products, whether for home health use or otherwise, which could limit the amount of coverage patients

or providers are entitled to receive.

Ivivi believes that government and private efforts to contain or reduce health care costs are likely to continue. These trends may lead third-party payors to deny or limit reimbursement for our products, which could negatively impact the pricing and profitability of, or demand for, our products.

Medicare

Medicare is a federally funded program that provides health coverage primarily to the elderly and disabled. Medicare is composed of four parts: Part A, Part B, Part C and Part D. Medicare Part A (hospital insurance) covers, among other things, inpatient hospital care, home health care and skilled nursing facility services. Medicare Part B (supplementary medical insurance) covers various services, including those services provided on an outpatient basis. Medicare Part B also covers medically necessary durable medical equipment and medical supplies. Medicare Part C, also known as "Medicare Advantage," offers beneficiaries a choice of various types of health care plans, including several managed care options. Medicare Part D is the new Voluntary Prescription Drug Benefit Program, which becomes effective in 2006. The Medicare program has established guidelines for the coverage and reimbursement of certain equipment, supplies and support services. In general, in order to be reimbursed by Medicare, a health care item or service furnished to a Medicare beneficiary must be reasonable and necessary for the diagnosis or treatment of an illness or injury or to improve the functioning of a malformed body part and not otherwise excluded by statute. In October 2004, CMS issued a quarterly update that allows skilled nursing facilities, or SNFs, and providers of healthcare in the home to use the electromagnetic therapy code in the Healthcare Common Procedure Code System, the standardized coding system developed by CMS to ensure that Medicare reimbursement claims are processed in an orderly and consistent manner for consolidated billing enforcement. Although CMS has provided for reimbursement for the use of electromagnetic therapy by SNFs, CMS has not yet provided for reimbursement for the use of electromagnetic therapy by providers of healthcare in the home. However, Ivivi is pursuing obtaining clearance for use of electromagnetic therapy by providers of healthcare in the home, but it may not be able to obtain such clearance.

The methodology for determining the amount of Medicare reimbursement of Ivivi's products varies based upon, among other things, the setting in which a Medicare beneficiary receives health care items and services.

Hospital Setting

Since the establishment of the prospective payment system in 1983, acute care hospitals are generally reimbursed for certain patients by Medicare for inpatient operating costs based upon prospectively determined rates. Under the prospective payment system, or PPS, acute care hospitals receive a predetermined payment rate based upon the Diagnosis-Related Group, or DRG, which is assigned to each Medicare beneficiary's stay, regardless of the actual cost of the services provided. Certain additional or "outlier" payments may be made to a hospital for cases involving unusually high costs or lengths of stay. Accordingly, acute care hospitals generally do not receive direct Medicare reimbursement under PPS for the distinct costs incurred in purchasing or renting Ivivi's products. Rather, reimbursement for these costs is included within the DRG-based payments made to hospitals for the treatment of Medicare-eligible inpatients who utilize the products. Long-term care and rehabilitation hospitals also are now paid under a PPS rate that does not directly account for all actual services rendered. Since PPS payments are based on predetermined rates, and may be less than a hospital's actual costs in furnishing care, hospitals have incentives to lower their inpatient operating costs by utilizing equipment and supplies, such as our medical

device products, that will reduce the length of inpatient stays, decrease labor or otherwise lower their costs. In addition, the amount that the hospital receives under PPS could limit the amount that the Company could charge a hospital for the use of its products.

Certain specialty hospitals also use the Company's medical device products. Such specialty hospitals are exempt from the PPS and, subject to certain cost ceilings, are reimbursed by Medicare on a reasonable cost basis for inpatient operating and capital costs incurred in treating Medicare beneficiaries. Consequently, such hospitals may have additional Medicare reimbursement for reasonable costs incurred in purchasing or renting the Company's products. There has been little experience with PPS for long-term care and rehabilitation hospitals. A final rule for rehabilitation hospital PPS became effective on January 1, 2002. A final ruling was published in August 2002 implementing PPS for long-term care hospitals with a phased-in transition period, effective October 1, 2002. Ivivi cannot predict the impact of the rehabilitation hospital PPS or the long-term care hospital PPS on the health care industry or on Ivivi's financial position or results of operations.

Skilled Nursing Facility Setting

On July 1, 1998, reimbursement for SNFs under Medicare Part A changed from a cost-based system to a prospective payment system which is based on resource utilization groups ("RUGs"). Under the RUGs system, a Medicare patient in a SNF is assigned to a RUGs category upon admission to the facility. The RUGs category to which the patient is assigned depends upon the medical services and functional support the patient is expected to require. The SNF receives a prospectively determined daily payment based upon the RUGs category assigned to each Medicare patient. These payments are intended generally to cover all inpatient services for Medicare patients, including routine nursing care, capital-related costs associated with the inpatient stay and ancillary services. Effective July 2002, the daily payments were based on the national average cost. Although the Refinement Act and BIPA increased the payments for certain RUGs categories, certain provisions of the Refinement Act and BIPA covering these payment increases expired on September 30, 2002 and, in effect, the RUGs rates for the most common categories of SNF patients decreased. Because the RUGs system provides SNFs with fixed daily cost reimbursement, SNFs have become less inclined to use products which had previously been reimbursed as variable ancillary costs.

Insurance

The Company may be exposed to potential product liability claims by those who use the Company's products. Therefore, the Company maintains a general liability insurance policy, which includes aggregate product liability coverage of $2,000,000 for certain of the Company's products. The Company does not have product liability coverage for its medical device products, other than the SofPulse which is covered by a product liability policy held by Ivivi. The Company believes that its present insurance coverage is adequate for the types of products currently marketed. There can be no assurance, however, that such insurance will be sufficient to cover potential claims or that the present level of coverage will be available in the future at a reasonable cost.

Employees

As of July 5, 2006, the Company had an aggregate of 19 employees, 11 of which are employed directly by the Company and 8 of which are employed by Ivivi. As of such date, the Company had four salaried employees in executive or managerial positions.

Recent Developments

Initial Public Offering of Ivivi

On February 11, 2005, the Company issued a press release pursuant to which the Company announced the filing of a registration statement on Form SB-2 by Ivivi related to the proposed initial public offering of Ivivi's common stock. Reference is made to the Company's Current Report on Form 8-K dated February 11, 2005. On June 19, 2006, Ivivi filed an update to the above referenced registration statement. Upon the effectiveness of the registration statement and the consummation of a public offering of Ivivi common stock, ADM will no longer own a majority of the outstanding common stock of Ivivi, and, if so, then Ivivi's operations will no longer be reported on a consolidated basis.

Risk Factors

An investment in our stock involves a high degree of risk. You should carefully consider the following information, together with other information in this prospectus, before buying shares of our stock. If any of the following risks or uncertainties occur, our business, financial condition and results of operations could be materially and adversely affected, the trading price of our stock could decline and you may lose all or a part of the money you paid to buy our stock.

Risks Relating to Our Chemical Business

New environmental or other regulations could increase the Company's operating costs.

Like other manufacturers, the Company is subject to a broad range of Federal, state and local laws and requirements, including those governing discharges in the air and water, the handling and disposal of solid and hazardous substances and wastes, the remediation of contamination associated with the release of hazardous substances, work place safety and equal employment opportunities. The Company has made expenditures to comply with such laws and requirements. The Company believes, based on information currently available to management, that it is in compliance with applicable environmental and other legal requirements and that the Company will not require material capital expenditures to maintain compliance with such requirements in the foreseeable future. Governmental authorities have the power to enforce compliance with such laws and regulations, and violators may be subject to penalties, injunctions or both. Third parties may also have the right to enforce compliance with such laws and regulations. As ADM develops new formulations for its chemical products, those products may become subject to additional review and approval requirements governing the sale and use of its products. Although the Company's manufacturing processes do not currently result in the generation of hazardous wastes, this may not always be the case and material costs or liabilities may be incurred by the Company in the future as a result of the manufacturing operations. It is also possible that other developments, such as additional or increasingly strict requirements of laws and regulations of these types, or enforcement policies thereunder, could significantly increase the Company's costs of operations.

Because we use various materials and substances in manufacturing our chemical products, our production facilities are subject to operating hazards that could cause personal injury and loss of life, severe damage to, or destruction of, property and equipment and environmental contamination.

We are dependent on the continued operation of our production and distribution facility. This facility is subject to hazards associated with the manufacture, handling, storage and transportation of chemical materials and

products, including natural disasters, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, and environmental hazards, such as spills, discharges or releases of toxic or hazardous substances and remediation complications. These hazards can cause personal injury and loss of life, severe damage to, or destruction of, property and equipment and environmental contamination and other environmental damage and could have a material adverse effect on our financial condition. In addition, due to the nature of our business operations, we could become subject to scrutiny from environmental action groups.

We rely significantly on raw materials in the production of our chemical products and fluctuations in costs of such raw materials would increase our operating expenses.

Our manufacturing operations with respect to our chemical products depend upon obtaining adequate supplies of our raw materials on a timely basis. The loss of a key source of supply or a delay in shipments could have an adverse effect on our business. We are exposed to price risks associated with these raw material purchases. The availability and prices of raw materials may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates, cost components of raw materials and worldwide price levels. Our results of operations could be adversely affected if we were unable to obtain adequate supplies of raw materials in a timely manner or if the costs of raw materials increased significantly.

We face competition from other chemical companies, which could adversely affect our revenue and financial condition.

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition in price, delivery, service, performance, product innovation and product recognition and quality, depending on the product involved. For some of our products, our competitors are larger and have greater financial resources. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate, a change in the prices of raw materials or a change in the economy as a whole. Our competitors can be expected to continue to develop and introduce new and enhanced products, which could cause a decline in market acceptance of our chemical products. Current and future consolidation among our competitors and customers may also cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our chemical products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers. If we cannot compete successfully, our business, financial condition and results of operations could be adversely affected.

We face competition from other chemical companies, which could force us to lower our prices thereby adversely affecting our operating margins, financial condition, cash flows and profitability.

The markets in which we operate are highly competitive, and this competition could harm our business, results of operations, cash flow and financial condition. Our competitors include major international producers as well as smaller regional competitors. We believe that a significant competitive factor for our products is selling price. We could be subject to adverse results caused by our competitors' pricing decisions. In addition, current and anticipated future consolidation among our competitors and customers may cause us to lose market share as well as put downward pressure on pricing. Furthermore, there is a trend in the chemical industry toward relocation of manufacturing facilities to lower-cost regions such as Asia. Such relocation may permit some of our competitors to lower their costs and improve their

competitive position. Some of our competitors are larger, have greater financial resources and have less debt than we do. As a result, those competitors may be better able to withstand a change in conditions within our industry and throughout the economy as a whole. If we do not compete successfully, our business, operating margins, financial condition, cash flows and profitability could be adversely affected.

Failure to develop new chemical products and/or improve our existing products will make us less competitive.

Our results of operations depend, in part, on our ability to expand our chemical product offerings. We are committed to remaining a competitive producer and believe that our portfolio of new or re-engineered products is strong. However, we may not be able to continue to develop new products, re-engineer our existing products successfully or bring them to market in a timely manner. While we believe that the products, pricing and services we offer customers are competitive, we may not be able to continue to attract and retain customers to which to sell our chemical products.

Failure to make continued improvements in our productivity could hurt our competitive position.

In order to obtain and maintain a competitive position, we believe that we must continue to make improvements in our productivity. When we invest in new technologies or processes, we face risks related to cost overruns and unanticipated technical difficulties. Our inability to anticipate, respond to or utilize changing technologies could have a material adverse effect on our business and our results of operations.

Changes in our customers' products could reduce the demand for our chemical products, which may decrease our net sales and operating margins.

Our chemical products are used for a broad range of applications by our customers. Changes, including technological changes, in our customers' products or processes may make our chemical products unnecessary, which would reduce the demand for those products. Other customers may find alternative materials or processes that no longer require our products. If the demand for our chemical products is reduced, our net sales and operating margins may be reduced as well.

We have few proprietary rights with respect to our chemical products, the lack of which may make it easier for our competitors to compete against us.

None of our chemical products are protected by patents. We do attempt to protect the names of some of our chemical products through trademarks and some of our other limited proprietary property through trade secret, nondisclosure and confidentiality measures; however, such protections may not preclude competitors from developing similar technologies.

Risks Relating to Our Medical Device Business

The medical products market is highly competitive and susceptible to rapid change and such changes could render any products developed by us uneconomical or obsolete.

The medical products market is characterized by extensive research and development activities and significant technological change. Our ability to execute our business strategy depends in part upon our ability to develop and commercialize efficient and effective products based on our technologies. We compete against established companies as well as numerous independently owned small businesses, including Diapulse Corporation of America, Inc., which manufactures and markets devices that are deemed by the FDA to be substantially equivalent to SofPulse; Regenesis Biomedical, which manufactures and markets

devices that are similar to our first generation SofPulse device; and KCI Concepts, Inc., which manufactures and markets negative pressure wound therapy devices in the wound care market. We also face competition from companies that have developed other forms of treatment, such as hyperbaric oxygen chambers, thermal therapies and hydrotherapy. In addition, companies are developing or may, in the future, engage in the development of products and/or technologies competitive with our products. We expect that technological developments will occur and that competition is likely to intensify as new technologies are employed. Many of our competitors are capable of developing products based on similar technology, have developed and are capable of continuing to develop products based on other technologies, which are or may be competitive with our products and technologies. Many of these companies are well-established, and have substantially greater financial and other resources, research and development capabilities and more experience in obtaining regulatory approvals, manufacturing and marketing than we do. Our ability to execute our business strategy and commercially exploit our SofPulse device must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the development of new medical processes, devices and products and their level of acceptance by the medical community. Our competitors may succeed in developing competing products and technologies that are more effective than our products and technologies, or that receive government approvals more quickly than our new products and technologies, which may render our existing and new products or technology uncompetitive, uneconomical or obsolete. See "Item 1. Business - Competition."

A portion of our revenues are currently dependent on our products that utilize PEMF technology, and increasing our revenues will depend on our ability to increase market penetration, as well as our ability to develop and commercialize new products and technologies.

Products based on non-invasive, electrotherapeutic technologies represent known methods of treatment that we believe have been under-utilized clinically. Physicians and other healthcare professionals may not use SofPulse or other potential products and technologies developed by us unless they determine that the clinical benefits to the patient are greater than those available from competing products or therapies or represent equal efficacy with lower cost. Even if the advantage of our products and technologies is established as clinically and fiscally significant, physicians and other healthcare professionals may not elect to use SofPulse or other products and technologies developed by us for any number of reasons. For example, the first generation of the SofPulse device cannot be used in hospital intensive care units because the power output of the device can interfere with medical monitoring equipment. The rate of adoption and acceptance of our products and technologies, including the SofPulse device, may also be affected adversely by unexpected side effects or complications associated with our products, consumers' reluctance to invest in new products and technologies, the level of third-party reimbursement and widespread acceptance of other products and technologies. Consequently, physicians and other healthcare professionals, healthcare payors and consumers may not accept SofPulse device products or new products or technologies developed by us. Broad market acceptance of the SofPulse device products and other products and technologies developed by us in the future may require the education and training of numerous physicians and other healthcare professionals, as well as conducting or sponsoring clinical and fiscal studies to demonstrate the cost efficiency and other benefits of such products and technologies. The amount of time required to complete such training and studies could be costly and result in a delay or dampening of such market acceptance. Moreover, healthcare payors' approval of use for our products and technologies in development may be an important factor in establishing market acceptance.

