AMERITYRE CORP
Form 10-Q
May 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2014

o 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: 000-50053

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

NEVADA (State or other jurisdiction of incorporation or organization)	87-0535207 (I.R.S. Employer Identification No.)
1501 INDUSTRIAL ROAD, BOULDER CITY, NEVADA (Address of principal executive offices)	89005 (Zip Code)

(702) 293-1930
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

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

The number of shares outstanding of Registrant's Common Stock as of May 1, 2014: 40,291,620

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited balance sheet at March 31, 2014 and our audited balance sheet at June 30, 2013; the related unaudited statements of operations for the three and nine months ended March 31, 2014 and 2013; and the related unaudited statements of cash flows for the nine months March 31, 2014 and 2013, are attached hereto.

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AMERITYRE CORPORATION
Balance Sheets

	March 31, 2014 (Unaudited)	June 30, 2013
ASSETS		
CURRENT ASSETS		
Cash	$ 48,139	$ 108,747
Accounts receivable - net	452,237	338,242
Accounts receivable - related party - net	20,143	30,018
Inventory - net	498,233	543,752
Deferred cost	47,140	30,000
Prepaid and other current assets	44,168	84,770
Total Current Assets	1,110,060	1,135,529
PROPERTY AND EQUIPMENT		
Leasehold improvements	162,683	162,683
Molds and models	818,922	804,359
Equipment	3,106,484	3,109,440
Leased equipment	27,900	27,900
Furniture and fixtures	115,622	100,142
Software	311,632	311,632
Less - accumulated depreciation	(3,986,200)	(3,841,200)
Total Property and Equipment	557,043	674,956
OTHER ASSETS		
Patents and trademarks - net	483,682	505,006
Deposits	11,000	11,000
Total Other Assets	494,682	516,006
TOTAL ASSETS	$ 2,161,785	$ 2,326,491

The accompanying notes are an integral part of these financial statements.

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AMERITYRE CORPORATION
Balance Sheets (Continued)

	March 31, 2014 (Unaudited)	June 30, 2013
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 589,206	$ 493,723
Convertible notes	100,000	100,000
Unsecured notes and short-term borrowings	642,952	409,200
Accrued expenses	170,201	167,931
Current portion of long-term debt	16,359	18,888
Accrued interest	45,747	19,004
Deferred revenue	-	7,293
Total Current Liabilities	1,564,465	1,216,039
Long-term debt	53,840	53,840
Total Long-Term Debt	53,840	53,840
TOTAL LIABILITIES	1,618,305	1,269,879
STOCKHOLDERS' EQUITY		
Preferred stock: 5,000,000 shares authorized of $0.001 par value, -0- shares issued and outstanding, respectively	-	-
Common stock: 75,000,000 shares authorized of $0.001 par value, 40,241,620 and 39,741,620 shares issued and outstanding, respectively	40,241	39,741
Additional paid-in capital	60,338,115	60,213,599
Retained deficit	(59,834,876)	(59,196,728)
Total Stockholders' Equity	543,480	1,056,612
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,161,785	$ 2,326,491

The accompanying notes are an integral part of these financial statements.

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AMERITYRE CORPORATION
Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 2014	2013
NET SALES	$ 1,169,324	$ 1,030,711
COST OF GOODS SOLD	959,434	859,873
GROSS PROFIT	209,890	170,838
EXPENSES		
Research and development	49,471	59,361
Sales and marketing	130,186	138,849
General and administrative	227,116	208,929
Total Expenses	406,773	407,139
LOSS FROM OPERATIONS	(196,883)	(236,301)
OTHER INCOME/(EXPENSE)		
Interest expense	(30,919)	(3,938)
Write-off of deferred financing costs	(40,000)	-
Loss on asset disposal	-	-
Miscellaneous income/(expense)	(2,500)	10
Total Other Income/(Expense)	(73,419)	(3,928)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(270,302)	(240,229)
PROVISION FOR INCOME TAXES	-	-
NET LOSS	$ (270,302)	$ (240,229)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	40,241,620	37,195,620

The accompanying notes are an integral part of these financial statements.

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AMERITYRE CORPORATION
Statements of Operations
(Unaudited)

	For the Nine Months Ended March 31, 2014	2013
NET SALES	$ 3,467,451	$ 2,671,115
COST OF GOODS SOLD	2,839,577	2,199,863
GROSS PROFIT	627,874	471,252
EXPENSES		
Research and development	125,839	135,142
Sales and marketing	351,841	377,195
General and administrative	662,200	806,771
Total Expenses	1,139,880	1,319,108
LOSS FROM OPERATIONS	(512,006)	(847,856)
OTHER INCOME/(EXPENSE)		
Interest expense	(85,711)	(15,467)
Write-off of deferred financing costs	(40,000)	-
Loss on asset disposal	(1,585)	
Miscellaneous income/(expense)	1,154	563
Total Other Income/(Expense)	(126,142)	(14,904)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(638,148)	(862,760)
PROVISION FOR INCOME TAXES	-	-
NET LOSS	$ (638,148)	$ (862,760)
BASIC AND DILUTED LOSS PER SHARE	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	39,925,927	35,584,321

The accompanying notes are an integral part of these financial statements.

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AMERITYRE CORPORATION
Statements of Cash Flows
(Unaudited)

		For the Nine Months Ended March 31,		
		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Loss	$	(638,148)	$	(862,760)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation & amortization expense		166,324		184,980
Amortization of discount on convertible note		40,970		-
Change in allowance for bad debt		16,135		(33,790)
Common stock issued for services		-		30,250
Stock based compensation related to employee and director options		55,766		58,177
Write-off of deferred financing costs		40,000		-
Gain/Loss on disposal of assets		1,585		
Changes in operating assets and liabilities:				
(Increase)/Decrease in accounts receivable		(120,255)		52,022
(Increase)/Decrease in inventory and inventory reserve		45,519		(200,004)
(Increase)/Decrease in prepaid and other current assets		23,462		(13,202)
(Increase)/Decrease in other assets		-		(10,000)
(Decrease)/Increase in accounts payable and accrued expenses		106,383		155,347
Net Cash Used by Operating Activities		(262,259)		(638,980)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(28,672)		(162,057)
Cash paid for patents and trademarks		-		719
Net Cash Used by Investing Activities		(28,672)		(161,338)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of convertible note payables		-		(350,000)
Proceeds from stock subscriptions - net of issuance costs		-		814,689
Proceeds from short-term borrowings		507,222		285,000
Repayments of short-term borrowings		(273,470)		-
Payments on long-term debt		(2,529)		(7,034)
Preferred stock issuance costs		(900)		-
Net Cash Provided by Financing Activities		230,323		742,655
NET (DECREASE)/INCREASE IN CASH		(60,608)		(57,663)
CASH AT BEGINNING OF PERIOD		108,747		105,838
CASH AT END OF PERIOD	$	48,139	$	48,175

