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UNITED STATES ANTIMONY CORP
Form 10QSB
August 12, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005

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

For the transition period _____ to _____

Commission file number 33-00215

UNITED STATES ANTIMONY CORPORATION

(Name of small business issuer in its charter)

MONTANA

(State or other jurisdiction of incorporation or organization)

81-0305822

(I.R.S. Employer Identification No.)

P.O. BOX 643, THOMPSON FALLS, MONTANA 59873

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (406) 827-3523

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

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subject to such filing requirements for the past 90 days. YES [X] No []

At August 11, 2005, the registrant had outstanding 32,592,483 shares of par value \$0.01 common stock.

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UNITED STATES ANTIMONY CORPORATION
QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 2005

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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) JUNE 30, 2005	DECEMBER 31, 2004
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 113,764	\$ 11,642
Accounts receivable, less allowance for doubtful accounts of \$30,000	103,468	56,774
Inventories	234,368	237,806
	-----	-----
Total current assets	451,600	306,222
Investment in USAMSA, net	1,763	3,527
Properties, plants and equipment, net	835,536	683,003
Restricted cash for reclamation bonds	89,417	91,512
Deferred financing costs, net amortization	18,750	22,500
	-----	-----
Total assets	\$ 1,397,066	\$ 1,106,764
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 627,082	\$ 441,085
Accrued payroll and related taxes	120,566	102,428
Other accrued liabilities	71,607	76,385
Deferred revenue	0	30,000
Accrued interest payable	45,470	30,890
Payable to related parties	293,250	287,687
Long-term debt, current	47,117	30,235
Accrued reclamation costs, current	71,250	100,000
	-----	-----
Total current liabilities	1,276,342	1,098,710
Convertible notes payable	350,000	350,000
Long-term debt, noncurrent	644,955	636,695
Accrued reclamations costs, noncurrent	71,250	42,500
	-----	-----
Total liabilities	2,342,547	2,127,905
	-----	-----
Commitments and contingencies (Note 3) Stockholders' deficit:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized:		
Series A: None and 4,500 shares issued and outstanding	0	45
Series B: 750,000 shares issued and outstanding	7,500	7,500
Series C: 177,904 shares issued and outstanding	1,779	1,779
Series D: 1,899,672 shares issued and outstanding	18,996	18,996
Common stock, \$0.01 par value, 50,000,000 shares authorized; 32,475,483 issued and outstanding	324,755	315,289
Additional paid-in capital	18,373,278	18,117,824
Accumulated deficit	(19,671,789)	(19,482,574)
	-----	-----
Total stockholders' deficit	(945,481)	(1,021,141)
	-----	-----
Total liabilities and stockholders' deficit	\$ 1,397,066	\$ 1,106,764

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE THREE MONTHS ENDED		FOR THE SIX
	JUNE 30, 2005	JUNE 30, 2004	JUNE 30, 2005
Revenues:			
Sales of antimony products	\$ 633,505	\$ 510,324	\$ 1,356,040
Sales of zeolite products	377,689	342,013	687,678
	1,011,194	852,337	2,043,718
Cost of sales:			
Cost of antimony production	508,742	442,614	992,446
Antimony depreciation	10,300	10,300	20,600
Antimony freight and delivery	41,960	35,526	92,344
Cost of zeolite production	239,770	192,320	498,165
Zeolite depreciation	18,200	13,800	36,400
Zeolite freight and delivery	26,289	115,843	48,851
	845,261	810,403	1,688,806
Gross profit	165,933	41,934	354,912
Other operating expenses:			
Corporate general and administrative	45,639	48,316	127,076
Antimony general and administrative	33,694	13,688	39,927
Antimony sales expenses	13,219	11,805	26,985
Bear River Zeolite general and administrative	85,949	18,789	157,248
Bear River Zeolite sales expenses	44,517	15,428	63,986
	223,018	108,026	415,222
Other (income) expense:			
USAMSA expense	882	0	1,764
Interest expense	38,363	30,473	73,849
Factoring expense	25,686	20,964	53,945
Interest income and other	(321)	(1,977)	(653)
	64,610	49,460	128,905
Net loss	\$ (121,695)	\$ (115,552)	\$ (189,215)