We may be required to undertake time-consuming and costly development activities and seek regulatory clearance or approval for new products or

technologies. Although we have received FDA clearance for the SofPulse device for the treatment of edema and pain in soft tissue, we may not be able to obtain regulatory clearance or approval of new products or technologies or new treatments through existing products. In addition, we have not demonstrated an ability to market and sell our SofPulse device products, much less multiple products simultaneously. If we are unable to increase market acceptance of our current products or develop and commercialize new products in the future, we will not be able to increase our revenues. The completion of the development of any new products or technologies or new uses of existing products will remain subject to all the risks associated with the commercialization of new products based on innovative technologies, including:

- our ability to fund and establish research that supports the efficacy of new technologies and products;
- our ability to obtain regulatory approval or clearance of such technologies and products, if needed;
- our ability to obtain market acceptance of such new technologies and products;
- our ability to effectively and efficiently market and distribute such new products;
- the ability of ADM Tronics or other manufacturers utilized by us to effectively and efficiently manufacture such new products; and
- our ability to sell such new products at competitive prices that exceed our per unit costs for such products.

We will need additional capital to market our existing medical device products and to develop and commercialize new technologies and products and it is uncertain whether such capital will be available.

Our medical device business is capital intensive and will require additional financing in order to:

- fund research and development;
- expand sales and marketing activities;
- develop new or enhanced technologies or products;
- respond to competitive pressures; and
- acquire complementary technologies or take advantage of unanticipated opportunities.

Our need for additional capital will depend on:

- the costs and progress of our research and development efforts;
- the preparation of pre-market application submissions to the FDA for our new products and technologies and costs associated therewith;
- the number and types of product development programs undertaken;
- the number of medical devices, including the SofPulse device, we have manufactured for sale or rental;
- the costs and timing of expansion of sales and marketing activities;
- the amount of revenues from sales of our existing and potentially new products;
- the cost of obtaining and maintaining, enforcing and defending patents and other intellectual property rights;
- competing technological and market developments; and
- developments related to regulatory and third-party coverage matters.

We will need to obtain capital to continue to operate and grow our medical device business. Our ability to obtain additional financing in the future will

depend in part upon the prevailing capital market conditions, as well as our business performance. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us or at all. If additional financing is raised by the issuance of common stock you may suffer additional dilution and if additional financing is raised through debt financing, it may involve significant restrictive covenants which could affect our ability to operate our business. If adequate funds are not available, or are not available on acceptable terms, we may not be able to continue our operations, grow our medical device business or take advantage of opportunities or otherwise respond to competitive pressures and remain in business.

If customers are unable to receive reimbursement from third-parties, including reimbursement from Medicare, our growth and revenues will be adversely affected in markets where our customers rely on insurance coverage for payment.

Some healthcare providers such as hospitals and physicians that purchase, lease or rent medical devices in the United States generally rely on third-party payors, principally Medicare and private health insurance plans, including health maintenance organizations, to reimburse all or part of the cost of the treatment for which the medical device is being used. Commercialization of our medical device products and technologies marketed in the United States will depend in part upon the availability of reimbursement for the cost of the treatment from third-party healthcare payors such as Medicare and private health insurance plans, including health maintenance organizations, in non-capitated markets, markets where we rely on insurance coverage for payment. Such third-party payors are increasingly challenging the cost of medical products and services, which have and could continue to have a significant effect on the ratification of such technologies and services by many healthcare providers. Several proposals have been made by federal and state government officials that may lead to healthcare reforms, including a government directed national healthcare system and healthcare cost-containment measures. The effect of changes in the healthcare system or method of reimbursement for the SofPulse device and any other products or technologies that we may market in the United States cannot be determined.

While third-party payors generally make their own decisions regarding which medical procedures, technologies and services to cover, Medicare and other third-party payors may apply standards similar to those used by CMS in determining whether to provide coverage for a particular procedure, technology or service. The Medicare statute prohibits payment for any medical procedures, technologies or services that are not reasonable and necessary for the diagnosis or treatment of illness or injury. In 1997, CMS, which is responsible for administering the Medicare program, had interpreted this provision to prohibit Medicare coverage of procedures that, among other things, are not deemed safe and effective treatments for the conditions for which they are being used, or which are still investigational. However, in July 2004, reimbursement of the use of the technology used in our SofPulse device in the treatment of non-healing wounds was reinstated by CMS after being discontinued from July 1997 through July 2004. In October 2004, CMS issued a quarterly update that allows skilled nursing facilities, or SNFs, and providers of healthcare in the home to use the electromagnetic therapy code in the Healthcare Common Procedure Code System, the standardized coding system developed by CMS to ensure that Medicare reimbursement claims are processed in an orderly and consistent manner for consolidated billing enforcement. Although CMS has provided for reimbursement for the use of electromagnetic therapy by SNFs, CMS has not yet provided for reimbursement for the use of electromagnetic therapy by providers of healthcare in the home. In addition, the regulatory environment could again be changed to bar CMS coverage for treatment of chronic wounds utilizing our SofPulse device or to limit the amount of coverage patients or providers are entitled to receive. Either of these events would adversely affect our revenues and operating results. See "Item 1. Business - Reimbursement."

We cannot predict what additional legislation or regulations, if any, may be enacted or adopted in the future relating to our business or the healthcare industry, including third-party coverage and reimbursement, or what effect any such legislation or regulations may have on us. Furthermore, significant uncertainty exists as to the coverage status of newly approved healthcare products, and there can be no assurance that adequate third-party coverage will be available with respect to any of our future products or new applications for our present products. In currently non-capitated markets, failure by physicians, hospitals, nursing homes and other users of our products to obtain sufficient reimbursement for treatments using our technologies would adversely affect our revenues and operating results. Alternatively, as the U.S. medical system moves to more fixed-cost models, such as payment based on diagnosis related groups, prospective payment systems or other forms of capitation, the market landscape may be altered, and the amount we can charge for our products may be limited.

If we are unable to achieve market acceptance of our medical device products or any new technologies or uses we develop in new markets where third-party reimbursement is unlikely, our growth could be impeded which could result in an inability to increase our revenues.

As part of our growth strategy, we intend to market our SofPulse device products to plastic surgeons and other plastic surgery practitioners. The use of the SofPulse device in these markets is unlikely to be reimbursed by insurance and, accordingly, we may experience cost resistance from physicians and patients in these markets that could adversely affect our growth strategy, our operating results and our ability to increase our revenues.

Our subsidiaries, SMI and Ivivi, outsource the manufacturing of their products to us and if our operations are interrupted or if our orders exceed our manufacturing capabilities, our subsidiaries may not be able to deliver their products to customers on time.

Pursuant to a manufacturing agreement between SMI, Ivivi and us, we are the exclusive manufacturer of the products of SMI and Ivivi. We operate a single facility and have limited capacity that may be inadequate if SMI's or Ivivi's customers place orders for unexpectedly large quantities of their products, or if our other customers place large orders of products, which could limit our ability to produce the products of SMI or Ivivi. In addition, if our operations were halted or restricted, even temporarily, or we are unable to fulfill large orders, SMI and Ivivi could experience business interruption, increased costs, damage to their reputations and loss of their customers. Although SMI and Ivivi have the right to utilize other manufacturers if we are unable to perform under our agreement, manufacturers of their products need to be licensed with the FDA, and identifying and qualifying a new manufacturer to replace us as the manufacturer of their products could take several months during which time, they would likely lose customers and their revenues could be materially delayed and/or reduced. See "Item 1. Business - Manufacturer and Suppliers."

SMI and Ivivi depend on a limited number of suppliers for their respective components and raw materials and any interruption in the availability of these components and raw materials used in their products could reduce their respective revenues.

SMI and Ivivi rely on a limited number of suppliers for the components and raw materials used in their medical devices. Although there are many suppliers for each of their component parts and raw materials, they are dependent on a single or limited number of suppliers for many of the significant components and raw materials. This reliance involves a number of significant risks, including:

- unavailability of materials and interruptions in

delivery of components and raw materials from suppliers;
- manufacturing delays caused by such unavailability or interruptions in delivery; and
- fluctuations in the quality and the price of components and raw materials.

Neither SMI nor Ivivi has any long-term or exclusive purchase commitments with any of its suppliers. Their failure to maintain existing relationships with their suppliers or to establish new relationships in the future could also negatively affect their ability to obtain components and raw materials used in their products in a timely manner. If they are unable to obtain ample supply of product from their existing suppliers or alternative sources of supply, they may be unable to satisfy their customers' orders which could reduce their revenues and adversely affect their relationships with their customers. See "Item 1. Business - Manufacturers and Suppliers."

Our ability to execute our business plan depends on the scope of our intellectual property rights and not infringing the intellectual property rights of others. The validity, enforceability and commercial value of these rights are highly uncertain.

Our ability to compete effectively with other companies is materially dependent upon the proprietary nature of our technologies. We rely primarily on patents and trade secrets to protect our medical device technologies.

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any patents or proprietary rights owned by us based on, among other things:

- subsequently discovered prior art;
- lack of entitlement to the priority of an earlier, related application; or
- failure to comply with the written description, best mode, enablement or other applicable requirements.

In general, the patent position of medical device companies is highly uncertain, still evolving and involves complex legal, scientific and factual questions. We are at risk that:

- other patents may be granted with respect to the patent applications filed by us; and
- any patents issued to us may not provide commercial benefit to us or will be infringed, invalidated or circumvented by others.

The United States Patent and Trademark Office currently has a significant backlog of patent applications, and the approval or rejection of patents may take several years. Prior to actual issuance, the contents of United States patent applications are generally published 18 months after filing. Once issued, such a patent would constitute prior art from its filing date, which might predate the date of a patent application on which we rely. Conceivably, the issuance of such a prior art patent, or the discovery of "prior art" of which we are currently unaware, could invalidate a patent of ours or prevent commercialization of a product claimed thereby.

Although we generally conduct a cursory review of issued patents prior to engaging in research or development activities, we may be required to obtain a license from others to commercialize any of our new products under development. If patents that cover our existing or new products are issued to other companies, there can be no assurance that any necessary license could be obtained on favorable terms or at all.

There can be no assurance that we will not be required to resort to litigation to protect our patented technologies and other proprietary rights or that we will not be the subject of additional patent litigation to defend our existing and proposed products and processes against claims of patent infringement or any other intellectual property claims. Such litigation could result in substantial costs, diversion of management's attention, and diversion of our resources. In fact, on June 29, 2005, Ivivi filed a complaint against Regenesis Biomedical, Inc. alleging that Regenesis is infringing on one of Ivivi's U.S. patents through its sales of a product that competes with Ivivi's SofPulse(R) product. Although Ivivi is seeking money damages and an injunction against future sales of the competing product, there can be no assurance that it will be successful. See "Item 3. Legal Proceedings."

We also have applied for patent protection in several foreign countries. Because of the differences in patent laws and laws concerning proprietary rights between the United States and foreign countries, the extent of protection provided by patents and proprietary rights granted to us by the United States may differ from the protection provided by patents and proprietary rights granted to us by foreign countries.

We attempt to protect our trade secrets, including the processes, concepts, ideas and documentation associated with our technologies, through the use of confidentiality agreements and non-competition agreements with our current employees and with other parties to whom we have divulged such trade secrets. If our employees or other parties breach our confidentiality agreements and non-competition agreements or if these agreements are not sufficient to protect our technology or are found to be unenforceable, our competitors could acquire and use information that we consider to be our trade secrets and we may not be able to compete effectively. Most of our competitors have substantially greater financial, marketing, technical and manufacturing resources than we have and we may not be profitable if our competitors are also able to take advantage of our trade secrets.

We may decide for business reasons to retain certain knowledge that we consider proprietary as confidential and elect to protect such information as a trade secret, as business confidential information or as know-how. In that event, we must rely upon trade secrets, know-how, confidentiality and non-disclosure agreements and continuing technological innovation to maintain our competitive position. There can be no assurance that others will not independently develop substantially equivalent proprietary information or otherwise gain access to or disclose such information.

If the FDA or other state or foreign agencies impose regulations that affect our medical device products, our development, manufacturing and marketing costs will be increased.

The development, testing, production and marketing of our existing medical devices are, and devices we may develop in the future will be, subject to regulation by the FDA as devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act. Although we have received FDA clearance for the SofPulse device for the treatment of pain and edema in soft tissue, alternative uses for the SofPulse device and any new products developed by us may be subject to FDA regulation as well. In addition, although we have not been asked by the FDA to seek pre-market approval for the SofPulse device, there can be no assurance that we will not be required to do so and that, if required, we will be able to comply with such requirement for the SofPulse device. Before a new medical device, or a new use of, or claim for, an existing product can be marketed in the United States, it must first receive either 510(k) clearance or pre-market approval from the FDA, unless an exemption applies. Either process can be expensive and lengthy. The FDA's 510(k) clearance process usually takes from three to twelve months, but it can take longer and is unpredictable. The

process of obtaining pre-market approval is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to three years, or even longer, from the time the application is filed with the FDA. See "Item 1. Business - Government Regulation."

In the United States, medical devices must be:

- manufactured in registered and quality approved establishments by the FDA; and
- produced in accordance with the FDA Quality System Regulation ("QSR") for medical devices.

As a result, we, as well as ADM Tronics, the exclusive manufacturer of our Ivivi device, are required to comply with QSR requirements and if they fail to comply with these requirements, we will need to find another company to manufacture our SofPulse devices which could delay the shipment of our product to our customers. In addition, the Company's manufacturing facility:

- is required to be registered as a medical device manufacturing site with the FDA; and
- is subject to inspection by the FDA.

The FDA requires producers of medical devices to obtain FDA licensing prior to commercialization in the United States. Testing, preparation of necessary applications and the processing of those applications by the FDA is expensive and time consuming. We do not know if the FDA will act favorably or quickly in making such reviews, and significant difficulties or costs may be encountered by us in our efforts to obtain FDA licenses. The FDA may also place conditions on licenses that could restrict commercial applications of such products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. Delays imposed by the FDA licensing process may materially reduce the period during which we have the exclusive right to commercialize patented products. We have made modifications to our devices and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. If the FDA disagrees, and requires new clearances or approvals for the modifications, we may be required to recall and to stop marketing the modified devices. We also are subject to Medical Device Reporting regulations, which require us to report to the FDA if our products cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury. We are not aware of any death or serious injury caused by or contributed to by our medical device products, however, we cannot assure you that any such problems will not occur in the future with our existing or future products.

Additionally, our existing and future products may be subject to regulation by similar agencies in other states and foreign countries. While we believe that we have complied with all applicable laws and regulations, continued compliance with such laws or regulations, including any new laws or regulations in connection with our medical devices or any new products developed by us, might impose additional costs on us or marketing impediments on our products which could adversely affect our revenues and increase our expenses. The FDA and state authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recall or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing our requests for 510(k) clearance or premarket approval of

new products, new intended uses, or modifications to existing products;
- withdrawing 510(k) clearance or premarket approvals that have already been granted; and
- criminal prosecution.

If any of these events were to occur, it could harm our business.

The FDA can impose civil and criminal enforcement actions and other penalties on us if we or our manufacturer fails to comply with stringent FDA regulations.

Medical device manufacturing facilities must maintain records, which are available for FDA inspectors documenting that the appropriate manufacturing procedures were followed. The FDA has authority to conduct inspections of our facility, as well as the facility of our manufacturer. Labeling and promotional activities are also subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. Any failure by us or the manufacturer of our products to take satisfactory corrective action in response to an adverse inspection or to comply with applicable FDA regulations could result in enforcement action against us or our manufacturer, including a public warning letter, a shutdown of manufacturing operations, a recall of our products, civil or criminal penalties or other sanctions. From time to time, the FDA may modify such requirements, imposing additional or different requirements which may require us to alter our business methods which could result in increased expenses. See "Item 1. Business - Governmental Regulation."

Risks Related to Our Company

We have a history of significant and continued operating losses and a substantial accumulated earnings deficit and we may continue to incur significant losses.

We have incurred substantial net losses of approximately $7.2 million and $3.4 million for the fiscal years ended March 31, 2006 and 2005, respectively. At March 31, 2006, we had an stockholders' deficiency of approximately $6.2 million and an accumulated deficit of $16.6 million. We expect to incur additional operating losses, as well as negative cash flow from operations, for the foreseeable future. As a result of our continued losses and the debt incurred by us in connection with our financings, our independent auditors have included an explanatory paragraph in our financial statements for the fiscal years ended March 31, 2006 and 2005, expressing doubt as to our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. The inclusion of a going concern explanatory paragraph in the report of our independent auditors could make it more difficult for us to secure additional financing or enter into strategic relationships with distributors on terms acceptable to us, if at all, and may materially and adversely affect the terms of any financing that we may obtain.