NON-CASH FINANCING ACTIVITIES

During the nine months ended March 31, 2014 and 2013, the Company paid $15,443 and $11,817 for interest, respectively. Also, there were no cash payments for taxes for the nine months ended March 31, 2014 and 2013, respectively. The amortization of discount on convertible note relates to the value of the common stock warrants issued under an extension agreement (Note 4). During the nine months ended March 31, 2014 and 2013, the Company amortized $40,970 and $0, respectively, to interest expense related to the discount on convertible note. Under the terms of the Commitment Letter executed in December 2013 (Note 4), the board of directors authorized the issuance of 500,000 shares of common stock to the proposed lender as commitment fees. The total value of the shares issued was $40,000 based on the market closing price on the authorization date of $0.08 per share. The value of the shares issued was treated as a deferred cost on the balance sheet and would have been amortized over the term of the related line of credit. However the line of credit negotiations expired on March 31, 2014 without a successful agreement. As a result, the deferred financing cost related to the Commitment Letter was written-off to Other Expense as of March 31, 2014.

The accompanying notes are an integral part of these financial statements.

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AMERITYRE CORPORATION
Notes to the Unaudited Financial Statements
March 31, 2014 and June 30, 2013

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed financial statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. We believe the disclosures and information presented are adequate to make the information not misleading. These interim condensed financial statements should be read in conjunction with our most recent audited financial statements and notes thereto included in our June 30, 2013 Annual Report on Form 10-K. Operating results for the nine months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the current fiscal year ending June 30, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts payable, and notes payable. The carrying amount of cash and accounts payable approximates their fair value because of the short-term nature of these items. The carrying amount of the notes payable approximates fair value as the individual borrowings bear interest at rates that approximate market interest rates for similar debt instruments.

Trade Receivables

We generally charge-off trade receivables that are more than 120 days outstanding as bad-debt expense, unless management believes the amount to be collectable. The charge-off amounts are included in general and administrative expenses. As of March 31, 2014 and 2013, the reserve for uncollectible accounts was $24,179 and $3,361 respectively.

Stock Based-Compensation Expense

We account for stock-based compensation under the provisions of Accounting Standards Codification 718, Compensation – Stock Compensation (ASC 718). Our financial statements as of and for the three and nine months ended March 31, 2014 and 2013 reflect the impact of ASC 718. Stock-based compensation expense related to director and employee options recognized under ASC 718 for the nine months ended March 31, 2014 and 2013 was $55,766 and $58,177, respectively.

ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Statement of Operations. Stock-based compensation expense recognized in our Statements of Operations for the three and nine months ended March 31, 2014 and 2013 assumes all awards will vest, therefore no reduction has been made for estimated forfeitures. We have awarded some options with a performance requirement and no amounts will be recorded until the requirement is met.

Basic and Fully Diluted Net Loss Per Share

Basic and Fully Diluted net loss per share is computed using the weighted-average number of common shares outstanding during the period.

	For the Nine Months Ended March 31,			
		2014		2013
Loss (numerator)	$	(638,148)	$	(862,760)
Shares (denominator)		39,925,927		35,584,321
Per share amount	$	(0.02)	$	(0.02)

Our outstanding stock options, warrants and shares issuable upon conversion of outstanding convertible notes have been excluded from the basic and fully diluted net loss per share calculation. We excluded 2,532,572 and 2,937,288 common stock equivalents for the nine months ended March 31, 2014 and 2013, respectively, because they are anti-dilutive.

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AMERITYRE CORPORATION
Notes to the Unaudited Financial Statements
March 31, 2014 and June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax

We file federal income tax returns in the U.S. and state income tax returns in those state jurisdictions where we are required to file. With few exceptions, we are no longer subject to U.S. federal, state or and local income tax examinations by tax authorities for years before 2010. We have adopted the provisions of Accounting Standards Codification 740, Income Taxes (ASC 740).

There are no tax positions included in the balance at March 31, 2014 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Our policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

Related Party Transactions

Amerityre's Chairman of the Board and Chief Executive Officer, Timothy L. Ryan, is also the principal owner of Rhino Rubber LLC, a manufacturing and distribution company for solid industrial tires and wheels. During the nine months ended March 31, 2014 and 2013, Rhino Rubber LLC purchased a total of $6,192 and $5,818, respectively, in tire products from Ameritye. As of March 31, 2014 and 2013, the accounts receivable balances for Rhino Rubber LLC were $20,143 and $29,494, respectively.

NOTE 3 - INVENTORY

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or market. The inventory consists primarily of chemicals, finished goods produced in our plant and products purchased for resale.

	March 31, 2014 (Unaudited)	June 30, 2013
Raw Materials	$ 224,357	$ 230,030
Finished Goods	273,876	313,722
Total Inventory	$ 498,233	543,752

We had an inventory reserve amount of $78,572 and $62,186 recorded as of March 31, 2014 and June 30, 2013, respectively, for items that were deemed to be slow moving or obsolete based on an analysis of all inventories on hand.