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Basic net loss per share of common stock	\$ Nil	\$ Nil	\$ Nil
Basic weighted average shares outstanding	31,912,670	30,435,217	31,731,925

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE SIX MONTHS ENDED	
	JUNE 30 2005	JUNE 30, 2004
Cash flows from operating activities:		
Net loss	\$ (189,215)	\$ (223,238)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	62,514	52,750
Change in:		
Restricted cash	2,095	105,649
Accounts receivable	(46,694)	8,530
Inventories	3,438	12,917
Accounts payable	185,997	(199,727)
Accrued payroll and related taxes	18,138	(39,178)
Other accrued liabilities	(4,778)	2,239
Judgment payable	1,700	
Deferred revenue	(30,000)	0
Accrued interest payable	14,580	2,961
Payable to related parties	5,563	9,743
Net cash provided (used) by operating activities	21,638	(265,654)
Cash flows from investing activities:		
Purchase of properties, plants and equipment	(209,533)	(127,289)
Net cash used by investing activities	(209,533)	(127,289)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants	264,875	397,214
Principle payments on notes payable to bank	(57,877)	(142,090)
Proceeds from notes payable to bank	58,019	122,121
Proceeds from related party note payable	25,000	0
Change in checks issued and payable	0	15,698
Net cash provided by financing activities	290,017	392,943
Net change in cash	102,122	0
Cash, beginning of period	11,642	0
Cash, end of period	\$ 113,764	\$ 0

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Supplemental disclosures:

Non-cash investing activities:

Series A preferred stock converted to common stock	\$	45
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Non cash financing activities:

Common stock issued in satisfaction of accounts payable	\$	150,145
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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PART I - FINANCIAL INFORMATION, CONTINUED:

UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION:

The unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three-month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005. Certain consolidated financial statement amounts for the three-month period ended June 30, 2004 have been reclassified to conform to the 2005 presentation. These reclassifications had no effect on the net loss or accumulated deficit as previously reported.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004.

2. LOSS PER COMMON SHARE:

The Company accounts for its income (loss) per common share according to Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128"). Under the provisions of SFAS No. 128, primary and fully diluted earnings per share are replaced with basic and diluted earnings per share. Basic earnings per share is arrived at by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding, and does not include the impact of any potentially dilutive common stock equivalents. Common stock equivalents, including warrants to purchase the Company's common stock and common stock issuable upon the conversion of debentures, are excluded from the calculations when their effect is antidilutive.

3. COMMITMENTS AND CONTINGENCIES:

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Until 1989, the Company mined, milled and leached gold and silver in the Yankee Fork Mining District in Custer County, Idaho. In 1994, the U.S. Forest Service, under the provisions of the Comprehensive Environmental Response Liability Act of 1980 ("CERCLA"), designated the cyanide leach plant as a contaminated site. In 1996, the Idaho Department of Environmental Quality requested that the Company sign a consent decree related to completing the reclamation and remediation at the Preachers Cove mill. The Company has been diligently reclaiming the property and anticipates it will have the reclamation complete in the near term.

In November of 2001, the Environmental Protection Agency ("EPA") listed two by-products of the Company's antimony oxide manufacturing process as hazardous wastes under subtitle C of the Resource Conservation and Recovery Act ("RCRA"), and emergency notification requirements for releases to the environment under CERCLA. On November 26, 2002, the Company received a notice of violation related to a hazardous waste discharge that was discovered during a hazardous waste compliance evaluation inspection conducted at the Company's Thompson Falls antimony facility. In response to the notice, the Company removed certain antimony materials from its production area and agreed to ensure that future releases of hazardous waste would not occur. At June 30, 2005, management believes that no additional liability will result from the violation.