Our existing indebtedness may adversely affect our ability to obtain additional funds and may increase our vulnerability to economic or business downturns.

Our outstanding notes issued in our financings aggregated approximately $8.0 million principal amount as of March 31, 2006 (not including trade payables and other account payables). In addition, we may incur additional indebtedness in the future. Accordingly, we are subject to the risks associated with significant indebtedness, including:

- we must dedicate a portion of our cash flows from operations to pay principal and interest and, as a result, we may have less funds available for operations and other purposes;

- it may be more difficult and expensive to obtain additional funds through financings, if available at all;

- we are more vulnerable to economic downturns and fluctuations in interest rates, less able to withstand competitive pressures and less flexible in reacting to changes in our industry and general economic conditions; and

- if we default under any of our existing debt instruments, including paying the outstanding principal when due, and if our creditors demand payment of a portion or all of our indebtedness, we may not have sufficient funds to make such payments.

The occurrence of any of these events could materially adversely affect our results of operations and financial condition and adversely affect our stock price.

The agreements governing the terms of our notes contain numerous affirmative and negative covenants that limit the discretion of our management with respect to certain business matters and place restrictions on us, including obligations on our part to preserve and maintain our assets and restrictions on our ability to incur or guarantee debt, to merge with or sell our assets to another company, and to make significant capital expenditures without the consent of the noteholders. Our ability to comply with these and other provisions of such agreements may be affected by changes in economic or business conditions or other events beyond our control.

We have restated our financial statements in the past to reflect various corrections. No assurances can be given that similar restatements will not be required in the future.

We restated our financial statements in the past to reflect various corrections of certain errors. The impact of the restatement of such financial statements is included in our financial statements as of and for the years ended March 31, 2006 and 2005. While we believe we have put processes in place to begin to remedy areas in our internal controls, no assurances can be given that we will not be faced with situations which may require us to restate our financial statements again. Any such restatements could adversely effect the credibility of our reported financial results and the price of our common stock.

We may be exposed to product liability claims for which our insurance may be inadequate.

Our business exposes us to potential product liability risks, which are inherent in the testing, manufacturing and marketing of chemical products and medical devices. Although we maintain a general liability insurance policy, which includes aggregate product liability coverage of $2,000,000 for certain of our products, there can be no assurance, that such insurance will be sufficient to cover potential claims or that the present level of coverage will be available in the future at a reasonable cost.

We do not have product liability coverage for our medical device products other than the SofPulse, which is covered by a $2.0 million product liability policy held by Ivivi. While we are not aware of side-effects resulting from the use of any of our products, there may be unknown long-term effects of their use that may result in product liability claims in the future. Further, we cannot provide any assurance that:

- our insurance will provide adequate coverage against potential liabilities if a product causes harm or fails to perform as promised;
- adequate product liability insurance will continue to be

available in the future; or
- our insurance can be maintained on acceptable terms.

The obligation to pay any product liability claim in excess of whatever insurance we are able to obtain would increase our expenses and could greatly reduce our assets. See "Item 1. Business - Insurance."

The loss of any of our executive officers or key personnel may adversely affect our operations and our ability to execute our growth strategy.

Our ability to execute our business plan depends upon the continued services of Andre' DiMino, our President and Chief Executive Officer, as well as our key technology, marketing, sales and support personnel. We do not have employment or consulting agreements containing non-compete agreements with Mr. DiMino and certain of our key personnel, and we may not be able to retain these individuals. If we lost the services of Mr. DiMino or our key personnel, our business may be adversely affected and our stock price may decline. In addition, our ability to execute our business plan is dependent on our ability to attract and retain additional highly skilled personnel. We have key person life insurance in the amount of $2 million for Mr. DiMino, but not for any of our other executive officers or key employees.

Andre' DiMino, our President and Chief Executive Officer, also serves as Chairman and Chief Financial Officer of Ivivi. While Mr. DiMino devotes a substantial portion of his work-time toward ADM Tronics, the remaining amount of his work-time may be devoted elsewhere, including at Ivivi. As a result, Mr. DiMino's attention to our business and operations may be diverted by his obligations elsewhere, including at Ivivi, and we may not be able to have access to Mr. DiMino as needed by us.

Our executive officers and directors and entities affiliated with them have substantial control over us, which could delay or prevent a change in our corporate control favored by our other shareholders.

Our executive officers and directors and entities affiliated with them may be deemed to beneficially own, in the aggregate, approximately 51.7% of our outstanding common stock. In particular, Mr. DiMino, together with members of the DiMino family, may be deemed to beneficially own approximately 38.7% of the outstanding shares of our common stock. The interests of our current officer and director shareholders may differ from the interests of our other shareholders. As a result, the current officers and directors would have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other shareholders may vote, including the following actions:

- the election of directors;
- adoption of stock option plans;
- the amendment of charter documents; or
- the approval of certain mergers and other significant corporate transactions, including a sale of substantially all of our assets.

Penny stock regulations may impose certain restrictions on marketability of our securities.

If our common stock were to be subject to penny stock rules, these rules may discourage broker-dealers from effecting transactions in our common stock or affect their ability to sell our securities. As a result, purchasers and current holders of our securities could find it more difficult to sell their securities. Our stock is traded on the OTC Bulletin Board. Trading volume of OTC Bulletin Board stocks have been historically lower and more volatile then stocks traded on an exchange or the Nasdaq Stock Market. In addition we may be subject

to rules of the Securities and Exchange Commission that impose additional requirements on broker-dealers when selling penny stocks to persons other than established customers and accredited investors. In general, an accredited investor is a person with assets in excess of $1,000,000 or annual income exceeding $200,000 individually, or $300,000 together with his or her spouse. The relevant Securities Exchange Commission regulations generally define penny stocks to include any equity security not traded on an exchange or the Nasdaq Stock Market with a market price (as defined in the regulations) of less than $5 per share. Under the penny stock regulations, a broker-dealer must make a special suitability determination as to the purchaser and must have the purchaser's prior written consent to the transaction. Prior to any transaction in a penny stock covered by these rules, a broker-dealer must deliver a disclosure schedule about the penny stock market prepared by the Securities Exchange Commission. Broker-dealers must also make disclosure concerning commissions payable to both the broker-dealer and any registered representative and provide current quotations for the securities. Finally, broker-dealers are required to send monthly statements disclosing recent price information for the penny stock held in an account and information on the limited market in penny stocks.

Our stock price, like that of many small companies, has been and may continue to be volatile.

We expect that the market price of our common stock will fluctuate as a result of variations in our quarterly operating results and other factors beyond our control. These fluctuations may be exaggerated if the trading volume of our common stock is low.

We have not paid dividends in the past and do not expect to pay dividends in the future, and any return on investment may be limited to the value of your stock.

We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future and any return on investment may be limited to the value of your stock. We plan to retain any future earnings to finance growth.

Item 2. Description of Property

The Company is headquartered at 224-S Pegasus Avenue, Northvale, New Jersey. The Company leases approximately 16,000 square feet of combined office and warehouse space from an unaffiliated third party with a monthly rent of $7,200. The lease expires in June, 2008. The Company and its three subsidiaries utilize portions of the leased space. Pursuant to a management services agreement to which the Company and its subsidiaries are parties, the Company determines, on a monthly basis, the portion of space utilized by each subsidiary during such month, and each subsidiary reimburses the Company for their portion of the lease costs, real property taxes and related costs.

Ivivi also has research facilities located at 3120 De La Cruz Boulevard, Santa Clara, California. On July 23, 2004, one of the Company's subsidiaries entered into a lease for this space with a monthly rent of $400. The term of the lease ends on July 31, 2007.

Ivivi also maintains additional executive offices in Los Angeles, California. One of the Company's subsidiaries rents this office space on a month-to-month basis with a monthly rent of approximately $2,000.

The Company believes that its existing facilities are suitable as office, storage and laboratory space, and are adequate to meet its current needs. The Company further believes that such properties are adequately covered by insurance.

The Company does not own any real property for use in its operations or otherwise.

Item 3. Legal Proceedings

On May 25, 2005, we also filed a complaint against Regenesis Biomedical, Inc., Virginia Rybski, Vice President of Sales and Marketing of Regenesis, Terrence Kennedy, Regional Sales Manager for the South Eastern Territories of Regenesis, Mary Ritz, President of Regenesis, and Frank George, Chief Science and Technology Officer of Regenesis, in the Superior Court of New Jersey - Law Division - Bergen County, Docket 3724-05, alleging breach of contract, tortious interference and conversion. We are seeking money damages and an injunction against future sales of the competing product. On July 5, 2005, the defendants filed a motion to dismiss for lack of personal jurisdiction or for failure to state a claim upon which relief can be granted. The Court denied the defendants' motion and permitted a period of discovery to determine jurisdiction as to defendants, Terrence Kennedy, Mary C. Ritz and Frank R. George.

On August 17, 2005, we filed a complaint against Conva-Aids, Inc. t/a New York Home Health Care Equipment, or NYHHC, in the Superior Court of New Jersey, Law Division, Docket No. BER-L-5792-05, alleging breach of contract with respect to a distributor agreement that we and NYHHC entered into on or about August 1, 2004, pursuant to which: (i) we appointed NYHHC as exclusive distributor of our products in a defined market place for so long as NYHHC secured a minimum number of placements of our products and (ii) NYHHC agreed to pay us $2,500 per month for each product shipped to NYHHC. By letter, dated August 9, 2005, we terminated the agreement due to NYHHC's failure to make the payments required under the agreement and failure to achieve the minimum number of placements required under the agreement. We are seeking various forms of relief, including: (i) money damages, including amounts due under unpaid invoices in an aggregate amount of $236,560, (ii) an accounting and (iii) the return of our products. The defendants filed a motion to dismiss alleging lack of jurisdiction and failure to state a claim with regard to Harry Ruddy. We opposed the defendant's motion to dismiss. On November 18, 2005, the Court denied the defendant's motion to dismiss, without prejudice, based upon lack of jurisdiction, which has not been completely decided. The Court permitted a period of discovery to determine the jurisdiction issue, which discovery is substantially complete. The defendants filed another motion to dismiss based upon a claim of lack of jurisdiction, which was heard and denied by the Court on June 9, 2006.

Other than the foregoing, we are not a party to, and none of our property is the subject of, any pending legal proceedings other than routine litigation that is incidental to our business. To our knowledge, no governmental authority is contemplating any such proceedings.

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

None.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Market Information

The Company's common stock trades on the OTC-Bulletin Board under the symbol "ADMT." For the periods indicated, the following table sets forth the high and low bid quotations for the Company's common stock, as reported by the

National Quotation Bureau, Inc. The quotations represent inter-dealer quotations without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Quarter Ended	High Bid	Low Bid
Fiscal 2005		
June 30, 2004	0.40	0.29
September 30, 2004	0.41	0.23
December 31, 2004	0.47	0.20
March 31, 2005	0.49	0.35
Fiscal 2006		
June 30, 2005	0.29	0.28
September 30, 2005	0.33	0.32
December 31, 2005	0.25	0.25
March 31, 2006	0.27	0.27

Holders of Record

As of March 31, 2006, 53,882,037 shares of the Company's common stock were issued and outstanding. On March 31, 2006 there were 1,381 shareholders of record.

Dividends

The Company has never paid any cash dividends on its common stock and has no intention of paying cash dividends in the foreseeable future. The Company intends to retain all earnings, if any, for use in the operation and expansion of its business.

Equity Compensation Plan

As of July 5, 2006, ADM did not have any compensation plans (including individual compensation arrangements) under which its equity securities were authorized for issuance. Ivivi has a stock option plan pursuant to which up to 2,437,500 shares of common stock of Ivivi, 1,584,347 shares of which have been granted as of July 5, 2006, at exercise prices ranging from $.06 to $7.00 per share.

Item 6. Management's Discussion and Analysis or Plan of Operation

Forward-Looking Statements

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of the "safe harbor" provisions under section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Act of 1995. We use forward-looking statements in its description of our plans and objectives for future operations and assumptions underlying these plans and objectives. Forward-looking terminology includes the words "may", "expects", "believes", "anticipates", "intends", "forecasts", "projects", or similar terms, variations of such terms or the negative of such terms. These forward-looking statements are based on management's current expectations and are subject to factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-KSB to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "Item. 1 Description of Business - Risk

Factors" and elsewhere in, or incorporated by reference into this Annual Report on Form 10-KSB.

Critical Accounting Policies

See "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements for our critical accounting policies. These policies include revenue recognition, determining our allowance for doubtful accounts receivable, accounting for cost of revenue, valuation of long-lived assets and research and development costs. No significant changes in our critical accounting policies have occurred since March 31, 2005.

Business Overview

The Company is a technology-based developer and manufacturer of diversified lines of products in the following three areas: (1) environmentally safe chemical products for industrial use, (2) therapeutic non-invasive electronic medical devices and (3) cosmetic and topical dermatological products. The Company currently derives most of its revenues from the development, manufacture and sale of chemical products, and, to a lesser extent, from its therapeutic non-invasive electronic medical devices and topical dermatological products.

The Company is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. The Company's operations are conducted through ADM and its three subsidiaries, Ivivi Technologies, Inc., Pegasus Laboratories, Inc. and Sonotron Medical Systems, Inc.

Results of Operations for the Fiscal Years Ended March 31, 2006 and March 31, 2005

Our Ivivi subsidiary has filed a registration statement for an initial public offering of its stock in order to raise the funds necessary to fully implement its plan to market its products. The table at the end of this section summarizes our results of operations as if Ivivi had been separately stated. Our medical segment includes our Sonotron subsidiary as well as Ivivi.

Revenues

Revenues were $1,724,269 for the year ended March 31, 2006 as compared to $1,286,074 for the year ended March 31, 2005, an increase of $438,195, or 34%. Revenues from our chemical activities decreased by $14,873 and revenues from our medical technology activities (primarily from our Ivivi Subsidiary) increased by $453,068. During 2006, a significant customer of our chemical products ceased operations and curtailed purchases. Such customer accounted for approximately $39,000 of the Company's revenues for 2006, and approximately $261,000 for 2005. The increase in revenues from the Company's medical technology activities was primarily due to increased marketing of Ivivi's products. Revenues from our Ivivi subsidiary were $786,512 in 2006 and $328,996 in 2005.

Operating Loss

Our operating loss for 2006 was $4,981,806 compared to an operating loss for 2005 of $2,468,760, an increase of $2,513,046. Selling, general and administrative expenses increased by $2,515,583, primarily due to the significant increase in personnel, marketing, and overhead costs from our Ivivi subsidiary to support Ivivi's expanded activities related to the distribution and marketing of its products and share based compensation of $705,900 for 2006 compared to $284,278 for 2005. Research and development expense was $544,426

for 2006 for Ivivi's laboratory studies for its technology at Montefiore Medical Center and Cleveland Clinic started in January 2006, compared with an expense of $270,894 in 2005. The Cleveland Clinic study is expected to be completed by December 2006 at an estimated expense of $300,000.

Interest and Financing Costs

Net interest and financing costs increased $1,593,273, from $305,702 in the 2005 period to $1,898,975 in 2006, due to interest expense and accrued penalties and amortization of discount on the convertible notes issued in our private placements partially offset by interest earned from amounts invested in money market funds. During 2006 we recorded an expense of $290,349 due to the increase in the fair value of warrants and registration rights liabilities, compared to an expense of $581,749 in 2005.

Net Loss

Net loss was $7,171,130, or $0.13 per share, for the 2006 period as compared to $3,356,211, or $0.06 per share, for the 2005 period, an increase of 3,814,919, or $0.07 per share.