NOTE 4 - NOTES PAYABLE AND SHORT-TERM BORROWINGS

In September 2010, we closed a private placement of secured convertible promissory notes (the “Notes”). We sold an aggregate of $755,800 in Notes. The Notes had a one year term with simple interest of 6.0%. The Notes are convertible at the holders’ option to our common stock at a conversion rate of $0.35 per share. The Notes are secured by all assets of the Company. Principal and interest are due at maturity of the Notes if the Notes are not converted. If the holder elects such conversion, for each two shares in the conversion, the holder shall also receive one warrant to purchase an additional share, exercisable at $0.60 per share for an exercise period of 2 years from the date of conversion. No officers, directors or affiliates of the Company participated in the private placement. The Notes were sold pursuant to subscription documents between the Company and each investor. In connection with the private placement of secured convertible promissory notes, on September 15, 2010, the Company issued 142,856 shares of restricted common stock as finders' fees. The aggregate value of the shares issued as finders’ fees was $50,000, based on the closing price of $0.36 per share. As of March 31, 2014, $460,000 of the Notes were redeemed; $195,800 of the Notes converted into 559,429 shares of common stock; and $100,000 of the Notes had an extended maturity until March 31, 2014 and were due and payable as of that date. Interest due on the Notes as of March 31, 2014 was $6,750.

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AMERITYRE CORPORATION
Notes to the Unaudited Financial Statements
March 31, 2014 and June 30, 2013

NOTE 4 - NOTES PAYABLE AND SHORT-TERM BORROWINGS, Continued

Under the terms of the agreement to extend the remaining $100,000 secured convertible promissory note, the note holder received 500,000 common stock warrants and $6,500 in accrued interest and fees. The value of the warrants issued was $40,970, using the Black Scholes valuation method, and is amortized to interest expense over the extension period. As of March 31, 2014, the discount on convertible note was fully amortized to interest expense.

In February 2013, we closed a private placement of unsecured promissory notes (the “Unsecured Notes”). We sold an aggregate of $285,000 in Unsecured Notes. The Unsecured Notes mature on June 30, 2014 with a simple interest of 12 percent and no convertible provision. Interest due on the Unsecured Notes as of March 31, 2014 was $32,350.

During the nine months ended March 31, 2014, we entered into four short-term loan agreements (the “Loan Agreements”) with stockholders to finance bulk chemical purchases for large customer orders. The Loan Agreements are secured by customer purchase orders and use a 2.0% factoring rate to determine the amount of the repayment. As of March 31, 2014, the Company had $233,752 in Loan Agreements outstanding. Interest due on the Loan Agreements as of March 31, 2014 was $2,424.

In December 2013, we executed a Commitment Letter with a private lender commencing negotiations for a $1,000,000 line of credit. Under the terms of the Commitment Letter, the board of directors authorized the issuance of 500,000 shares of common stock to the lender as commitment fees. The total value of the shares issued was $40,000 based on the market closing price on the authorization date of $0.08 per share. The value of the shares issued was treated as a deferred cost on the balance sheet and would have been amortized over the term of the related line of credit. However the line of credit negotiations expired on March 31, 2014 without a successful agreement. As a result, the deferred financing cost related to the Commitment Letter was written-off to Other Expense. In connection with the Commitment Letter, we entered into a short-term loan agreement with the private lender (the “Lender Agreement”) for $150,000. The Lender Agreement matured on March 31, 2014 and was due and payable as of that date. It is secured by company assets and bears a simple interest rate of three percent. Interest due on the Lender Agreement as of March 31, 2014 was $375.

NOTE 5 - STOCK TRANSACTIONS

On March 5, 2013, the Company issued 250,000 shares of restricted common stock to a director for additional services provided during the six months ended December 31, 2012. The Company also issued 25,000 shares of restricted common stock to an employee as a performance bonus. The total value of the shares issued was $30,250 based on the market closing price on the authorization date of $0.11 per share.

In December 2013, we executed a Commitment Letter with a private lender commencing negotiations for a $1,000,000 line of credit. Under the terms of the Commitment Letter, the board of directors authorized the issuance of 500,000 shares of common stock to the lender as commitment fees. The total value of the shares issued was $40,000 based on the market closing price on the authorization date of $0.08 per share.

NOTE 6 - STOCK OPTIONS AND WARRANTS

General Option Information

On July 6, 2011, the Board of Directors cancelled the "2004 Non-Employee Directors' Stock Incentive Plan" and approved the "Directors' 2011 Stock Option and Award Plan". The Company also maintains the 2005 Stock Option and Award Plan, which was previously approved by stockholders, for the purpose of granting option awards to its employees and consultants. Under the 2011 Plan, a total of 3,300,000 shares are authorized for issuance. Each non-executive director was granted options to purchase 300,000 shares at that day's closing price, $0.17. The options vest over three years as follows: 100,000 on June 30, 2012, 100,000 on June 30, 2013 and 100,000 on June 30, 2014. These options expire two years after vesting. The Director who serves as Audit Chair during the fiscal year will receive an additional 50,000 options per year under the same terms. CEO Timothy L. Ryan was granted 200,000 options per year under the same terms, under the 2005 Stock Option and Award Plan.

During the nine months ended March 31, 2014, no stock options were issued.

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AMERITYRE CORPORATION
Notes to the Unaudited Financial Statements
March 31, 2014 and June 30, 2013

NOTE 6 - STOCK OPTIONS AND WARRANTS, Continued

We estimated the fair value of the stock options at the grant date based on the following weighted average assumptions:

Risk free interest rate	0.41	–	0.75	%
Expected life	3.0	–	5.0	years
Expected volatility	72.93	–	84.38	%
Dividend yield			0.00	%

A summary of the status of our outstanding stock options as of March 31, 2014 and June 30, 2013 and changes during the periods then ended is presented below:

	March 31, 2014		June 30, 2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding beginning of period	1,904,000	$ 0.23	2,579,000	$ 0.45
Granted	-	$ 0.00	300,000	$ 0.26
Expired/Cancelled	(300,000)	$ 0.50	(975,000)	$ 0.81
Exercised	-	$ 0.00	-	$ 0.00
Outstanding end of period	1,604,000	$ 0.18	1,904,000	$ 0.23
Exercisable	1,204,000	$ 0.19	1,204,000	$ 0.19

The following table summarizes the range of outstanding and exercisable options as of March 31, 2014:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding at March 31, 2014	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at March 31, 2014	Weighted Average Remaining Contractual Life
$ 0.17	650,000	0.25	$ 0.17	650,000	0.25
$ 0.17	400,000	1.25	$ 0.17	400,000	1.25
$ 0.17	400,000	2.25	$ 0.00	-	-
$ 0.29	154,000	1.25	$ 0.29	154,000	1.25
	1,604,000			1,204,000	

General Warrant Information

In September 2013, the Company obtained an extension on the remaining $100,000 secured convertible promissory note (the “Note”) that was issued in the private placement that closed in September 2010. Under the terms of the agreement, the maturity date on the Note is extended through March 31, 2014. In exchange for the extension, the note holder received 500,000 common stock warrants and $6,500 in accrued interest and fees. The common stock warrants expire three years from the date of issuance, are exercisable at $0.13 per share, and vest on the next date the value of Amerityre common stock reaches $0.25 per share.