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UNITED STATES ANTIMONY CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED), CONTINUED:

3. COMMITMENTS AND CONTINGENCIES, CONTINUED:

The Company's management believes that USAC is currently in substantial compliance with environmental regulatory requirements and that its accrued environmental reclamation costs are representative of management's estimate of costs required to fulfill its reclamation obligations. Such costs are accrued at the time the expenditure becomes probable and the costs can reasonably be estimated. The Company recognizes, however, that in some cases future environmental expenditures cannot be reliably determined due to the uncertainty of specific remediation methods, conflicts between regulating agencies relating to remediation methods and environmental law interpretations, and changes in environmental laws and regulations. Any changes to the Company's reclamation plans as a result of these factors could have an adverse affect on the Company's operations. The range of possible losses in excess of the amounts accrued cannot be reasonably estimated at this time.

4. BUSINESS SEGMENTS

The Company has two operating segments, antimony and zeolite. Management reviews and evaluates the operating segments exclusive of interest and factoring expenses. Therefore, interest expense is not allocated to the segments. Selected information with respect to segments for the quarters ended June 30, 2005 and 2004 are as follows:

	2005	2004
	-----	-----
Revenues:		
Antimony	\$ 633,505	\$ 510,324
Zeolite	377,689	342,013

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	-----	-----
	\$ 1,011,194	\$ 852,337
	=====	=====
Cost of sales:		
Production and freight and delivery:		
Antimony	\$ 550,702	\$ 478,140
Zeolite	266,059	308,163
Depreciation:		
Antimony	10,300	10,300
Zeolite	18,200	13,800
	-----	-----
	\$ 845,261	\$ 810,403
	=====	=====
Gross profit (loss)	\$ 165,933	\$ 41,934
	=====	=====
Other operating expenses:		
Sales expense:		
Antimony	\$ 13,219	\$ 11,805
Zeolite	44,517	15,428
General and administrative expense:		
Corporate	45,639	48,316
Antimony	33,694	13,688
Zeolite	85,949	18,789
	-----	-----
	\$ 223,018	\$ 108,026
	=====	=====
Capital expenditures:		
Antimony	\$ 0	\$ 19,700
Zeolite	100,721	58,218
	-----	-----
	\$ 100,721	\$ 77,918
	=====	=====
Properties, plant and equipment, net	\$ 835,536	\$ 683,003
	=====	=====

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

This report contains both historical and prospective statements concerning the Company and its operations. Prospective statements (known as "forward-looking statements") may or may not prove true with the passage of time because of future risks and uncertainties. The Company cannot predict what factors might cause actual results to differ materially from those indicated by prospective statements.

RESULTS OF OPERATIONS

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2005 COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2004

The Company's operations resulted in a net loss of \$121,695 for the three-month period ended June 30, 2005, which is comparable with the net loss of \$115,552 for the same period ended June 30, 2004.

Total revenues from antimony product sales for the second quarter of 2005

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were \$ 633,505 compared with \$510,324 for the comparable quarter of 2004, an increase of \$123,181. During the three-month period ended June 30, 2005, 45% of the Company's antimony product sales were from sales to one customer (Kohler, Co.) and 18% were from sales to a second customer (Sarnafil). Sales of antimony products during the second quarter of 2005 consisted of 406,657 pounds at an average sale price of \$1.56 per pound. During the second quarter of 2004 sales of antimony products consisted of 326,465 pounds at an average sale price of \$1.56 per pound.

Sales of zeolite products during the second quarter of 2005 were \$377,689 compared with second quarter sales in 2004 of \$342,013. The increase in sales for the second quarter of 2005 compared to the same quarter of 2004 was due to the Company's marketing efforts and a corresponding increase in the number of zeolite customers. During the three month period ended June 30, 2005 sales of zeolite products consisted of 4,108 tons compared to 1,976 tons for the same period in 2004.