Ivivi Operations

The following table summarizes our results of operations for 2006 as if Ivivi had been separately stated:

	Ivivi	Others	Total
Revenues	$ 786,512	$ 937,757	$ 1,724,269
Costs and expenses:			
Cost of sales	216,984	476,014	692,998
Research and development	544,426	-	544,426
Selling, general and administrative	4,706,950	761,701	5,468,651
Operating income (loss)	$(4,681,848)	$ (299,958)	$(4,981,806)

Liquidity and Capital Resources

We have had significant operating losses for the fiscal years ended March 31, 2006 and 2005. As of March 31, 2006, we had an accumulated deficit of approximately $16.6 million. Our continuing operating losses have been funded principally from the proceeds of our private placement financings in which we have received gross proceeds of approximately $8.1 million and net proceeds of approximately $7.4 million. We expect to incur additional operating losses, as well as negative cash flow from operations, for the foreseeable future, as we continue to expand our marketing efforts with respect to our products and to continue our research and development of additional applications for our technology and other technologies that we may develop in the future.

We have had net losses of $7,171,130 and $3,356,211 for the years ended March 31, 2006 and 2005, respectively, and had a stockholders' deficiency of $6,199,807 at March 31, 2006. These factors raise substantial doubt about our ability to continue as a going concern. The significant increase in the net loss for the year ended March 31, 2006 is the result of our expanded activities. In anticipation of expanding our operations, we raised $8,087,500 in private placements, and at March 31, 2006, we had cash and cash equivalents of $982,670 and working capital of $333,726. Our net loss for the year ended March 31, 2006 has been principally funded from the net proceeds received from the private placement offering of the 6% unsecured notes payable described in Note 6 of the financial statements for the years ended March 31, 2006 and 2005. Our continuation as a going concern is dependent on our ability to increase

revenues, in receiving additional financing from outside sources, including a public offering of Ivivi's common stock and a return to profitable operations. We have developed additional commercially viable product offerings for both the wound market and the cosmetic surgery markets and we are actively pursuing exclusive arrangements with strategic partners, having leading positions in our target markets in order to establish revenue relationships and nationwide, and in some cases worldwide, marketing and distributions channels for our products.

Operating Activities:

Net cash flows used by operating activities was $3,719,371 for 2006 as compared to net cash used by operating activities of $2,059,121 for 2005. The use of cash in 2006 was primarily due to a net loss of $7,171,130 related mostly to the Company's medical technologies activities, and an increase in accounts receivable of $276,984 offset by decreases in other current assets of $272,365 and increases in accounts payable and accrued expenses of $751,564. The net loss was partially offset by an aggregate of non cash charges of $2,646,926 for share based compensation costs, depreciation and amortization bad debt expense, amortization of loan costs and discount on the convertible notes issued in the private placements, equity based penalties and the change in fair value of warrant and registration rights liabilities.

The use of cash in 2005 was primarily due to a net loss of $3,356,211 related mostly to the Company's medical technologies activities, and increases in accounts receivable of $27,851, inventory of $48,649 and other current assets of $286,303, offset by an increase in accounts payable of $261,630. The net loss was partially offset by an aggregate of non cash charges of $1,238,765 for share based compensation costs, depreciation and amortization, bad debt expense, amortization of loan costs and discount on the convertible notes issued in the private placements and the change in fair value of warrant and registration rights liabilities.

Investing Activities:

Cash used in investing activities was of $22,320 for 2006 as compared to $96,206 for 2005 related to the purchase of equipment.

Financing Activities:

On December 1, 2004 and February 11, 2005, we completed private placement financings (collectively, the "Placements") to "accredited investors" only, consisting of an aggregate of $6,087,500 principal amount of unsecured convertible notes bearing interest at an annual rate of 6%. The notes are due at various times from July 2009 through February 2010, unless converted earlier, and will convert automatically upon the consummation of a public offering into 1,191,830 shares of Ivivi common stock, subject to adjustment, plus up to an additional 60,003 shares of Ivivi common stock for the payment of interest on the notes through April 30, 2006 and 5,959 shares for each month thereafter until the date that a registration statement filed with the Securities and Exchange Commission is declared effective, assuming each holder elects to have his interest paid in shares of Ivivi common stock. Interest on the notes is payable quarterly in cash or shares of Ivivi common stock, at the direction of the holder. The Placements are also convertible into shares of ADM common stock at $0.29 per share. In addition, commencing March 1, 2005 with respect to the investors holding the notes issued in the private placement that was completed in December 2004, and June 30, 2005 with respect to the investors holding the notes issued in the private placement that was completed in February 2005, the investors have the additional right to receive interest payments in shares of ADM common stock in lieu of cash or shares of Ivivi common stock. In connection with the issuance of the notes, we also issued to the investors warrants to purchase an aggregate of 1,191,830 shares of Ivivi common stock at $3.51 per share, as well as warrants to purchase an aggregate

of 20,991,379 shares of the common stock of ADM at $.41 per share. The warrants to purchase shares of ADM common stock automatically expire upon the consummation of a public offering of Ivivi common stock. Under the terms of the notes sold in the private placement that was completed in December 2004 and February 2005, the number of shares of Ivivi common stock issuable upon conversion of the notes and exercise of the warrants will increase by 2% for each 30-day period, or portion thereof, after March 1, 2005 and June 30, 2005, respectively, that the registration statement in connection to the public offering of Ivivi common stock is not declared effective.

On November 10, 2005, Ivivi completed a private placement of securities to two institutional accredited investors (the "Private Placement"). In connection with the Private Placement, Ivivi realized aggregate gross proceeds of $1,250,000 from the sale of unsecured convertible promissory notes (the "Notes") and warrants (the "Warrants") to purchase shares of Ivivi common stock.The Notes are due and payable in November 2010, unless earlier converted. The Notes bear interest at a rate of 8% per annum, payable in cash, increasing by 1% every 365 days from the date of issuance to a maximum of 12% per annum. The principal and accrued and unpaid interest on the Notes will be automatically converted into shares of Ivivi common stock upon consummation of an initial public offering (an "IPO") at 85% of the initial public offering price of the common stock (the "IPO Price"); provided, however, that each holder of a Note may elect to convert all or any portion of the outstanding principal amount of the Note into shares of Ivivi common stock at $4.31 per share at any time from and after the earlier to occur of (i) the first anniversary of the date of the Note and (ii) a withdrawal of Ivivi's registration statement.

The holder of each Warrant is entitled to purchase shares of Ivivi common stock at an initial exercise price per share equal to (i) if an IPO has occurred prior to the exercise of the Warrant 100% of the IPO Price or (ii) if an IPO has not occurred prior to the exercise of the Warrant, $4.31 per share, subject to adjustment. The aggregate number of shares of Ivivi common stock issuable upon exercise of the Warrants shall equal either (i) if the Note has been converted as of the date of exercise of the Warrant, the number of shares of Ivivi common stock into which the Note was converted or (ii) if the Note has not been converted as of the date of exercise of the Warrant, such number of shares of Ivivi common stock into which the Note is then convertible.

Ivivi has entered into registration rights agreements with the investors that participated in the Private Placement, under which the investors received demand and piggy-back registration rights for the common stock underlying the securities sold in the Private Placement.

Each investor in the Private Placement is affiliated with an individual who has agreed to serve as a director of Ivivi upon effectiveness of Ivivi's proposed initial public offering of its common stock.

In March 2006, Ivivi completed a private placement of securities to two institutional accredited investors (the "March Private Placement"). In connection with the March Private Placement, Ivivi realized aggregate gross proceeds of $750,000 from the sale of unsecured convertible promissory notes (the "2006 Notes") and warrants (the "2006 Warrants") to purchase shares of common stock of Ivivi.

The 2006 Notes are due and payable in March 2011, unless earlier converted. The 2006 Notes bear interest at a rate of 8% per annum, payable in cash, increasing by 1% every 365 days from the date of issuance to a maximum of 12% per annum. The principal and accrued and unpaid interest on the 2006 Notes will be automatically converted into shares of Ivivi common upon consummation of an initial public offering of Ivivi (an "IPO") at 85% of the initial public offering price of the common stock (the "IPO Price"); provided, however, that

each holder of a 2006 Note may elect to convert all or any portion of the outstanding principal amount of the Note into shares of Ivivi common stock at $4.31 per share at any time from and after the earlier to occur of (i) the first anniversary of the date of the Note and (ii) a withdrawal of the registration statement.

On June 16, 2006, Ivivi entered into a $250,000 unsecured subordinated loan with Ajax Capital LLC. This loan bears interest at an annual rate of 8% and is due upon the earlier to occur of (i) December 31, 2006, (ii) the consummation of an offering of Ivivi securities, whether in a private or public offering, in which Ivivi raises gross proceeds of at least $5,000,000 and (iii) receipt by Ivivi from a strategic partner of a lump sum cash payment of at least $5,000,000. If the principal amount, together with all accrued and unpaid interest, is not paid on or before the maturity date, the interest rate will increase by 1% every year after the maturity date to a maximum of 13% per annum until all amounts due and payable under the note are paid in full.

As of July 5, 2006, ADM and Ivivi were in compliance with the financial covenants contained in the notes. These covenants will terminate upon conversion of the notes.

The Company is seeking sources of additional financing from several sources. The Company does not have any material sources of liquidity or unused sources of liquid assets.

Item 7. Financial Statements

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
MARCH 31, 2006

I N D E X

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
ADM Tronics Unlimited, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of ADM Tronics Unlimited, Inc. and subsidiaries as of March 31, 2006 and 2005, and the related statements of operations, changes in stockholders' equity (deficiency), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ADM Tronics Unlimited, Inc. and subsidiaries as of March 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the company has had recurring losses and has accumulated deficits and stockholders' deficiencies at March 31, 2006 and 2005. Those conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in note 2 to the consolidated financial statements, certain errors

resulting in understatement of previously recorded deferred compensation and additional paid-in capital as of March 31, 2005, were discovered by management of the company during the current year. Accordingly, the 2005 consolidated financial statements have been restated to correct these errors.

/s/ Raich Ende Malter & Co. LLP

Raich Ende Malter & Co. LLP
East Meadow, New York
June 27, 2006

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2006 AND 2005

	March 31, 2006	March 31, 2005 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 982,670	$ 3,011,631
Accounts receivable, net of allowance for doubtful accounts of $20,015 and $72,593, respectively	295,163	102,691
Inventories	273,594	372,717
Prepaid expenses and other current assets	13,452	278,502
Total current assets	1,564,879	3,765,541
Property and equipment, net of accumulated depreciation of $254,162 and $271,188, respectively	49,599	40,550
Equipment in use and under rental agreements, net of accumulated depreciation of $883,850 and $832,059, respectively	-	51,791
Inventory - long term portion	327,342	287,582
Loan receivable and accrued interest, officer	91,458	89,982
Other assets	97,712	104,928
Deferred loan costs, net	785,016	823,564
Deferred offering costs	323,657	133,125
Total assets	$ 3,239,663	$ 5,297,063
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$419,557	$172,978
Accrued expenses and other current liabilities	519,089	225,252
Accrued interest	319,823	101,359
Total current liabilities	1,258,469	499,589
Convertible debentures payable, net of unamortized debt discount of $2,434,281 and $2,628,219, respectively	5,653,219	3,459,281

Warrant and registration rights liabilities	2,527,782	1,449,326
Total liabilities	9,439,470	5,408,196
Stockholders' deficiency:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, $.0005 par value; 150,000,000 shares authorized, 53,882,037 shares issued and outstanding	26,941	26,941
Additional paid-in capital	10,342,480	10,003,561
Deferred compensation	-	(743,537)
Accumulated deficit	(16,569,228)	(9,398,098)
Total stockholders' deficiency	(6,199,807)	(111,133)
Total liabilities and stockholders' deficiency	$ 3,239,663	$ 5,297,063

See accompanying notes to consolidated financial statements.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended March 31,	
	2006	2005 (Restated)
Revenues	$1,724,269	$1,286,074
Costs and expenses:		
Cost of sales	692,998	530,872
Research and development	544,426	270,894
Selling, general and administrative	5,468,651	2,953,068
Total operating expenses	6,706,075	3,754,834
Operating loss	(4,981,806)	(2,468,760)
Interest and finance costs, net	(1,898,975)	(305,702)
Change in fair value of warrant and registration rights liabilities	(290,349)	(581,749)
Net (loss)	$(7,171,130)	$(3,356,211)
Net loss per share, basic and diluted	$(0.13)	$(0.06)
Weighted average shares outstanding	53,882,037	52,548,704

See accompanying notes to consolidated financial statements.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit	T
Balance, March 31, 2004	51,882,037	$25,941	$6,861,574	$(69,600)	$(6,041,887)	$776,028
Valuation of warrants issued to underwriter for services			67,253			67,253
Beneficial conversion feature			1,940,694			1,940,694
Contributed services			62,109			62,109
Issuance of warrants			844,241	(844,241)		-
Issuance of warrants for placement services			208,690			208,690
Issuance of common stock	2,000,000	1,000	19,000			20,000
Amortization of deferred compensation				170,304		170,304
Net loss					(3,356,211)	(3,356,211
Balance, March 31, 2005	53,882,037	26,941	10,003,561	(743,537)	(9,398,098)	(111,133
Reclassify deferred compensation			(743,537)	743,537		-
Beneficial conversion feature			133,776			133,776
Share based compensation			705,900			705,900
Warrants issued with debt			242,780			242,780
Net loss					(7,171,130)	(7,171,130
Balance, March 31, 2006	53,882,037	$26,941	$10,342,480	$ -	$(16,569,228)	$(6,199,807

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended March 31, 2006	2005

		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(7,171,130)	$(3,356,211)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	72,278	143,796
Contributed services	-	62,109
Stock based compensation	705,900	284,378
Amortization of loan costs and discount	705,780	266,936
Equity based penalty expense	788,107	-
Bad debts	84,512	43,593
Change in fair value of warrant and registration rights liabilities	290,349	581,749
Other	-	19,148
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(276,984)	(27,851)
Inventory	59,363	(48,649)
Other current assets	272,365	(286,303)
Deposits and other assets	(1,475)	(3,446)
Increase (decrease) in:		
Accounts payable and accrued expenses	751,564	261,630
Net cash used by operating activities	(3,719,371)	(2,059,121)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,320)	(96,206)
Net cash used by investing activities	(22,320)	(96,206)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable, net of costs deducted	1,895,792	5,345,002
Payment of note payable	-	(135,000)
Deferred offering costs	(183,062)	(133,125)
Net cash provided by financing activities	1,712,730	5,076,877
Net (decrease) increase in cash and cash equivalents	(2,028,961)	2,921,550
Cash and cash equivalents, beginning of year	3,011,631	90,081
Cash and cash equivalents, end of year	$982,670	$3,011,631
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$170,164	$70,890
Income taxes	-	-
Non-cash financing and investing activities:		
During the year ended March 31, 2006 the Company:		
Issued warrants valued at $242,780 in connection with convertible debt.		
Recorded a beneficial conversion feature related to		

convertible debt in the amount of $133,776, presented as a debt discount.

During the year ended March 31, 2005 the Company:

Issued convertible debt with detachable warrants valued at $867,577.

Recorded a beneficial conversion feature related to convertible debt in the amount of $1,940,694, presented as a debt discount.

See accompanying notes to consolidated financial statements.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006

1. ORGANIZATIONAL MATTERS

ORGANIZATION

ADM Tronics Unlimited, Inc. ("we", "us", "the company" or "ADM"), was incorporated under the laws of the state of Delaware on November 24, 1969. We are authorized under our Certificate of Incorporation to issue 150,000,000 common shares, with $.0005 par value, and 5,000,000 preferred shares with $.01 par value.