As of March 31, 2014, $195,800 of the secured convertible promissory notes (the "Notes") converted to common stock. In accordance with the terms of the Notes, upon conversion, the Company issued 279,715 two-year $0.60 common stock warrants.

As of March 31, 2014, all of the warrants issued upon conversion of the secured convertible promissory notes had expired and 500,000 common stock warrants were outstanding.

AMERITYRE CORPORATION
Notes to the Unaudited Financial Statements
March 31, 2014 and June 30, 2013

NOTE 7 – CASH POSITION, OUTSTANDING INDEBTEDNESS AND FUTURE CAPITAL REQUIREMENTS

At March 31, 2014, our total cash was $48,139, none of which is restricted and our total indebtedness was $1,618,305. Our total indebtedness at March 31, 2014 includes $589,206 in accounts payable; $788,699 in principal and interest for secured convertible promissory notes, unsecured promissory notes and short-term borrowings; $170,201 in accrued expenses; $16,359 in current portion of long-term debt; and $53,840 in long-term debt.

On December 13, 2013, the Board of Directors approved a resolution designating 2,000,000 shares of preferred stock, $0.001 par value, as 2013 Series Convertible Preferred Stock (the "2013 Series Shares"). On December 18, 2013, the Company filed a
Certificate of Designation with the Nevada Secretary of State for the 2013 Series Convertible Preferred Stock. The Certificate of Designation was approved by the Nevada Secretary of State on December 19, 2013. The 2013 Series Shares have voting rights only on any matters directly affecting the rights and privileges of the 2013 Series Shares. The 2013 Series Shares have a liquidation preference amounting to a return of the initial par value per share only, with no further participation in any distributions to other shareholders. Any issued 2013 Series Shares will convert to the Company's common stock at a ratio of ten shares of common stock for each share of the 2013 Series Shares (1) at any time at the election of the holder; or (2) automatically on the date that is six years after the date of original issuance of the shares.

The 2013 Series Shares were offered and sold in reliance on the exemption from registration under Securities and Exchange Commission Rule 506, Regulation D. As of the close of the private placement on April 8, 2014, the Company had received cash deposits and issued a stock certificate for the purchase of all 2,000,000 of the 2013 Series Shares. As of this filing, proceeds from the private placement of the 2013 Series Shares were $1,981,960, net of issuance costs of $18,040. No underwriter participated in the placement and no commissions were paid.

Over the past eighteen months, we have restructured our sales group to focus on specific market segments to increase sales and profit margins. This sales strategy includes targeting original equipment manufacturers (OEM) across several product lines and select price increases on lower margin products. The additional funding mentioned above improves our balance sheet and affords us a greater opportunity to obtain OEM contracts from customers previously concerned about our financial stability. In addition, we have expanded our participation in select trade shows in order to expand the market for our agricultural products, which is currently the fastest growing segment of our business. With the additional cash resources, we can also maintain adequate chemical and finished goods inventory levels to support sales growth opportunities previously lost due to depleted inventory levels. The additional cash resources will also provide us with the ability to leverage our suppliers in order to obtain lower costs for chemicals and components and improved credit terms. Our research and development efforts have focused largely on product redesign to reduce product costs and improve product quality. We believe that these long-term business strategies will allow us to achieve a positive cash flow over the next six to nine months.

In connection with the preparation of our financial statements for the quarter ended March 31, 2014, we have analyzed our cash needs for the next twelve months. We believe that our current cash position and forecasted cash flow from operations is adequate to meet our cash requirements for at least the next twelve months.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In accordance with the Commission Agreement, dated February 2, 2011, between Amerityre Corporation and K-2 Industrial Tire, Inc., K-2 is due a five percent (5%) commission on all forklift tire sales. In exchange for the forklift models transferred to Amerityre under that agreement, the first $96,000 in commission payments will be used to extinguish the long term liability recorded on the transaction. As of March 31, 2014, $16,359 and $53,840 were recorded for the current and long-term portion, respectively, of the related liability.

In March 2013, the U.S. Environmental Protection Agency (USEPA) began an audit of the Company for the calendar years 2008-2011. The Company was selected at random for the audit from the USEPA's database of manufacturing companies located in Clark County, Nevada. In August 2013, the Company was notified by the USEPA of its initial findings of a "failure to report in a timely manner" and a "failure to provide supplier notification" regarding the usage of two chemicals used in our manufacturing process. The USEPA found no instances in which the Company had discharged any chemicals into the environment. The Company is fully cooperating with the USEPA in resolving its failures to report, and has retroactively filed all necessary reports. In February 2014, the Company accepted the penalty levied by the U.S. Environmental Protection Agency (USEPA) related to the reporting and notification violations noted during the audit of the Company for the calendar years 2008-2011. The total penalty assessed for all years examined by the USEPA was $2,500 and is reflected in the operating results as of March 31, 2014.

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AMERITYRE CORPORATION
Notes to the Unaudited Financial Statements
March 31, 2014 and June 30, 2013

NOTE 9 – SUBSEQUENT EVENTS

On December 13, 2013, the Board of Directors approved a resolution designating 2,000,000 shares of preferred stock, $0.001 par value, as 2013 Series Convertible Preferred Stock (the "2013 Series Shares"). On December 18, 2013, the Company filed a Certificate of Designation with the Nevada Secretary of State for the 2013 Series Convertible Preferred Stock. The Certificate of Designation was approved by the Nevada Secretary of State on December 19, 2013. The 2013 Series Shares have voting rights only on any matters directly affecting the rights and privileges of the 2013 Series Shares. The 2013 Series Shares have liquidation preference amounting to a return of the initial par value per share only, with no further participation in any distributions to other shareholders. Any issued 2013 Series Shares will convert to the Company's common stock at a ratio of ten shares of common stock for each share of the 2013 Series Shares (1) at any time at the election of the holder; or (2) automatically on the date that is six years after the date of original issuance of the shares. The 2013 Series Shares were offered and sold in reliance on the exemption from registration under Securities and Exchange Commission Rule 506, Regulation D. As of the close of the private placement on April 8, 2014, the Company had received cash deposits and issued a stock certificate for the purchase of all 2,000,000 of the 2013 Series Shares. As of this filing, proceeds from the private placement of the 2013 Series Shares were $1,981,960, net of issuance costs of $18,040. No underwriter participated in the placement and no commissions were paid.