Gross profit from antimony and zeolite sales during the second quarter of 2005 was \$165,933 compared with gross profit of \$41,934 during the second quarter of 2004.

The cost of antimony sales was \$508,742, or \$1.25 per pound sold, during the second quarter of 2005 compared to \$442,614 or \$1.36 per pound sold, during the second quarter of 2004. The increase was due to increased volume of production.

The cost of zeolite sales was \$239,770 for the second quarter of 2005 compared to \$192,320 during the second quarter of 2004. The increase in cost of zeolite sales during the second quarter of 2005 is related to the increase in sales.

Antimony depreciation for the second quarter of 2005 was \$10,300 compared to \$10,300 for the second quarter of 2004.

Zeolite depreciation for the second quarter of 2005 was \$18,200 compared to \$13,800 for the second quarter of 2004. The increase in depreciation is due to the continued purchase of capital assets associated with zeolite production.

Antimony freight and delivery for the second quarter of 2005 was \$41,960 and was comparable to \$35,526 of freight and delivery expense during the second quarter of 2004.

Zeolite freight and delivery for the second quarter of 2005 was \$26,289 compared to \$115,843 for the second quarter of 2004. The decrease from 2004 to 2005 is due to customers transporting their own product as opposed to the Company paying to have it shipped.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED:

During the second quarter of 2005, the Company incurred costs totaling \$85,949 associated with general and administrative expenses of its 100% owned subsidiary, Bear River Zeolite Company, compared to \$18,789 of such expenses in the comparable quarter of 2004. The increase is due to an increase in royalties that correspond to an increase in sales.

Zeolite sales expenses were \$44,517 during the second quarter of 2005 compared to \$15,428 during the second quarter of 2004.

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General and administrative expenses in the antimony division were \$33,694 during the second quarter of 2005 compared to \$13,688 during the same quarter of 2004.

Antimony sales expenses were \$13,219 in the second quarter of 2005 and were comparable with \$11,805 during the second quarter of 2004.

Interest expense of \$38,363 was incurred during the second quarter of 2005 compared to \$30,473 during the second quarter of 2004.

Accounts receivable factoring expense was \$25,686 during the second quarter of 2005 compared to \$20,964 during the second quarter of 2004. The increase was primarily due to an increase in sales.

Interest and other income decreased from \$1,977 during the second quarter of 2004 to \$321 during the second quarter of 2005. The decrease was the result of less funds invested during the second quarter of 2005.

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2005 COMPARED TO THE SIX-MONTH PERIOD ENDED JUNE 30, 2004

The Company's operations resulted in a net loss of \$189,215 for the six-month period ended June 30, 2005 compared with a net loss of \$223,238 for the six-month period ended June 30, 2004. The decrease in net loss for the first six months of 2005 as compared to the first six months of 2004 is due to increased sales prices of antimony oxide and an increase in sales of zeolite during the first six months of 2005.

Total revenues from antimony product sales for the first six months of 2005 were \$1,356,040 compared with \$1,092,739 for the comparable period of 2004, an increase of \$263,301. During the six-month period ended June 30, 2005, 54% of the Company's revenues from antimony products sales were from sales to one customer (Kohler Co.).

Sales of zeolite products during the first six months of 2005 were \$687,678 compared with the first six months of 2004 of \$537,099. The increase in sales for the first six months in 2005 compared to the same period of 2004 was due to the Company's marketing efforts and a corresponding increase in the number of zeolite customers. During the six-month period ended June 30, 2005 sales of zeolite products consisted of 7,682 tons compared to 4,441 tons for the same period in 2004.

Gross profit from antimony and zeolite sales during the first six months of 2005 was \$354,912 compared with gross profit of \$175,286 during the first six months of 2004.

The cost of antimony sales was \$992,446 during the first six months of 2005 compared to \$849,235, during the first six months of 2004. The increase was due to increased volume of production and sales.

The cost of zeolite sales was \$498,165 for the first six months of 2005 compared to \$346,920 during the first six months of 2004. The increase in cost of zeolite sales during 2005 is related to the increase in sales.