NATURE OF BUSINESS

We are a manufacturer and engineering concern whose principal lines of business are the production and sale of chemical products and manufacturing, selling and leasing of medical devices. Our chemical product line is principally comprised of water-based chemical products used in the food packaging and converting industries. These products are sold to customers located in the United States, Australia, and Europe. Medical equipment is manufactured in accordance with customer specification on a contract basis. Our medical device product line consists principally of proprietary devices used in the treatment of joint pain, postoperative edema, and tinnitus. These devices are FDA cleared medical devices known as "SofPulse" units. These products are sold or rented to customers located principally in the United States.

IVIVI OPERATIONS

Our majority owned subsidiary, Ivivi Technologies, Inc., has filed a Registration Statement with the Securities and Exchange Commission for the public offering of a portion of its common stock. Upon the effectiveness of the registration statement and the consummation of a public offering of Ivivi common stock, ADM will no longer own a majority of the outstanding common stock of Ivivi, and, if so, then Ivivi's operations will no longer be reported on a consolidated basis. For the years ended March 31, 2006 and 2005, Ivivi's revenues included in these consolidated financial statements were $786,512 and $328,996, respectively, and Ivivi's operating loss was $4,681,848 and $2,390,173.

GOING CONCERN

We have had net losses of $7,171,130 and $3,356,211 for the years ended March 31, 2006 and 2005, respectively, negative cash flow from operating activities of $3,719,371 and $2,059,121 for the years ended March 31, 2006 and 2005, respectively, and a stockholders' deficiency of $6,199,807 and $111,133 at March 31, 2006 and 2005 respectively. These factors raise substantial doubt about our ability to continue as a going concern.

The continuation of the company as a going concern is dependent on our

ability to increase revenues, receive additional financing from outside sources, including a public offering of the common stock of a subsidiary, Ivivi Technologies, Inc.("Ivivi") and a return to profitable operations. Management is continuing to secure ongoing revenue relationships for our products, including those with several strategic partners who will assist us in marketing and distribution of our products. On June 16, 2006, we received additional financing in the form of an unsecured loan in the amount of $250,000 from Ajax Capital LLC (see Note 13, Subsequent Events). We have developed additional commercially viable product offerings for both the wound market and the cosmetic surgery markets, and we are currently seeking strategic partnerships that would provide upfront payments, in return for possible geographic and/or market exclusivity, as well as certain guaranteed annual minimum revenue.

If we are not able to raise the necessary funding, we may be forced to curtail our operations and this may have a material adverse impact on our future financial position and results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION-- The consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES-- These financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include expected economic life and value of our SofPulse devices, deferred tax assets, option and warrant expenses related to compensation to employees and directors, consultants and investment banks, the value of warrants issued in conjunction with convertible debt, allowance for doubtful accounts, and warranty reserves. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS-- For certain of our financial instruments, including accounts receivable, inventories, accounts payable and accrued expenses and advances payable-affiliates, the carrying amounts approximate fair value due to their relatively short maturities.

Our convertible debt and loan receivable have interest rates that approximate market and therefore the carrying amounts approximate their fair values. The warrant and registration rights liabilities, as well as deferred loan costs, are discussed in note 6.

CASH AND EQUIVALENTS-- Cash equivalents are comprised of certain highly liquid investments with maturity of three months or less when purchased. We maintain our cash in bank deposit accounts, which at times, may exceed federally insured limits. We have not experienced any losses to date as a result of this policy.

REVENUE RECOGNITION-

Chemical Products:

Sales revenues are recognized when products are shipped to end users. Shipments to distributors are recognized as sales where no right of return exists.

Medical Devices:

We recognize revenue primarily from the rental and to a lesser extent from the sale of our medical devices.

Rental revenue is recognized as earned on either a monthly or pay-per-use basis in accordance with individual customer agreements. In most cases, we allow the rental end user to evaluate our equipment on a 30-day trial basis, during which time we provide any demonstration or education necessary for the use of our equipment. Rental revenue recognition commences after the end of the trial period. All of our rentals are terminable by either party at any time. When we use a third party to bill insurance companies, we still recognize revenue as our products are used. When certain of our distributors bill end users, we recognize rental revenue when we are paid by the distributor.

Sales are recognized when our products are shipped to end users including medical facilities and distributors. Our products are principally shipped on a "freight collect" basis. Shipping and handling charges and costs are immaterial. We have no post shipment obligations and sales returns have been immaterial.

We provide an allowance for doubtful accounts determined primarily through specific identification and evaluation of significant past due accounts, supplemented by an estimate applied to the remaining balance of past due accounts.

INVENTORY AND EQUIPMENT HELD FOR RENTAL-

Chemical product inventories are stated at the lower of cost (first-in, first-out method) or market. Inventory that is expected to be sold within one operating cycle (1 year) is classified as a current asset. Inventory that is not expected to be sold within 1 year, based on historical trends, is classified as Inventory - long term.

Our medical device inventories consist principally of Sofpulse Units ("Units"), FDA cleared devices, and are included in the balance sheet under three categories:

o Inventory - current portion for finished units expected to be sold within one year.

The current portion of inventory at March 31 consists of the following:

	2006	2005
Raw Materials	$129,444	$124,393
Finished Goods	144,150	248,324
	$273,594	$372,717

o Inventory - long term portion, for finished units of $232,053 held for sale and raw materials of $75,289 used to refurbish and build units. Units held for sale are stated at the lower of cost (first-in, first-out method) or market.

o Equipment held for rental, on a specific identification basis, for SofPulse Units leased to third parties, Units used internally and Units loaned out for marketing and testing. These Units are depreciated over seven years commencing on the date placed in service. At March 31, 2006, units held for rental were fully depreciated.

PROPERTY & EQUIPMENT - We record our equipment at historical cost. We expense maintenance and repairs as incurred. Depreciation is provided for by the

straight-line method over five to seven years, the estimated useful lives of the property and equipment.

LONG-LIVED ASSETS - We follow SFAS No. 144, "Accounting for Impairment of Disposal of Long-Lived Assets", which established a "primary asset" approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long lived asset to be held and used. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. During the years ended March 31, 2006 and 2005, no impairment loss was recognized.

ADVERTISING COSTS - Advertising costs are expensed as incurred and amounted to approximately $333,000 and $138,000 for the years ended March 31, 2006 and 2005, respectively. Costs incurred in connection with the sponsorship of a PBS promotional medical television program were capitalized until the completion and initial airing of the program, at which time they were expensed in full. Capitalized costs were $101,500 at March 31, 2005, and these costs were charged to expense during the year ended March 31, 2006.

RESEARCH AND DEVELOPMENT COSTS - Research and development costs consist of expenditures for the research and development of patents and technology, which are not capitalizable. Our research and development costs consist mainly of payments for third party research and development arrangements.

DEFERRED LOAN COSTS - Deferred loan costs are being amortized on a straight-line basis over a five year period through the maturity date of the related convertible notes (see Note 6). There is no material difference between the straight-line basis of amortization of debt costs and the effective interest method.

SHARE BASED COMPENSATION - Our share based compensation results primarily from the use of Ivivi common stock and common stock options.

SFAS No. 123, "Accounting for Share-Based Compensation," establishes and encourages the use of the fair value based method of accounting for share-based compensation arrangements under which compensation cost is determined using the fair value of share-based compensation determined as of the date of the grant or the date at which the performance of the services is completed and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for share-based compensation to employees. We have elected to use the intrinsic value based method for grants to our employees and directors and have disclosed the pro forma effect of using the fair value based method to account for our share-based compensation to employees.

We also follow the provisions of FASB Interpretation No. 44 (as amended), Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25 (FIN 44), which provides guidance for certain stock compensation issues, such as changes in grantee status that occur after July 1, 2000.

We use the fair value method for equity instruments granted to non-employees and use the Black Scholes option value model for measuring the fair value of warrants and options. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of

the services is completed (measurement date) and is recognized over the periods in which the related services are rendered.

In December 2004, the FASB issued SFAS No.123 (revised 2004), "Share-Based Payment". SFAS 123(R) provides investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Public entities (other than those filing as small business issuers) are required to apply SFAS 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. SFAS 123(R) is applicable for us effective the first interim period of our first fiscal year beginning on or after December 15, 2005. We will transition to the new standards under the "modified prospective method," which means that the fair value of any stock options which vest after the effective date would be expensed and recorded to the statement of operations. Companies must use fair value reported on a pro forma basis in the notes to the financial statements previously filed. We have evaluated the impact of the adoption of SFAS 123(R), and believe that the impact will be significant to our overall results of operations and financial position.

In November 2005, the FASB issued Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." FAS 123(R)-3 provides that companies may elect to use a specified alternative method to calculate the historical pool of excess tax benefits available to absorb tax deficiencies recognized upon adoption of SFAS No. 123 (R). The option to use the alternative method is available regardless of whether SFAS No. 123 (R) was adopted using the modified prospective or modified retrospective application transition method, and whether it is has the ability to calculate its pool of excess tax benefits in accordance with the guidance in paragraph 81 of SFAS No. 123 (R). This method only applies to awards that are fully vested and outstanding upon adoption of SFAS No. 123 (R). FAS 123(R)-3 became effective after November 10, 2005. The adoption of FAS 123(R)-3did not have a material impact on our financial position or results of operations.

Pro forma information regarding the effects on operations of employee and director common share purchase options as required by SFAS No. 123 and SFAS No. 148 has been determined as if we had accounted for those options under the fair value method. Pro forma information is computed using the Black Scholes method at the date of grant of the options based on the following assumption ranges for Ivivi: (1) risk free interest rate of 3.62%; to 4.6% (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 60% to 67%; and (4) an expected life of the options of 2.5 to 5 years. The foregoing option valuation model requires input of highly subjective assumptions. Because common share purchase options granted to employees and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value of estimates, the existing model does not in the opinion of our management necessarily provide a reliable single measure of the fair value of common share purchase options we have granted to our employees and directors.

Pro forma information relating to employee and director common share purchase options is as follows:

	FOR THE YEAR ENDED MARCH 31, 2006	FOR THE YEAR ENDED MARCH 31, 2005
Net loss as reported	$(7,171,130)	$(3,356,211)
Stock-based compensation expense included in reported net loss	11,424	11,424
Stock compensation calculated under fair value method	(46,511)	(21,043)
Pro forma net loss	$(7,206,217)	$(3,365,830)
Basic and diluted loss per share as reported	$ (0.13)	$ (0.06)
Pro forma basic and diluted loss per share	$ (0.13)	$ (0.06)

INCOME TAXES - We report the results of our operations as part of a consolidated tax return with our subsidiaries. We have entered into a tax sharing arrangement where each of the members compensates each other to the extent that their respective taxes are affected as a result of this arrangement. Deferred income taxes result primarily from temporary differences between financial and tax reporting. Deferred tax assets and liabilities are determined based on the difference between the financial statement bases and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is recorded to reduce a deferred tax asset to that portion that is expected to more likely than not be realized.

NET LOSS PER SHARE - We use SFAS No. 128, "Earnings Per Share" for calculating the basic and diluted loss per share. We compute basic loss per share by dividing net loss and net loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential shares had been issued and if the additional shares were dilutive. Common equivalent shares are excluded from the computation of net loss per share if their effect is anti-dilutive.

Per share basic and diluted net loss amounted to $0.13 for the year ended March 31, 2006 and $0.06 for the year ended March 31, 2005. For each of the years ended March 31, 2006 and 2005, 50,182,341 potential shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

CONVERTIBLE DEBT - In accordance with EITF 00-27, a portion of the proceeds of our convertible debt has been allocated to the warrants issued with the debt based on their fair value. This allocation has resulted in a discount on the debt and the discount is being amortized over the term of the notes to their maturity date. When the fair value of the underlying common stock is greater than the effective conversion price, we record a beneficial conversion feature, which is also amortized over the term of the notes to their maturity date.

In conjunction with the issuance of the convertible debt, we have issued warrants that have registration rights for the underlying shares. As the contracts must be settled by the delivery of registered shares and the shares

were not registered by the balance sheet date, pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the value of the warrants at the date of issuance was recorded as a warrant liability on the balance sheet. We have included the change in fair value from the date of issuance to March 31, 2006 in other income (expense), in accordance with EITF 00-19. The fair value of the warrant liability was $433,630 at March 31, 2006 and $1,449,326 at March 31, 2005. Upon the registration statement being declared effective, the fair value of the warrants on that date will be reclassified as equity.

In June 2005, the EITF issued EITF 05-2, "The Meaning of Conventional Convertible Debt Instrument in Issue No. 00-19." EITF 05-2 retained the definition of a conventional convertible debt instrument as set forth in EITF 00-19, and which is used in determining certain exemptions to the accounting treatments prescribed under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." EITF 05-2 also clarified that certain contingencies related to the exercise of a conversion option would not be outside the definition of "conventional" and determined that convertible preferred stock with a mandatory redemption date would also qualify for similar exemptions if the economic characteristics of the preferred stock are more akin to debt than equity. EITF 05-2 is effective for new instruments entered into and instruments modified in periods beginning after June 29, 2005. We adopted the provisions of EITF 05-2 on July 1, 2005, which did not have a material effect on our financial position or results of operations.

In September 2005, the FASB ratified the EITF's Issue No. 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues" (EITF 05-7"), which addresses whether a modification to a conversion option that changes its fair value effects the recognition of interest expense for the associated debt instrument after the modification, and whether a borrower should recognize a beneficial conversion feature, not a debt extinguishment, if a debt modification increases the intrinsic value of the debt (for example, the modification reduces the conversion price of the debt). The statement is effective for accounting modifications of debt instruments beginning in the first interim or annual reporting period beginning after December 15, 2005. The adoption of EITF 05-7 did not have a material impact on our financial position or results of operations.

In September 2005, the FASB ratified the EITF's Issue No. 05-8, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature" ("EITF 05-8"), which discusses whether the issuance of convertible debt with a beneficial conversion feature results in a basis difference arising from the intrinsic value of the beneficial conversion feature on the commitment date (which is recorded in the stockholder's equity for book purposes, but as a liability for income tax purposes) and, if so, whether that basis difference is a temporary difference under FASB Statement No. 109, "Accounting for Income Taxes." The statement will be effective for financial statements beginning in the first interim or annual reporting period beginning after December 15, 2005. The adoption of EITF 05-8 did not have a material impact on our financial position or results of operations.

RECLASSIFICATIONS - Certain reclassifications have been made to the consolidated financial statements for the prior period in order to have them conform to the current period's classifications. These reclassifications have no effect on previously reported net income.

RESTATEMENT - The March 31, 2005 financial statements have been restated to reflect additional expense of $222,488 resulting from contributed services of $62,109, accrued financing expense of $26,821, and the revaluation of equity based compensation of $133,558. As a result of these corrections, net loss for the year ended March 31, 2005 has increased by $222,488, to $3,356,211 from

$3,133,723, and loss per share remained unchanged at $0.06 per share

Changes to the balance sheet at March 31, 2005 resulting from these corrections are as follows:

	As reported in Form 10-KSB/A (Amendment No. 2)	Restated
Accrued interest and penalties	$ 74,538	$ 101,359
Additional paid-in capital	$ 9,391,972	$10,003,561
Deferred compensation	$ (327,615)	$ (743,537)
Accumulated deficit	$(9,175,610)	$(9,398,098)

NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period costs. The provisions of SFAS No. 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 is not expected to have a material effect on our financial position, results of operations, or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"). SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle. It also requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. The statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect that the adoption of SFAS No. 154 will have a material effect on our financial position or results of operations.

3. PROPERTY AND EQUIPMENT

Our property and equipment as of March 31, 2006 is as follows:

	2006	2005
Computer equipment.....	$ 19,691	$ 12,986
Leasehold improvements.....	3,401	3,401
Machinery and equipment.....	280,669	295,351
Total property and equipment.....	303,761	311,738
Accumulated depreciation and amortization	254,162	271,188
Property and equipment, net	$ 49,599	$ 40,550

Depreciation and amortization expense related to property and equipment amounted to $13,271 and $7,722 during the years ended March 31, 2006 and 2005, respectively.