In April 2014, the Company extinguished its debt that was due and payable as of March 31, 2014, including principal and interest on $100,000 in secured convertible promissory notes; principal and interest on $233,752 in short-term loan agreements with shareholders; and principal and interest on $150,000 on a short-term loan agreement with a private lender.

On April 15, 2014, the Company sold 50,000 shares of its common stock to one of its distributors for $0.07 per share, based on the market closing price as of the preceding day. The total cash received from the sale of the shares was $3,500.

Management has evaluated subsequent events per the requirements of Topic 855 and has determined that there are no additional subsequent events to be reported.

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

This discussion and analysis contains statements of a forward-looking nature relating to future events or our future financial performance or financial condition. Such statements are only predictions and the actual events or results may differ materially from the results discussed in or implied by the forward-looking statements. The historical results set forth in this discussion and analysis are not necessarily indicative of trends with respect to any actual or projected future financial performance. This discussion and analysis should be read in conjunction with the financial statements and the related notes thereto included elsewhere in this report.

Overview

Amerityre incorporated as a Nevada corporation on January 30, 1995 under the name American Tire Corporation and changed its name to Amerityre Corporation in December 1999.

Amerityre engages in the research and development, manufacturing and sale of polyurethane tires. We believe that we have developed unique polyurethane formulations that allow us to make products with superior performance characteristics, including abrasion resistance, energy efficiency and load-bearing capabilities, than conventional rubber tires. We also believe that our manufacturing processes are more energy efficient than traditional rubber tire manufacturing processes, in part because our polyurethane compounds do not require the multiple processing steps, extreme heat, and high pressure that are necessary to cure rubber. Using our polyurethane technologies, we believe tires can be produced which last longer, are less susceptible to failure and offer improved fuel economy.

Our polyurethane material technology is based on two proprietary formulations; closed-cell polyurethane foam, which is a lightweight material with high load-bearing capabilities for low duty cycle applications; and Elastothane®, a high performance polyurethane elastomer with high load-bearing capabilities for high duty cycle applications. We are concentrating on three segments of the tire market: closed-cell polyurethane foam tires, polyurethane elastomer forklift tires and agricultural tires.

Closed-Cell Polyurethane Foam Tires

We currently manufacture several lines of closed-cell polyurethane foam tires for bicycles, hand trucks, lawn and garden, wheelbarrow, and medical mobility products. Our closed-cell polyurethane foam products are often referred to as flat-free because they have no inner tube, do not require inflation and will not go flat even if punctured. Our closed-cell polyurethane foam tires are mounted on the wheel rim in much the same way as a pneumatic tire. Our closed-cell polyurethane foam products are virtually maintenance free, eliminating the need to make tedious puncture repairs; provide extended tire life; and offer superior energy efficiency compared to rubber based tires. Foam tires and components accounted for 90.7% of fiscal 2013 sales. Our foam tire products continue to lead sales growth in dollars for fiscal 2014. For the nine months ended March 31, 2014, hand truck, wheelbarrow and lawn and garden products accounted for approximately 35.0%, 14.1% and 13.9% of total net sales, respectively.

Polyurethane Elastomer Forklift Tires

We have developed solid polyurethane forklift tires made of Elastothane®. We currently produce and sell over 20 sizes for Class 1, 4 and 5 forklifts. We believe our tires are superior to rubber tires as they are non-marking, more energy efficient, carry greater load weight than rubber, operate in lower temperature environments and have longer service lives. Forklift tires accounted for 6.3% of fiscal 2013 sales. Sales in this segment are below expectations during fiscal 2014, largely due to the tire failures that occurred in fiscal 2013. We believe that the production problems that contributed to the failures have been resolved. Full scale sales and marketing efforts are expected to resume in fiscal 2015. For the nine months ended March 31, 2014, forklift sales accounted for approximately 2.0% of total net sales.

Agricultural Tires

Amerityre has developed two products for the agricultural tire market, one used in irrigation and one used in planting. Both products have successfully field tested and we are developing sales and marketing strategies and manufacturing plans for these products. Agricultural tires accounted for 3.0% of fiscal 2013 sales. Our agricultural tire products were second in sales growth in dollars for fiscal 2014, but had the highest percentage growth overall. For the nine months ended March 31, 2014, agricultural products accounted for approximately 13.9% of total net sales.

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Factors Affecting Results of Operations

Our operating expenses consisted primarily of the following:

- Cost of goods sold, which consist primarily of raw materials, direct labor and manufacturing overhead, including allocations of building rent, depreciation, general liability insurance and other operating costs associated with the production of our products;

- Research and development expenses, which consist primarily of employee salaries and wages, allocated overhead costs and other engineering costs used in new product development and product improvement projects;

- Sales and marketing expenses, which consist primarily of employee salaries and wages, sales commissions, travel expenses, allocated overhead costs and other sales and marketing costs;

- General and administrative expenses, which consist primarily of employee salaries and wages, stock based compensation expense, legal and professional fees, allocated overhead costs and other general and administrative costs; and

- Other income and expense, which consist primarily of interest expense, gains or losses on the disposal of assets and miscellaneous other income and expenses.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. On an ongoing basis, we evaluate our estimates, including those related to uncollectible receivables, inventory valuation, deferred compensation and contingencies. We base our estimates on historical performance and on various other assumptions that we believe to be reasonable under the circumstances. These estimates allow us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We believe the following accounting policies are our critical accounting policies because they are important to the portrayal of our financial condition and results of operations and they require critical management judgments and estimates about matters that may be uncertain. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

Revenue Recognition

Revenue for products is recognized when the sales amount is determined, shipment of goods to the customer has occurred and collection is reasonably assured. Generally, we ship most of our products FOB origination.