Antimony depreciation for the first six months of 2005 was \$20,600 compared to \$20,600 for the first six months of 2004.

Zeolite depreciation for the first six months of 2005 was \$36,400 compared to \$27,600 for the first six months of 2004. The increase in depreciation is due to the continued purchase of capital assets associated with zeolite production.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION, CONTINUED:

Antimony freight and delivery for the first six months of 2005 was \$92,344 compared to \$79,683 of freight and delivery expense during the first six months of 2004. The increase corresponds to the increase in antimony sales and an increase in fuel prices.

Zeolite freight and delivery for the first six months of 2005 was \$48,851 compared to \$130,514 for the first six months of 2004. The decrease from 2004 to 2005 is due to customers transporting their own product as opposed to the Company paying to have it shipped.

During the first six months of 2005, the Company incurred costs totaling \$157,248 associated with general and administrative expenses of its 100% owned subsidiary, Bear River Zeolite Company, compared to \$89,950 of such expenses in the comparable period of 2004. The increase is due to royalties included in the general and administrative expenses during 2005.

Zeolite sales expenses were \$63,986 during the first six months of 2005 compared to \$34,592 during the first six months of 2004. The increase corresponds to the increase in sales.

General and administrative expenses in the antimony division were \$39,927 during the first six months of 2005 compared to \$22,600 during the same period of 2004. The increase is due to expenses related to researching a new antimony operations in Coaluila, Mexico.

Antimony sales expenses were \$26,985 in the first six months of 2005 and were comparable with \$25,873 during the first six months of 2004.

Interest expense of \$73,849 was incurred during the first six months of 2005 compared to \$57,785 during the first six months of 2004. The increase corresponds to an increase in the amount of debt the Company has outstanding.

Accounts receivable factoring expense was \$53,945 during the first six months of 2005 compared to \$40,243 during the first six months of 2004. The increase was primarily due to an increase in sales.

Interest and other income decreased from \$2,463 during the first six months of 2004 to \$653 during the first six months of 2005. The decrease was the result of less funds invested during the first six months of 2005.

FINANCIAL CONDITION AND LIQUIDITY

At June 30, 2005, Company assets totaled \$1,397,066, and there was a stockholders' deficit of \$945,481. The stockholders' deficit decreased \$75,660 from December 31, 2004. At June 30, 2005 the Company's total current liabilities exceeded its total current assets by \$824,742. Due to the Company's operating losses, negative working capital, and stockholders' deficit, the Company's independent accountants included a paragraph in the Company's 2004 financial statements relating to a going concern uncertainty. To continue as a going concern the Company must generate profits from its antimony and zeolite sales and acquire additional capital resources through the sale of its securities or from short and long-term debt financing. Without financing and profitable operations, the Company may not be able to meet its obligations, fund operations and continue in existence. While management is optimistic that the Company will be able to sustain profitable operations and meet its financial obligations, there can be no assurance of such.

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Cash provided by operating activities during the first six months of 2005 was \$21,638.

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Cash used in investing activities during the first six months of 2005 was \$209,533 and related to the construction of capital assets at the Bear River Zeolite facility.

Net cash provided by financing activities was \$290,017 during the first six months of 2005, and was primarily generated from an increase in proceeds from the issuance of common stock and warrants.

ITEM 3. CONTROLS AND PROCEDURES

An evaluation was performed by the Company's president and principal financial officer of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Company's president and principal financial officer concluded that disclosure controls and procedures were effective as of June 30, 2005, in ensuring that all material information required to be filed in this quarterly report has been made known to him in a timely fashion.

There has been no change in our internal controls over financial reporting during the quarter ended June 30, 2005 that has materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

Neither the constituent instruments defining the rights of the registrant's securities filers nor the rights evidenced by the registrant's outstanding common stock have been modified, limited or qualified.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The registrant has no outstanding senior securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