4. EQUIPMENT IN USE AND UNDER RENTAL AGREEMENTS

Equipment in use and under rental agreements consists of the

following at March 31, 2006:

	2006	2005
SofPulse units	$883,850	$883,850
Accumulated depreciation	883,850	832,059
Equipment in use and under rental agreements, net	$ --	$ 51,791

Depreciation expense related to equipment in use and under rental agreements amounted to $51,791 and $131,470 during the years ended March 31, 2006 and 2005, respectively.

5. INCOME TAXES

Net operating losses for tax purposes of approximately $11,567,000 at March 31, 2006 are available for carryover. The net operating losses will expire from 2010 through 2026. We have provided a 100% valuation allowance for the deferred tax benefit resulting from the net operating loss carryover due to our limited operating history. In addressing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. A reconciliation of the statutory Federal income tax rate and the effective income tax rate for the years ended March 31, 2006 and 2005 follows:

Significant components of deferred tax assets and liabilities are as follows:

	MARCH 31, 2006	MARCH 31, 2005
Deferred tax assets (liabilities):		
Bad debts	$ 8,000	$ 29,000
Net operating loss carryforwards	$ 4,627,000	$ 2,729,000
Deferred tax assets, net	4,635,000	2,758,000
Valuation allowance	(4,635,000)	(2,758,000)
Net deferred tax assets	$ --	$ --

	MARCH 31, 2006	MARCH 31, 2005
Statutory federal income tax rate	(34)%	(34)%
State income taxes, net of federal taxes	(6)%	(6)%
Non-deductible items	12%	11%
Valuation allowance	28%	29%
Effective income tax rate	0%	0%

6. PRIVATE PLACEMENTS OF CONVERTIBLE DEBT

On December 1, 2004 and February 11, 2005, we completed private placement financings (collectively, the "Placements") to "accredited investors" only, consisting of an aggregate of $6,087,500 principal amount of unsecured convertible notes bearing interest at an annual rate of 6%. The notes are due at various times from July 2009 through February 2010, unless converted earlier, and will convert automatically upon the consummation of a public offering into 1,191,830 shares of Ivivi common stock, subject to adjustment, plus up to an additional 60,003 shares of Ivivi common stock for the payment of

interest on the notes through April 30, 2006 and 5,959 shares for each month thereafter until the date that a registration statement filed with the Securities and Exchange Commission is declared effective, assuming each holder elects to have his interest paid in shares of Ivivi common stock. Interest on the notes is payable quarterly in cash or shares of Ivivi common stock, at the direction of the holder. The Placements are also convertible into shares of ADM common stock at $0.29 per share. In addition, commencing March 1, 2005 with respect to the investors holding the notes issued in the private placement that was completed in December 2004, and June 30, 2005 with respect to the investors holding the notes issued in the private placement that was completed in February 2005, the investors have the additional right to receive interest payments in shares of ADM common stock in lieu of cash or shares of Ivivi common stock. In connection with the issuance of the notes, we also issued to the investors warrants to purchase an aggregate of 1,191,830 shares of Ivivi common stock at $3.51 per share, as well as warrants to purchase an aggregate of 20,991,379 shares of the common stock of ADM at $.41 per share. The warrants to purchase shares of ADM common stock automatically expire upon the consummation of a public offering of Ivivi common stock. Under the terms of the notes sold in the private placement that was completed in December 2004 and February 2005, the number of shares of Ivivi common stock issuable upon conversion of the notes and exercise of the warrants will increase by 2% for each 30-day period, or portion thereof, after March 1, 2005 and June 30, 2005, respectively, that the registration statement in connection to the public offering of Ivivi common stock is not declared effective. In accordance with EITF 00-27, a portion of the proceeds were allocated to the warrants based on their fair value, which totaled $867,577 using the Black Scholes option pricing model based on the following assumptions: (1) risk free interest rate of 1.5%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 64%; and (4) an expected life of 6 months. The remaining balance was allocated to the convertible debt instruments and was used to compute the beneficial conversion feature. We attributed a beneficial conversion feature of $1,940,694 to the convertible debt instruments based upon the difference between the effective conversion price of the instruments and the closing price of our shares on the date of issuance. Accordingly, the notes payable were discounted by a total of $2,808,271. The discount is being amortized over the term of the notes to their maturity date. During the years ended March 31, 2006 and 2005, amortization as interest expense amounted to $560,115 and $180,052, respectively. Since the fair value of the underlying common stock was less than the effective conversion price, there was no beneficial conversion feature.

In conjunction with the issuance of the convertible debt, we have issued warrants that have registration rights for the underlying shares. As the contracts must be settled by the delivery of registered shares and the shares were not registered by the balance sheet date, pursuant to EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the value of the warrants at the date of issuance was recorded as a warrant liability on the balance sheet. We have included the change in fair value from the date of issuance to March 31, 2006 in other income (expense), in accordance with EITF 00-19. The fair value of the warrant liability was $433,630 at March 31, 2006 and $1,449,326 at March 31, 2005. Upon the registration statement being declared effective, the fair value of the warrants on that date will be reclassified as equity.

Ivivi has filed a Registration Statement with the Securities and Exchange Commission for the public offering of a portion of their common stock.

Because Ivivi does not have an effective registration statement, we have incurred the penalties described above. As a result, as of March 31, 2006, we are obligated to issue an additional 281,094 shares of Ivivi common stock and 281,094 additional Ivivi warrants. Included in interest and finance costs, we have recorded an expense of $788,107 during the year ended March 31, 2006

related to this penalty, based on the fair value of the Ivivi shares and warrants as incurred. Additionally, during the year ended March 31, 2006, we have recorded an additional expense of $1,306,045 due to the increase in value of the Ivivi shares and warrants at March 31, 2006.

On November 10, 2005, Ivivi completed a private placement of securities to two institutional accredited investors (the "Private Placement"). In connection with the Private Placement, Ivivi realized aggregate gross proceeds of $1,250,000 from the sale of unsecured convertible promissory notes (the "Notes") and warrants (the "Warrants") to purchase shares of Ivivi common stock.

The Notes are due and payable in November 2010, unless earlier converted. The Notes bear interest at a rate of 8% per annum, payable in cash, increasing by 1% every 365 days from the date of issuance to a maximum of 12% per annum. The principal and accrued and unpaid interest on the Notes will be automatically converted into shares of Ivivi common stock upon consummation of an initial public offering (an "IPO") at 85% of the initial public offering price of the common stock (the "IPO Price"); provided, however, that each holder of a Note may elect to convert all or any portion of the outstanding principal amount of the Note into shares of Ivivi common stock at $4.31 per share at any time from and after the earlier to occur of (i) the first anniversary of the date of the Note and (ii) a withdrawal of Ivivi's registration statement.

The holder of each Warrant is entitled to purchase shares of Ivivi common stock at an initial exercise price per share equal to (i) if an IPO has occurred prior to the exercise of the Warrant 100% of the IPO Price or (ii) if an IPO has not occurred prior to the exercise of the Warrant, $4.31 per share, subject to adjustment. The aggregate number of shares of Ivivi common stock issuable upon exercise of the Warrants shall equal either (i) if the Note has been converted as of the date of exercise of the Warrant, the number of shares of Ivivi common stock into which the Note was converted or (ii) if the Note has not been converted as of the date of exercise of the Warrant, such number of shares of Ivivi common stock into which the Note is then convertible. In accordance with EITF 00-27, a portion of the proceeds was allocated to the warrant based on its relative fair value, which totaled $64,886 using the Black-Scholes option pricing model. The remaining balance was allocated to the convertible notes. The assumptions used in the Black-Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 67%, (3) risk-free interest rate of 3.62%,(4) expected life of 5 years and (5) estimated fair value of Ivivi common stock was $0.83 per share. The debt discount is being amortized over the term of the notes. During the year ended March 31, 2006, amortization as interest expense amounted to $5,084. Since the fair value of the underlying common stock was less than the effective conversion price, there was no beneficial conversion feature.

Ivivi has entered into registration rights agreements with the investors that participated in the Private Placement, under which the investors received demand and piggy-back registration rights for the common stock underlying the securities sold in the Private Placement.

Each investor in the Private Placement is affiliated with an individual who has agreed to serve as a director of Ivivi upon effectiveness of Ivivi's proposed initial public offering of its common stock.

In March 2006, Ivivi completed a private placement of securities to two institutional accredited investors (the "March Private Placement"). In connection with the March Private Placement, Ivivi realized aggregate gross proceeds of $750,000 from the sale of unsecured convertible promissory notes (the "2006 Notes") and warrants (the "2006 Warrants") to purchase shares of common stock of Ivivi.

The 2006 Notes are due and payable in March 2011, unless earlier converted. The 2006 Notes bear interest at a rate of 8% per annum, payable in cash, increasing by 1% every 365 days from the date of issuance to a maximum of 12% per annum. The principal and accrued and unpaid interest on the 2006 Notes will be automatically converted into shares of Ivivi common upon consummation of an initial public offering of Ivivi (an "IPO") at 85% of the initial public offering price of the common stock (the "IPO Price"); provided, however, that each holder of a 2006 Note may elect to convert all or any portion of the outstanding principal amount of the Note into shares of Ivivi common stock at $4.31 per share at any time from and after the earlier to occur of (i) the first anniversary of the date of the Note and (ii) a withdrawal of the registration statement.

The holder of each 2006 Warrant is entitled to purchase shares of Ivivi common stock at an initial exercise price per share equal to (i) if an IPO has occurred prior to the exercise of the 2006 Warrant 100% of the IPO Price or (ii) if an IPO has not occurred prior to the exercise of the 2006 Warrant, $4.31 per share, subject to adjustment. The aggregate number of shares of Ivivi common stock issuable upon exercise of the 2006 Warrants shall equal either (i) if the 2006 Note has been converted as of the date of exercise of the 2006 Warrant, the number of shares of Ivivi common stock into which the Note was converted or (ii) if the 2006 Note has not been converted as of the date of exercise of the Warrant, such number of shares of Ivivi common stock into which the Note is then convertible. In accordance with EITF 00-27, a portion of the proceeds was allocated to the warrant based on its relative fair value, which totaled $177,894 using the Black-Scholes option pricing model. The remaining balance was allocated to the convertible notes. The assumptions used in the Black-Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 60%, (3) risk-free interest rate of 4.6%,(4) expected life of 2.5 years and (5) estimated fair value of our common stock was $5.60 per share. The debt discount is being amortized over the term of the notes. During the year ended March 31, 2006, amortization as interest expense amounted to $2,663. We attributed a beneficial conversion feature of $133,776 to the 2006 Notes based upon the difference between the effective conversion price of those shares and the fair value of Ivivi common shares on the date of issuance. Since the debt is considered to be conventional convertible debt, we have not bifurcated the embedded conversion feature as a separate derivative instrument.

We entered into registration rights agreements with the investors that participated in the Private Placement, under which the investors received demand and piggy-back registration rights for the common stock underlying the securities sold in the Private Placement.

These securities were issued in a private placement of securities exempt from registration under the Act, pursuant to Section 4(2) of the Act.

On the effective date of the registration statement of which these financial statements form a part, Ivivi will effect a 1.625 to 1 stock split of all shares outstanding at that time. All Ivivi share and per share data give retroactive effect to the stock split.

7. STOCKHOLDERS' EQUITY TRANSACTIONS

During the year ended March 31, 2006, Ivivi issued in the aggregate 227,500 common share purchase options to consultants. The fair value of the options is being expensed over the vesting period. In accordance with EITF 96-18, the fair value of the vesting options will be recomputed at each reporting period and any increase will be charged to expense.

During the year ended March 31, 2006, Ivivi issued in the aggregate

87,750 common share purchase options to employees.

During the year ended March 31, 2005, Ivivi issued 260,000 warrants to purchase shares of Ivivi common stock to consultants with an exercise price of $5.63 per share. The warrants are also exercisable into 4,564,997 shares of ADM common stock. The warrants to purchase shares of ADM common stock automatically expire upon the consummation of a public offering of Ivivi common stock. The fair market of the ADM warrants was $294,761 using the Black Scholes method at the date of grant of the options based on the following assumptions ranges: (1) risk free interest rate of 1.8%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 64%; and (4) an expected life of the options of .5 years. The value of the warrants is being amortized over a five year vesting period.

In connection with the February 2005 private placement described in Note 6, the underwriter was issued 184,426 Ivivi warrants. Of these warrants, 92,214 have an exercise price of $3.51 per share and 92,214 have an exercise price of $5.11 per share. The warrants expire in five years. The warrants are also exercisable into 3,247,804 shares of ADM common stock, 1,623,902 at an exercise price of $0.41 per share and 1,623,902 at an exercise price of $0.29 per share. The warrants to purchase shares of ADM common stock automatically expire upon the consummation of a public offering of Ivivi common stock. The fair market of the ADM warrants was $208,690 using the Black Scholes method at the date of grant of the options based on the following assumptions ranges: (1) risk free interest rate of 1.8%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 64%; and (4) an expected life of the options of .5 years. The fair value of the warrants has been classified as debt issue costs and is being amortized over the life of the related notes.

During the year ended March 31, 2005, the underwriter for the private placement was issued 142,899 Ivivi warrants for financial services performed. The warrants are also exercisable into 386,782 shares of ADM common stock at an exercise price of $0.27 per share. The warrants to purchase shares of ADM common stock automatically expire upon the consummation of a public offering of Ivivi common stock. The fair market of the ADM warrants was $67,253 using the Black Scholes method at the date of grant of the options based on the following assumptions ranges: (1) risk free interest rate of 1.8%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 64%; and (4) an expected life of the options of .5 years. The fair value of the warrants has been charged to operations during the year ended March 31, 2005. During the year ended March 31, 2005, Ivivi issued in the aggregate 108,387 common share purchase options to consultants. The options were issued with exercise prices ranging from $1.23 to $6.15. Of these awards, 20% vested immediately and the balance vests equally over the next five years of service. The fair value of the options is being expensed over the vesting period. In accordance with EITF 96-18, the fair value of the vesting options will be recomputed at each reporting period and any increase will be charged to expense.

During the year ended March 31, 2004, Ivivi issued an aggregate of 958,750 shares of common stock for consulting services. Of these shares, 112,125 vested immediately and the balance vests equally over the next five years of service. During April 2004, certain of the grantees became employees of Ivivi. The value of the unvested shares was remeasured using the intrinsic value method at the date of change. The balance of the shares held by consultants is being accounted for in accordance with EITF 96-18, and the fair value of the vesting options will be recomputed at each reporting period. We have recorded the expense related to these shares based on the fair value of the stock issued, either as determined by a third party valuation or estimated based on the anticipated IPO price.

During the year ended March 31, 2004, Ivivi issued in the aggregate

736,125 common share purchase options to consultants. The options were issued with exercise prices ranging from $0.06 to $0.31. Of these awards, 20% vested immediately and the balance vests equally over the next five years of service. During April 2004, certain of the grantees became employees of Ivivi. The value of the options was remeasured at that time, and an additional $11,424 of expense has been recorded during the years ended March 31, 2006 and 2005 related to the intrinsic value resulting from the remeasurment. The balance of the options held by consultants is being accounted for in accordance with EITF 96-18, and the fair value of the vesting options will be recomputed at each reporting period.

8. OPTIONS AND WARRANTS OUTSTANDING

ADM has an aggregate of 29,190,962 common stock purchase warrants outstanding as of March 31, 2006 and 2005. The warrants have a weighted average exercise price of $0.39 per share, are all exerciseable at March 31, 2006, and automatically expire upon the consummation of a public offering of Ivivi common stock.

Ivivi has instituted a stock option plan for the issuance of 2,437,500 shares. As of March 31, 2006 and 2005, 1,544,725 and 1,220,700 of options, respectively, were awarded, with 892,775 reserved for future issuance. The weighted average fair value of options issued to employees and directors during the years ended March 31, 2006 and 2005 is $1.82 and $0.34 per share, respectively.

The following table summarizes information on all common share purchase options and warrants issued by Ivivi for the periods ended March 31, 2006 and 2005, including common share equivalents relating to the convertible debenture share purchase warrants.