Valuation of Intangible Assets and Goodwill

At March 31, 2014, we had capitalized patent and trademark costs, net of accumulated amortization, totaling $483,682. The patents which have been granted are being amortized over a period of 20 years. Patents which are pending or are being developed are not amortized until a patent has been issued. We evaluate the recoverability of intangibles and review the amortization period on a continual basis utilizing the guidance of Accounting Standards

Codification 350, Intangibles – Goodwill and Other (ASC 350). We test our patents and trademarks for impairment at least annually and whenever events or changes in circumstances indicated that the carrying value may not be recoverable. We consider the following indicators, among others, when determining whether or not our patents are impaired:

- any changes in the market relating to the patents that would decrease the life of the asset;
- any adverse change in the extent or manner in which the patents are being used;
- any significant adverse change in legal factors relating to the use of the patents;
- current-period operating or cash flow loss combined with our history of operating or cash flow losses;
- future cash flow values based on the expectation of commercialization through licensing; and
- current expectations that a patent will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

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Inventory

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or market. The inventory consists primarily of chemicals, finished goods produced in our plant and products purchased for resale.

Stock-Based Compensation

Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of authorization. The stock-based compensation expense recognized under ASC 718 for the nine months ended March 31, 2014 and 2013 was $55,766 and $58,177, respectively.

Seasonality

A substantial majority of our sales are to customers within the United States. We experience some seasonality in the sale of our closed-cell polyurethane foam tires for bicycles and, lawn and garden products, because sales of these products generally decline during the winter months in the United States. Sales of our closed-cell polyurethane form tire products generally peak during the spring and summer months typically resulting in greater sales volumes during the third and fourth quarters of the fiscal year. With an expansion of our original equipment manufacturer relationships and agricultural product lines, the third quarter of fiscal 2014 has shown an increase in sales over previous years.

Results of Operations

Our management reviews and analyzes several key performance indicators in order to manage our business and assess the quality and potential variability of our sales and cash flows. These key performance indicators include:

- Net sales, which consists of product sales and equipment sales, if any;

- Sales, net of returns and trade discounts, which is an indicator of our overall business growth and the success of our sales and marketing efforts;

- Gross profit, which is an indicator of both competitive pricing pressures and the cost of goods sold of our products and the mix of product and equipment sales and license fees, if any;

- Growth in our customer base, which is an indicator of the success of our sales efforts; and

- Distribution of sales across our products offered.

The following summary table presents a comparison of our results of operations for the three and nine months ended March 31, 2014 and 2013 with respect to certain key financial measures. The comparisons illustrated in the table are discussed in greater detail below.

	For the Three Months Ended March 31,			For the Nine Months Ended March 31		
	2014	2013	Change	2014	2013	Change
Net Sales	$ 1,169,324	$ 1,030,711	13.4%	$ 3,467,451	$ 2,671,115	29.8%
Cost of Goods Sold	959,434	859,873	11.6%	2,839,577	2,199,863	29.1%
Gross Profit	209,890	170,838	22.9%	627,874	471,252	33.2%

Research & Development Expenses		49,471		59,361	(16.7%)		125,839		135,142	(6.9%)
Sales & Marketing Expenses		130,186		138,849	(6.2%)		351,841		377,195	(6.7%)
General & Administrative Expenses		227,116		208,929	8.7%		662,200		806,771	(17.9%)
Other Income/(Expense)		(73,419)		(3,938)	1769.1%		(126,142)		(14,904)	746.4%
Net loss	$	(270,302)	$	(240,229)	12.5%	$	(638,148)	$	(862,760)	(26.0%)

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Three Months Ended March 31, 2014 Compared to March 31, 2013

Net Sales. Net sales of $1,169,324 for the three months ended March 31, 2014, reflects a 13.4% increase over net sales of $1,030,711 for the three months ended March 31, 2013. Sales between periods increased largely due to increases in the agricultural, hand truck and medical mobility product lines. Agricultural, hand truck and medical mobility product sales for the three months ended March 31, 2014 increased approximately 1,657.7%, 75.0% and 63.9%, respectively, over the same period in the prior year. For the three months ended March 31, 2014, agricultural products accounted for approximately 29.3% of total net sales. The hand truck and medical mobility accounted for approximately 27.4% and 8.1% of total net sales, respectively. Increases in the agricultural, hand truck and medical mobility product lines were partially offset by decreases between the periods for the bicycle and fork lift product lines. For the three months ended March 31, 2014, net sales for the bicycle and fork lift product lines decreased 77.8% and 54.4%, respectively, over the same period in the prior year and accounted for 7.5% and 1.2% of total net sales, respectively.

Cost of Goods Sold. Cost of goods sold for the three months ended March 31, 2014 was $959,434 or 82.1% of sales compared to $859,873 or 83.4% of sales for the same period in 2013. As a percent of sales, the cost of goods sold decreased 1.37% between periods primarily due to a reallocation of manufacturing overhead costs previously charged to general and administrative expense and a decrease in depreciation expense resulting from fully depreciated assets.

Gross Profit. Gross profit for three months ended March 31, 2014 was $209,890 compared to $170,838 for the same period in 2013. Gross profit increased by $39,052 or 22.9% between periods primarily due to the increase in net sales. As a percent of sales, gross profit increased 1.37% primarily due to increased sales volume on higher margin products.

Research & Development Expenses. Research and development expenses for the three months ended March 31, 2014 were $49,471 compared to $59,361 for the same period in the prior year. Research and development expenses between periods decreased by $11,890 or 16.7% primarily due to a reduction in salaries, which was partially offset by the department allocation of costs previously charged to general and administrative expense.

Sales & Marketing Expenses. Sales and marketing expenses for the three months ended March 31, 2014 were $130,186 as compared to $138,849 for the same period in the prior year. Sales and marketing expenses decreased $8,663 between periods primarily due to a reduction in salaries and travel expenses, which was partially offset by the department allocation of costs previously charged to general and administrative expense. The decrease in sales and marketing expenses for the three months ended March 31, 2014 was partially offset by an increase in trade show costs resulting from an expansion in trade show marketing efforts.

General & Administrative Expenses. General and administrative expenses for the three months ended March 31, 2014 were $227,116 compared to $208,929 for the same period in 2013. General and administrative expenses increased $18,187 or 8.7% between periods primarily due to a/an:

- Increase of $35,627 in bad debt expense primarily due to a change in a distributor agreement and collection agency fees.
- Increase of $12,629 in depreciation expense resulting from an upgrade in software and computer equipment acquired to improve employee efficiency.
- Increase of $2,238 in finance charges related to merchant fees on credit card receipts.
- Decrease of $27,500 in director compensation associated with special project work.

Other Income/(Expense). Other income for the three months ended March 31, 2014 was $73,419 compared to $3,928 for the same period in 2013. Other income/(expense) increased $69,491 between periods primarily due to an increase in interest expense of $26,981 related to short-term borrowings and note payables; a non-recurring write-off of deferred financing costs of $40,000; and the settlement of the U.S. Environmental Protection Agency claim of $2,500.

Net Loss. Net loss for the three months ended March 31, 2014 was $270,302 compared to a net loss of $240,229 for the same period in 2013. The $30,073 increase in the net loss between periods was primarily due to non-recurring charges including the write-off of deferred financing costs of $40,000 and the bad debt charges of $35,627.

Nine Months Ended March 31, 2014 Compared to March 31, 2013

Net Sales. Net sales of $3,467,451 for the nine months ended March 31, 2014, reflects a 29.8% increase over net sales of $2,671,115 for the nine months ended March 31, 2013. Sales between periods increased largely due to increases in the agricultural, hand truck and medical mobility product lines. Agricultural, hand truck and lawn and garden product sales for the three months ended March 31, 2014 increased 1,465.7%, 79.6% and 14.9%, respectively, over the same period in the prior year. For the three months ended March 31, 2014, hand truck products accounted for approximately 35.0% of total net sales. While lawn and garden and agricultural products accounted for approximately 14.1% and 13.9% of total net sales, respectively. Increases in the agricultural, hand truck and lawn and garden product lines were partially offset by decreases between the periods for the fork lift and wheelbarrow product lines. For the three months ended March 31, 2014, net sales for the fork lift and wheelbarrow product lines decreased approximately 62.1% and 22.0%, respectively, over the same period in the prior year and accounted for 2.0% and 16.9% of total net sales, respectively.

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Cost of Goods Sold. Cost of goods sold for the nine months ended March 31, 2014 was $2,839,577 or 81.9% of sales compared to $2,199,863 or 82.3% of sales for the same period in 2013. As a percent of sales, the cost of goods sold decreased 0.4% between periods primarily due to a reallocation of manufacturing overhead costs previously charged to general and administrative expense; a decrease in depreciation expense resulting from fully depreciated assets; a decrease damaged returns primarily related to the forklift product line; an unfavorable purchase price variance; and an increase in plant operation salaries.

Gross Profit. Gross profit for nine months ended March 31, 2014 was $627,874 compared to $471,252 for the same period in 2013. Gross profit increased by $156,622 or 33.2% between periods primarily due to the increase in net sales. As a percent of sales, gross profit decreased 0.5% largely due to lower margins on sales to original equipment manufacturer customers.

Research & Development Expenses. Research and development expenses for the nine months ended March 31, 2014 were $125,839 compared to $135,142 for the same period in the prior year. The $9,303 decrease between periods primarily reflects a decrease in salaries, which was partially offset by an increase in the departmental allocation of costs previously charged to general and administrative expense.

Sales & Marketing Expenses. Sales and marketing expenses for the nine months ended March 31, 2014 were $351,841 as compared to $377,195 for the same period in the prior year. Sales and marketing expenses decreased $25,354 between periods primarily due to a decrease in salaries and travel expenses. The reductions in salaries and travel costs were partially offset by an increase in sales commissions from higher sales volumes; an increase in trade show costs; and an increase due to the departmental allocation of costs previously charged to general and administrative expense.

General & Administrative Expenses. General and administrative expenses for the nine months ended March 31, 2014 were $662,200 compared to $806,771 for the same period in 2013. General and administrative expenses decreased $144,572 or 17.9% between periods primarily due to a/an:

- Decrease of $116,799 from the departmental allocation of certain overhead costs, such as rent, utilities and general liability insurance, previously charged to general and administrative expense.
- Decrease of $23,494 in warranty expense related to tire failures and returns for the forklift product line.
- Reduction in the independent audit fees of $21,638 incurred between the periods.
- Increase of $73,742 in bad debt expense primarily due to a bad debt recovery in fiscal 2013.
- Decrease of $32,563 in consulting fees related to special projects.

Other Income/(Expense). Other income for the nine months ended March 31, 2014 was $126,142 compared to $14,904 for the same period in 2013. Other income/(expense) increased $111,238 between periods primarily due to an increase in interest expense of $70,244 resulting from an increase in the number of unsecured notes and short-term borrowings; and non-recurring charges including the $40,000 write-off of deferred financing costs and a $2,500 settlement related to the U.S. Environmental Protection Agency claim.

Net Loss. Net loss for the nine months ended March 31, 2014 was $638,148 compared to a net loss of $862,760 for the same period in 2013. The $224,612 decrease in the net loss between periods is largely due to the 29.8% increase in sales between the periods. The net loss between periods would have been less except for the non-recurring charges including the write-off of deferred financing costs of $40,000 and the bad debt charges of $35,627.

Liquidity and Capital Resources

Our principal sources of liquidity consist of cash and payments received from our customers. We do not have any significant credit arrangements. Historically, our expenses have exceeded our sales, resulting in operating losses. From time to time, we have obtained additional liquidity to fund our operations through the sale of shares of our common stock and the placement of short-term debt instruments. In assessing our liquidity, management reviews and analyzes our current cash, accounts receivable, accounts payable, capital expenditure commitments and other obligations.

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Cash Flows

The following table sets forth our cash flows for the nine months ended March 31, 2014 and 2013.