	MARCH 31, 2006		MARCH 31, 2005	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of the year	3,003,105	$2.68	1,115,562	$0.17
Granted during the year	737,003	7.00	1,887,543	4.13
Exercised during the year	--	--	--	--
Terminated during the year	--	--	--	--
Outstanding at end of the year	3,740,107	$3.50	3,003,105	$2.68
Exercisable at end of the year	876,627	$2.83	423,280	$0.32

The number and weighted average exercise prices of Ivivi common shares and common share equivalents issuable and stock purchase options and warrants outstanding as of March 31, 2006 is as follows:

REMAINING WEIGHTED AVERAGE

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE
$0 to 1	1,112,963	8.2	$0.17
1 to 3	67,763	8.3	1.58
3 to 4	1,284,041	4.0	3.51
4 to 6	352,214	8.4	5.48
6 to 9	923,126	7.6	6.88
Total	3,740,107	6.6	$3.50

9. COMMITMENTS AND CONTINGENCIES

The Company leases its office and manufacturing facilities under non-cancelable operating leases. The approximate future minimum annual rental under these leases at March 31, 2006 are as follows:

Years Ending:	
March 31, 2007	85,000
March 31, 2008	85,000
March 31, 2009	22,000
	$192,000

Other leases are month-to-month.

Rent expense for all facilities for the years ended March 31, 2006 and 2005 was approximately $152,000 and $127,000, respectively.

In January 2006 Ivivi entered into a Master Clinical Trial Agreement with the Cleveland Clinic Florida to perform a clinical trial of our device for a new use. The estimated cost of the clinical trial is $300,000. The Cleveland Clinic Florida is a not-for-profit multi-specialty medical group practice.

Effective January 1, 2004, Ivivi entered into a Consulting Agreement with the Chairman of the department of Plastic Surgery at Montefiore Medical Center pursuant to which we engaged the consultant to render consulting services to it for a term of six years with automatic one-year renewals. Pursuant to the consulting agreement, the consultant serves as Chairman of Ivivi's Medical Advisory Board and advises us on technological developments, future clinical and research applications and product development and efficacy in the pulsed magnetic frequencies field. In exchange for the consultant's consulting services, the consultant received 130,000 shares of Ivivi common stock, 16,250 of which vested immediately upon us entering into the consulting agreement with him, 17.5% of which vested on January 5, 2005 and the remaining 70% of which vest in four equal yearly installments on January 5 of each year from January 5, 2006 through January 1, 2009. In addition, Ivivi has agreed to pay the consultant an annual bonus (not to exceed $500,000) equal to the sum of 0.5% of that portion of Ivivi annual revenues in excess of $20 million and up to $80 million, 0.25% of that portion of Ivivi annual revenues in excess of $120 million. Ivivi has also agreed to pay the consultant a royalty equal to 0.05% of revenues received for practicing and/or commercializing any "new inventions" (as such term is defined in the agreement) developed by the consultant under the agreement. Bonuses and royalties payable for the fiscal years ended March 31, 2006 and 2007 are subject to a cap of 10% of our pre-tax profit (after deduction of such bonuses and royalty payments) for such fiscal

years. Bonuses and royalties payable under the consulting agreement are also subject to certain adjustments for returns, allowances or setoffs, to the consultant's compliance with the non-compete provisions of our consulting agreement and certain other restrictions.

Our medical devices are sold under agreements providing for the repair or replacement of any devices in need of repair, at our cost, for up to one year from the date of delivery, unless such need was caused by misuse or abuse of the device. Based on prior experience, at March 31, 2006 and 2005 no amounts have been accrued for potential warranty costs and such costs are expected to be nominal.

10. LEGAL PROCEEDINGS

We are involved, from time to time, in litigation and proceedings arising out of the ordinary course of business. Except as described below there are no pending material legal proceedings or environmental investigations to which we are a party or to which our property is subject.

On May 25, 2005, we also filed a complaint against Regenesis Biomedical, Inc., Virginia Rybski, Vice President of Sales and Marketing of Regenesis, Terrence Kennedy, Regional Sales Manager for the South Eastern Territories of Regenesis, Mary Ritz, President of Regenesis, and Frank George, Chief Science and Technology Officer of Regenesis, in the Superior Court of New Jersey - Law Division - Bergen County, Docket 3724-05, alleging breach of contract, tortious interference and conversion. We are seeking money damages and an injunction against future sales of the competing product. On July 5, 2005, the defendants filed a motion to dismiss for lack of personal jurisdiction or for failure to state a claim upon which relief can be granted. The Court denied the defendants' motion and permitted a period of discovery to determine jurisdiction as to defendants, Terrence Kennedy, Mary C. Ritz and Frank R. George.

On August 17, 2005, we filed a complaint against Conva-Aids, Inc. t/a New York Home Health Care Equipment ("NYHCC"), in the Superior Court of New Jersey, Law Division, Docket No. BER-L-5792-05, alleging breach of contract with respect to a distributor agreement that we and NYHCC entered into on or about August 1, 2004, pursuant to which (i) we appointed NYHHC as exclusive distributor of our products in a defined market place for so long as NYHHC secured a minimum number of placements of our products and (ii) NYHHC agreed to pay us $2,500 per month for each product shipped to NYHHC. By letter, dated August 9, 2005, we terminated the agreement due to NYHCC's failure to make the payments required under the agreement and failure to achieve the minimum number of placements required under the agreement. We are seeking various forms of relief, including (i) money damages, including amounts due under unpaid invoices in an aggregate amount of $236,560, (ii) an accounting and (iii) the return of our products. The defendants filed a motion to dismiss alleging lack of jurisdiction and failure to state a claim with regard to Harry Ruddy. We opposed the defendant's motion to dismiss. On November 18, 2005, the Court denied the defendant's motion to dismiss, without prejudice, based upon lack of jurisdiction, which has not been completely decided. The Court permitted a period of discovery to determine the jurisdiction issue, which discovery is substantially complete. The defendants filed another motion to dismiss based upon a claim of lack of jurisdiction, which was heard and denied by the Court on June 9, 2006.

We believe that the ultimate resolution of the foregoing matters will not have a material adverse impact on our cash flows or financial condition.

11. CONCENTRATIONS

During the year ended March 31, 2006, no one customer accounted for

more than 10% of our revenue. During the year ended March 31, 2005, we sold 32% of our products to 2 customers. At March 31, 2006, two customers accounted for 27% of our accounts receivable. The loss of these major customers could have a material adverse impact on our operations and cash flow.

12. SEGMENT INFORMATION AND GEOGRAPHICAL INFORMATION

We operate in two reportable segments, the production and sale of chemicals and the manufacture and sale or lease of medical device. The reportable segments are strategic business units that offer different products and services. They are managed separately based on differences in customer base, marketing strategies or regulatory environment. The accounting policies of the segments are the same as those described in Note 1. The Company evaluates performance on profit or loss from operations before income taxes.

Information about segment operations follows:

Year Ended March 31, 2006	Chemical	Medical	Total
Revenues	$ 861,806	$ 862,463	$1,724,269
Segment (loss)	(220,440)	(6,950,690)	(7,171,130)
Segment assets	685,718	2,546,629	3,232,347
Capital expenditures	15,725	6,595	22,320

Year Ended March 31, 2005	Chemical	Medical	Total
Revenues	$ 876,679	$ 409,395	$ 1,286,074
Segment income (loss)	96,537	(3,452,748)	(3,356,211)
Segment assets	934,382	4,362,681	5,297,063
Capital expenditures	60,771	35,435	96,206

Geographical Information:

Sales and rentals to unaffiliated customers, based on location of customer, is as follows:

	Years Ended March 31, 2006	2005
Chemical Segment:		
United States	$792,711	$797,020
Foreign	69,095	76,659
	$861,806	$876,679
Medical Segment:		
United States	$759,719	$338,058
Foreign	102,744	71,337
	$862,463	$409,395

13. RELATED PARTY TRANSACTIONS

At March 31, 2006 and 2005, ADM has advances to an officer of $49,188, no advances have been made since 2000. This advance bears interest at the rate of 3% per year. Interest accrued for the year ended March 31, 2006 and 2005 was $1,476 in each year and total accrued interest at March 31, 2006 and 2005 was $34,954 and $33,478, respectively.

At March 31, 2006 and 2005, ADM has advances to an employee, the wife of the above referred officer, of $7,316, no advances have been made since 2000. This advance bears no interest.

14. SUBSEQUENT EVENTS

On June 16, 2006, Ivivi entered into a $250,000 unsecured subordinated loan with Ajax Capital LLC. This loan bears interest at an annual rate of 8% and is due upon the earlier to occur of (i) December 31, 2006, (ii) the consummation of an offering of Ivivi securities, whether in a private or public offering, in which Ivivi raises gross proceeds of at least $5,000,000 and (iii) receipt by Ivivi from a strategic partner of a lump sum cash payment of at least $5,000,000. If the principal amount, together with all accrued and unpaid interest, is not paid on or before the maturity date, the interest rate will increase by 1% every year after the maturity date to a maximum of 13% per annum until all amounts due and payable under the note are paid in full. Steven Gluckstern, the Chairman of Ajax Capital LLC, will serve as the Ivivi Chairman of the Board upon the effectiveness of Ivivi's public offering.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

As previously reported in a Form 8-K dated August 11, 2006, on August 11, 2006, we appointed Raich Ende Malter & Co. LLP as our certifying accounts to replace Weinick Sanders Leventhal & Co., LLP, which ceased operations effective as of August 1, 2006. This engagement was approved by the Company's board of directors.

During the Company's fiscal years ended March 31, 2005 and 2004 and the subsequent interim period through August 1, 2005, the Company had no disagreements with Weinick Sanders Leventhal & Co., LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Weinick Sanders Leventhal & Co., LLP, would have caused it to make reference to the subject matter of the disagreements in its reports for such years.

Weinick Sanders Leventhal & Co., LLP's report on the Company's financial statements for the fiscal year ended March 31, 2005 contained a statement that the Company has suffered recurring losses from operations and has a stockholders' deficiency that raise substantial doubt about the Company's ability to continue as a going concern. Except for the statement discussed in the immediately preceding sentence, Weinick Sanders Leventhal & Co., LLP's report on the Company's financial statements for the fiscal year ended March 31, 2005 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

We provided Weinick Sanders Leventhal & Co., LLP with a copy of the disclosures made pursuant to the Form 8-K (which disclosures are consistent with the disclosures noted above) and Weinick Sanders Leventhal & Co., LLP furnished us with a letter addressed to the Securities and Exchange Commission stating that it agreed with the statements made by us in the Form 8-K filing, a copy of which was filed as an exhibit to an amendment to the Form 8-K.

Item 8A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

During the fourth quarter of the Company's fiscal year ended March 31, 2006, the Company's management, including the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization, and reporting of information in the Company's periodic reports that it files with the SEC. These disclosure controls and procedures have been designed to ensure that material information relating to the Company, including its subsidiaries, is made known to the Company's management, including these officers, by other of the Company's

employees, and that this information is recorded, processed, summarized, evaluated, and reported, as applicable, within the time periods specified in the SEC's rules and forms. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The Company's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Based on that evaluation as of March 31, 2006, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Internal Control over Financial Reporting.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 8B. Other Information

None.

PART III

Item 9. Directors and Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

The following table sets forth the names, positions and ages of the Company's executive officers and directors. All of the Company's directors serve until the next annual meeting of stockholders or until their successors are elected and qualify. Officers are elected by the board of directors and their terms of offices are, except to the extent governed by employment contracts, at the discretion of the board of directors.

Name	Age	Position
Andre' DiMino	50	President, Chief Executive Officer, Chief Financial Officer and Director
Vincent DiMino	80	Vice President of Production and Director
David Saloff	53	Director

Andre' DiMino has served as President of the Company since December 2001 and a director and chief Financial Officer of the Company since 1987. Prior thereto, Mr. DiMino served as Executive Vice President and Chief Operating Officer since 1991 and Secretary and Treasurer of the Company since 1978. Mr. DiMino also served as the Technical Director of ADM Tronics from 1982 to 1991. Mr. DiMino has also served as Chairman and Chief Financial Officer of Ivivi since January 2004 and served as President of Ivivi from 1989 to January 2004.

Vincent DiMino has served as Vice President of Production of the Company since 1969 and as a director of the Company since August 1987. Mr. DiMino has also served as a director of Ivivi since 1989.

David Saloff has served as a director of the Company since 2001. From 1999 to 2003, Mr. Saloff served as President of Lifewaves International Inc., a health and wellness start-up company. Prior thereto Mr. Saloff served as Vice President of Electropharmacology, Inc., from which the Company acquired the SofPulse technology referred to elsewhere herein. Mr. Saloff has also served as President and Chief Executive Officer and a director of Ivivi since 2004.

The terms of office of each of the directors and officers expire upon the election of their respective successors.

Vincent DiMino is Andre' DiMino's uncle. There is no other family relationship between any of the Company's directors or executive officers.

Audit Committee and Audit Committee Financial Expert

Because of the Company's ongoing efforts to engage qualified board members, the Company does not have a separately designated audit committee or compensation committee at this time. Accordingly, the Company's Board of Directors also has determined that the Company does not have an audit committee financial expert. The Company continues to seek new board members in order to appoint a separately designated audit committee. The functions which would be performed by an audit committee are performed by the Board of Directors as a whole.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder, requires the Company's directors, executive officers and persons who own beneficially more than 10% of the Company's common stock to file reports of ownership and changes in ownership of such stock with the Securities and Exchange Commission. Based solely upon a review of such reports, the Company believes that all of its directors, executive officers and 10% stockholders complied with all applicable Section 16(a) filing requirements during the Company's last fiscal year.

Code of Ethics

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of such Code of Ethics has been filed as Exhibit 14.1 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2005.

Item 10. Executive Compensation

The following table provides certain summary information for the fiscal years ended March 31, 2006 and 2005 concerning compensation paid, or accrued, by ADM to, or on behalf of, ADM's President and Chief Executive Officer (the "Named Officer"). Other than ADM's President and Chief Executive Officer, the Company does not have any executive officers of the Company whose total annual salary and bonus exceeded $100,000 during the fiscal year ended March 31, 2006.

Summary Compensation Table

Annual Compensation

Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Compensation
Andre' Di Mino	2006	$101,760	--	--
President, Chief Executive Officer	2005	$88,664	--	--
And Chief Financial Officer	2004	$86,600	--	--

Option Grants in Last Fiscal Year

There were no stock options to purchase shares of ADM's common stock granted to Mr. DiMino during the fiscal year ended March 31, 2005.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Mr. DiMino did not hold any stock options to purchase shares of the Company's common stock at any time during the fiscal year ended March 31, 2005 or at March 31, 2005. Accordingly, Mr. DiMino did not exercise any stock options during the fiscal year ended March 31, 2005.

Employment Contracts, Terminations of Employment and Change-In-Control Arrangements

ADM does not have any employment contracts with any person.

Directors' Compensation

The Company does not pay fees to its directors, nor does it reimburse its directors for expenses incurred.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding ownership of shares of Company's common stock, as of July 5, 2006, by (i) each person known to ADM to be the owner of 5% or more of ADM's common stock (ii) each director and director nominee of ADM, (iii) each Named Officer, and (iv) all directors and officers of ADM as a group. Except as otherwise indicated, each person and each group shown in the table has sole voting and investment power with respect to the shares of the Company's common stock indicated. For purposes of the table below, in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person is deemed to be the beneficial owner, for purposes of any shares of Common Stock over which he or she has or shares, directly or indirectly, voting or investment power; or of which he or she has the right to acquire beneficial ownership at any time within 60 days after July 5, 2006. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares. Common Stock beneficially owned and percentage ownership is based on 53,882,037 shares of Common Stock outstanding as of July 5, 2005.

Name and Address	Number of Shares Beneficially Owned	Percentage
Andre' DiMino ..... c/o ADM Tronics Unlimited, Inc. 224-S Pegasus Ave. Northvale, NJ 07647	20,856,935	38.7%
Vincent DiMino ..... c/o ADM Tronics Unlimited, Inc.	6,987,928 (2)	13.0%

224-S Pegasus Ave. Northvale, NJ 07647		
David Saloff	0	0.0%
c/o ADM Tronics Unlimited, Inc. 224-S Pegasus Ave. Northvale, NJ 07647		
Sherleigh Associates Defined ..... Benefit Pension Plan	6,896,552 (3)	11.3%
660 Madison Avenue, 15th floor New York, New York 10021		
Eugene Stricker	4,250,000 (4)	7.9%
c/o Fifth Avenue Venture Capital Partners 42 Barrett Road Lawrence, NY 11559		
Heiko H. Thieme	3,617,500 (5)	6.7%
1370 Ave of the Americas New York, NY 10019		
Burton Friedlander	3,313,900 (6)	6.2%
104 Field point Road. Greenwich, CT 06830		
ProMed Offshore Fund II, Ltd.	3,275,862 (7)	5.7%
237 Park Avenue, 9th Floor New York, NY 10021		
All Executive Officers and Directors as a group ..... (three persons)	27,844,863 (8)	51.7%

(1) Includes 9,172,696 shares of the Company's common stock directly owned by Andre DiMino; 1,700,000 shares of the Company's common stock held by the Andre' DiMino Irrevocable Trust, a Trustee and the beneficiary of which is Andre' DiMino, who may be deemed to be a beneficial owner of such shares; 1,700,000 shares of the Company's common stock held by the Maria Elena DiMino Trust, a Trustee of which is Andre' DiMino, who may be deemed to be a beneficial owner of such shares by reason of his power to vote such shares; 1,700,000 shares of the Company's common stock held by the Maurice DiMino Irrevocable Trust, a Trustee of which is Andre' DiMino, who may be deemed to be a beneficial owner of such shares by reason of his power to vote such shares; 1,004,239 shares of the Company's common stock, which are held by the Estate of Dr. Alfonso DiMino (the "DiMino Estate"), the administrator of which is Andre' DiMino who may be deemed to be a beneficial owner of such shares by reason of his power to vote such shares, and of which Andre DiMino, as a beneficiary of the DiMino Estate, is entitled to receive 167,374 shares; 1,330,000 shares of the Company's common stock, which the DiMino Estate has the power to vote pursuant to an agreement dated July 8, 1987, and with respect to which Andre' Di Mino may be deemed to be a beneficial owner by reason of his power to vote such shares in his capacity as administrator of the Di Mino Estate; and 4,250,000 shares of the Company's common stock held by Eugene Stricker, of which Andre' DiMino may be deemed to be a beneficial owner by reason of his power to vote such shares pursuant to an agreement.

(2) Includes 1,287,928 shares of the Company's common stock directly owned by Mr. Vincent DiMino, 300,000 shares of the Company's common stock owned by the spouse of Vincent DiMino, as to which Mr. DiMino disclaims beneficial ownership; 300,000 shares of the Company's common stock owned by a child of Mr. DiMino, who resides in Mr. DiMino's home, as to which Mr.

DiMino disclaims beneficial ownership; and 5,100,000 shares of the Company's common stock of which 1,700,000 shares are held by each of the Andre' DiMino Irrevocable Trust, the Maria Elena DiMino Irrevocable Trust and the Maurice DiMino Irrevocable Trust, a Trustee of which is Vincent DiMino, who may be deemed to be a beneficial owner of the shares held by such trusts by reason of his power to vote such shares.

(3) Includes up to 6,896,552 shares of the Company's common stock issuable after June 30, 2005 upon conversion of an unsecured convertible promissory note. Does not include shares of the Company's common stock underlying warrants that are not exercisable until after June 30, 2005 and unless such shares are registered for resale with the SEC.

(4) Mr. Di Mino may be deemed to be a beneficial owner of such shares by reason of his power to vote such shares pursuant to an agreement. Reference is also made to Footnote No. 1.

(5) Includes 2,000,000 shares of the Company's common stock owned by The American Heritage Fund, Inc. and 1,617,500 shares of the Company's common stock Owned by The Global Opportunity Fund Limited, each of which Mr. Thieme is a principal.

(6) Includes 2,896,600 shares of the Company's common stock owned by Friedlander International Limited, of which Mr. Friedlander is a principal.

(7) Includes up to 3,275,862 shares of the Company's common stock issuable after June 30, 2005 upon conversion of an unsecured convertible promissory note. Does not include shares of the Company's common stock underlying warrants that are not exercisable until after June 30, 2005 and unless such shares are registered for resale with the SEC.

(8) Reference is made to Footnote Nos. 1 and 2.

Item 12. Certain Relationships and Related Transactions

Loans

In March 2005, the Company repaid the outstanding principal and interest in the amount of approximately $170,000 owed to the Estate of Dr. Alfonso Di Mino, Andre' Di Mino's father, pursuant to a note issued to the Company in February 2001. The proceeds of this note were used for Ivivi's working capital.

From time to time, the Company has loaned funds to Andre' Di Mino at an interest rate of 3% per annum. The largest aggregate amount of indebtedness, including interest, outstanding at any time since the beginning of the Company's fiscal year ended March 31, 2003 was approximately $89,900 and the amount of principal and interest outstanding as of March 31, 2006 was approximately $84,000.

Transactions with Ivivi

Andre' Di Mino, the Company's President and Chief Executive Officer, owns approximately 13.4% of the outstanding common stock of Ivivi, one of ADM's majority-owned subsidiaries, and serves as Chairman and Chief Financial Officer of Ivivi. During the past two years, ADM and Ivivi have engaged in the transactions set forth below:

Private Placements

In December 2004 and February 2005, ADM, together with Ivivi, its majority-owned subsidiary, completed two private placements pursuant to

which they issued, jointly and severally, unsecured convertible notes in an aggregate principal amount of $3,637,500 and $2,450,000, respectively. The proceeds of the private placements are being used primarily by Ivivi for the research and development and sales and marketing of the SofPulse device line of products and for the research and development of other potential products being developed by Ivivi. See "Description of Business -- Recent Developments."

Amounts Owed to the Company.

As of March 31, 2006, Ivivi owed approximately $2.6 million to ADM. No interest is payable on such amount. Such amount was incurred in connection with the funding of operations under the terms of the management services agreement, as well as in connection with the manufacturing of Ivivi's SofPulse device under the terms of the manufacturing agreement, since 1998. Each of such agreements are described below.

Management Services Agreement

ADM entered into a management services agreement, dated as of August 15, 2001, with Ivivi, SMI and Pegasus under which the Company provides such subsidiaries with management services and allocates portions of its real property facilities for use by such subsidiaries for the conduct of their respective businesses. The management services provided by the Company under the management services agreement include managerial and administrative services, marketing and sales services, clerical and communication services, the maintenance of a checking account and the writing of checks, the maintenance of accounting records and other services in the ordinary course of business. The subsidiaries pay ADM for such services on a monthly basis pursuant to an allocation determined by ADM and such subsidiaries based on a portion of its applicable costs plus any invoices it receives from third parties specific to each such subsidiary. ADM's subsidiaries also use office, manufacturing and storage space in a building located in Northvale, New Jersey, currently leased by the Company, pursuant to the terms of the management services agreement. ADM determines the portion of space allocated to each subsidiary on a monthly basis, and the subsidiaries are required to reimburse the Company for their respective portions of the lease costs, real property taxes and related costs.

Ivivi had approximately $216,000 and $227,000 in management services provided to it by ADM pursuant to the management services agreement during the fiscal year ended March 31, 2005 and the fiscal year ended March 31, 2006, respectively.

Manufacturing Agreement

ADM, Ivivi and SMI are parties to a manufacturing agreement, dated as of August 15, 2001, and as amended in February, 2005. Under the terms of the agreement, the Company has agreed to serve as the exclusive manufacturer of all current and future medical and non-medical electronic and other devices or products to be sold or rented by the subsidiaries. For each product that ADM manufactures for each subsidiary, the subsidiary pays ADM an amount equal to 120% of the sum of (i) the actual, invoiced cost for raw materials, parts, components or other physical items that are used in the manufacture of the product and actually purchased for such subsidiary by the Company, if any, plus (ii) a labor charge based on the Company's standard hourly manufacturing labor rate, which the Company believes is more favorable than could be attained from unaffiliated third-parties. The Company generally purchases and provides ADM with all of the raw materials, parts and components necessary to manufacture the subsidiaries' products. Under the terms of the agreement, if the Company is unable to perform its obligations to either subsidiary under the manufacturing agreement or is

otherwise in breach of any provision of the manufacturing agreement, such subsidiary has the right, without penalty, to engage third parties to manufacture some or all of its products. In addition, if a subsidiary elects to utilize a third-party manufacturer to supplement the manufacturing being completed by ADM, such subsidiary has the right to require ADM to accept delivery of its products from these third-party manufacturers, finalize the manufacture of the products to the extent necessary and ensure that the design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process have been met. Reference is made to "Item 1. Description of Business--Manufacturers and Suppliers."

Ivivi has accrued amounts owed to the Company of approximately $4,000 and $10,000 for the Company's manufacture of its products pursuant to the manufacturing agreement during the fiscal year ended March 31, 2005 and the fiscal year ended March 31, 2006, respectively. The amounts owed to the Company by SMI for the Company's manufacture of its products pursuant to the manufacturing agreement during such periods were not material.

Item 13. Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation and amendments thereto filed on August 9, 1976 and May 15, 1978 is incorporated by reference to Exhibit 3(a) to the Company's Registration Statement Form 10 (File No. 0-17629) (the "Form 10").
3.2	Certificate of Amendment to Certificate of Incorporation filed December 9, 1996 is incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1997.
3.3	By-Laws are incorporated by reference to Exhibit 3(b) to the Form 10.
4.1	Warrant issued to the Global Opportunity Fund Inc. is incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1998.
4.2	Warrant issued to Heiko H. Thieme is incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1999.
4.3	Form of Company Warrant issued to certain investors (one in a series of warrants with identical terms) is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 11, 2005
4.4	Form of Ivivi Warrant issued to certain investors (one in a series of warrants with identical terms) is incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 11, 2005
4.5	Form of Note issued to certain investors (one in a series of notes with identical terms) is incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated February 14, 2005.
9.1	Trust Agreements of November 7, 1980 by and between Dr. Alfonso DiMino et al. are incorporated by reference to Exhibit 9 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1993.
10.1	Memorandum of Lease by and between the Company and Cresskill Industrial Park III dated as of August 26, 1993 is hereby incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-KSB for the fiscal year March 31, 1994.
10.2	Agreement of July 8, 1987 by and between Donna DiMino, Dr. Alfonso DiMino, et al. is hereby incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1993.
10.3	Agreement of March 21, 2002 by and between the Company and New England Acquisitions, Inc. is hereby incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2002.
10.4	Agreement of April 29, 2003 by and between Vet-Sonotron Systems, Inc. and

THM Group, LLC is hereby incorporated by reference the Exhibit 10.4 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2003.

10.5 Agreement of January 17, 2003 by and between the Company and Fifth Avenue Venture Capital Partners is hereby incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2003.

10.6 Amended and Restated Manufacturing Agreement, dated February 10, 2005, among the Company, Ivivi Technologies, Inc. and Sonotron Medical Systems, Inc. is incorporated by reference to the Company's Annual Report on Form 10-KSB form the fiscal year ended March 31, 2005.

10.7 Management Services Agreement, dated August 15, 2001, among the Company, Ivivi Technologies, Inc., Sonotron Medical Systems, Inc. and Pegasus Laboratories, Inc., as amended. is incorporated by reference to the Company's Annual Report on Form 10-KSB form the fiscal year ended March 31, 2005.

10.8 Agreement of April 3, 2004 by and between the Company and Carepoint Group is incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004.

10.9 Placement Agency Agreement of May 20, 2004 by and between the Company and Maxim Group LLC. is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 1, 2005.

10.10 Agreement of April 1, 2005 by and between Ivivi Technologies, Inc. and Global Medical, L.L.C. is incorporated by reference to Exhibit 10.11 of Amendment No. 2 to the Registration Statement on SB-2 of Ivivi Technologies, Inc. File No. 333-122768.

10.11 Master Clinical Trial Agreement, dated as of January 9, 2006, between Ivivi Technologies, Inc. and Cleveland Clinic Florida is incorporated by reference to Exhibit 10.11 of Amendment No. 4 to the Registration Statement on SB-2 of Ivivi Technologies, Inc. File No. 333-122768.

10.12 Promissory Note, dated June 16, 2006, made in the principal amount of $250,000 by Ivivi Technologies, LLC in favor of Ajax Capital LLC. is incorporated by reference to Exhibit 10.5 of Amendment No. 4 to the Registration Statement on SB-2 of Ivivi Technologies, Inc. File No. 333-122768.

10.13 Option Agreement, dated as of June 16, 2006, between Ivivi Technologies, Inc. and Steven M. Gluckstern is incorporated by reference to Exhibit 10.17 of Amendment No. 4 to the Registration Statement on SB-2 of Ivivi Technologies, Inc. File No. 333-122768.

10.14 Share Purchase Agreement, dated as of November 8, 2005, between Ivivi Technologies, Inc. and Steven Gluckstern is incorporated by reference to Exhibit 10.18 of Amendment No. 4 to the Registration Statement on SB-2 of Ivivi Technologies, Inc. File No. 333-122768.

14.1 Code of Ethics is incorporated by reference to the Company's Annual Report on Form 10-KSB form the fiscal year ended March 31, 2005.

21.1 Subsidiaries of the Company.

31.1 Certification of the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the Chief Executive Officer and Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Item 14. Principal Accountant Fees and Services

Audit Fees

The aggregate fees billed for professional services rendered by Raich Ende Malter & Co. LLP ("Raich") for the audit of the Company's annual consolidated financial statements for the fiscal year ended March 31, 2006, and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-QSB for the fiscal year ended March 31, 2006,

were $55,057. The aggregate fees for professional services rendered by Weinick Sanders Leventhal & Co., LLP ("WSL") for the audit of the Company's annual consolidated financial statements for the fiscal year ended March 31, 2005, and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-QSB for the fiscal year ended March 31, 2005, were $48,000. In addition, Raich billed $30,545 for the re-audit of the Company's financial statements for the fiscal year ended March 31, 2005 due to their restatement.

Audit-Related Fees

The aggregate fees billed for each of the fiscal years ended March 31, 2006 and March 31, 2005 for assurance and related services by Raich and WSL and that are reasonably related to the performance of the audit or review of the Company's financial statements were $0 and $0, respectively.

Tax Fees

The aggregate fees billed for each of the fiscal years ended March 31, 2006 and March 31, 2005 for professional services rendered by Raich for tax compliance were $0 and $15,500, respectively.

All Other Fees

The aggregate fees billed in each of the fiscal years ended March 31, 2006 and March 31, 2005 for products and services provided by Raich and WSL (other than those covered above under "Audit Fees," "Audited-Related Fees" and "Tax Fees") were $141,658 and $75,000 respectively. The other fees billed in the years ended March 31, 2006 and 2005 were for audit services rendered in connection with Ivivi's Registration Statement on Form SB-2.

Audit Committee Administration of the Engagement

The Company does not have an audit committee.

Less than 50% of hours expended on the principal accountant's engagement to audit the Company's financial statements for Raich Ende Malter & Co., LLP were attributed to work performed by persons other than Raich Ende Malter & Co. LLP's full-time, permanent employees.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 this 14th day of July, 2006.

ADM TRONICS UNLIMITED, INC.

By: /s/ Andre' DiMino

Andre' Di Mino
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date

/s/ Andre' Di Mino Andre' Di Mino	Chief Executive Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and Director	July 14, 2006
/s/ Vincent Di Mino Vincent Di Mino	Director	July 14, 2006
/s/ David Saloff David Saloff	Director	July 14, 2006