	For the Nine Months Ended March 31,			
	2014		2013	
Net Cash Used by Operating Activities	$	(262,259)	$	(638,980)
Net Cash Used by Investing Activities		(28,672)		(161,338)
Net Cash Provided by Financing Activities		230,323		742,655
Net Increase/(Decrease) in Cash During Period	$	(60,608)	$	(57,663)

Net Cash Used by Operating Activities. The primary sources of cash from operating activities during the nine months ended March 31, 2014 came from a decrease in prepaid expenses and other current assets of $23,462; an increase in accounts payable and accrued expenses of $106,383; and a decrease in inventories of $45,519. Our primary use of cash for operating activities was an increase in accounts receivable of $120,255, resulting from an increased sales volume. Net cash used by operating activities was $262,259 for the nine months ended March 31, 2014 compared to net cash used by operating activities of $638,980 for the same period in 2013. The decrease in net cash used by operating activities compared to the prior year period is largely due to the $224,612 decrease in the net loss.

Net Cash Used by Investing Activities. Net cash used by investing activities was $28,672 for the nine months ended March 31, 2014 and $161,338 for the same period in 2013. Our use of cash for the nine months ended March 31, 2014 was for the purchase of models and molds used in the manufacturing process. Our primary uses of cash for the nine months ended March 31, 2013 were the purchase of property and equipment, including an automated sandblaster to improve efficiency; a larger curing oven to improve production throughput; and an upgraded telephone system to improve customer service.

Net Cash Provided by Financing Activities. Net cash provided by financing activities was $230,323 for the nine months ended March 31, 2014 compared to net cash provided by financing activities of $742,655 for the same period last year. The primary source of cash for the nine months ended March 31, 2014 were proceeds of $507,222 from short-term loans secured by customer purchase orders and a short-term note payable. The primary use of cash for the nine months ended March 31, 2014 consisted of $273,470 for the repayment of short-term loans. The primary source of cash for the nine months ended March 31, 2013 were proceeds related to the private placement of preferred stock of $814,689. The primary use of cash for the nine months ended March 31, 2013 consisted of $350,000 for the redemption of secured convertible promissory notes.

Contractual Obligations and Commitments

The following table summarizes our contractual cash obligations and other commercial commitments at March 31, 2014.

	Payments due by period									
	Total		Less than 1 year		1 to 3 years		3 to 5 years		After 5 years	
Facility lease (1)	$	33,000	$	33,000	$	-	$	-	$	-
Total contractual cash obligations	$	33,000	$	33,000	$	-	$	-	$	-

(1) In June 2012, we negotiated an extension to the lease for our executive and manufacturing facilities located at 1501 Industrial Road, Boulder City, Nevada. The property consists of a 49,200 square-foot building, which includes approximately 5,500 square-feet of office space, situated on approximately 4.15 acres. The two year lease extension commenced on July 1, 2012 and the base rent was reduced $4,000 per month to $11,000 per month. All other terms and conditions of the building lease remain in effect.

Cash Position, Outstanding Indebtedness and Future Capital Requirements

At March 31, 2014, our total cash was $48,139, none of which is restricted and our total indebtedness was $1,618,305. Our total indebtedness at March 31, 2014 includes $589,206 in accounts payable; $788,699 in principal and interest for secured convertible promissory notes, unsecured promissory notes and short-term borrowings; $170,201 in accrued expenses; $16,359 in current portion of long-term debt; and $53,840 in long-term debt.

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On December 13, 2013, the Board of Directors approved a resolution designating 2,000,000 shares of preferred stock, $0.001 par value, as 2013 Series Convertible Preferred Stock (the "2013 Series Shares"). On December 18, 2013, the Company filed a Certificate of Designation with the Nevada Secretary of State for the 2013 Series Convertible Preferred Stock. The Certificate of Designation was approved by the Nevada Secretary of State on December 19, 2013. The 2013 Series Shares have voting rights only on any matters directly affecting the rights and privileges of the 2013 Series Shares. The 2013 Series Shares have liquidation preference amounting to a return of the initial par value per share only, with no further participation in any distributions to other shareholders. Any issued 2013 Series Shares will convert to the Company's common stock at a ratio of ten shares of common stock for each share of the 2013 Series Shares (1) at any time at the election of the holder; or (2) automatically on the date that is six years after the date of original issuance of the shares.

The 2013 Series Shares were offered and sold in reliance on the exemption from registration under Securities and Exchange Commission Rule 506, Regulation D. As of the close of the private placement on April 8, 2014, the Company had received cash deposits and issued a stock certificate for the purchase of all 2,000,000 of the 2013 Series Shares. As of this filing, proceeds from the private placement of the 2013 Series Shares were $1,981,960, net of issuance costs of $18,040. No underwriter participated in the placement and no commissions were paid.

Over the past eighteen months, we have restructured our sales group to focus on specific market segments to increase sales and profit margins. This sales strategy includes targeting original equipment manufacturers (OEM) across several product lines and select price increases on lower margin products. The additional funding mentioned above improves our balance sheet and affords us a greater opportunity to obtain OEM contracts from customers previously concerned about our financial stability. In addition, we have expanded our participation in select trade shows in order to expand the market for our agricultural products, which is currently the fastest growing segment of our business. With the additional cash resources, we can also maintain adequate chemical and finished goods inventory levels to support sales growth opportunities previously lost due to depleted inventory levels. The additional cash resources will also provide us with the ability to leverage our suppliers in order to obtain lower costs for chemicals and components and improved credit terms. Our research and development efforts have focused largely on product redesign to reduce product costs and improve product quality. We believe that these long-term business strategies will allow us to achieve a positive cash flow over the next six to nine months.

In connection with the preparation of our financial statements for the quarter ended March 31, 2014, we have analyzed our cash needs for the next twelve months. We believe that our current cash position and forecasted cash flow from operations is adequate to meet our cash requirements for at least the next twelve months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in prevailing market interest rates affecting the return on our investments but do not consider this interest rate market risk exposure to be material to our financial condition or results of operations. We invest primarily in United States Treasury instruments with short-term (less than one year) maturities. The carrying amount of these investments approximates fair value due to the short-term maturities. Under our current policies, we do not use derivative financial instruments, derivative commodity instruments or other financial instruments to manage our exposure to changes in interest rates or commodity prices.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and

Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 13a-15(b), an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer, concluded that the design and operation of these disclosure controls and procedures were effective at the reasonable assurance level. There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

For information regarding risk factors, see "Part I. Item 1A. Risk Factors," in our Annual Report on Form 10-K/A for the year ended June 30, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. NOT APPLICABLE

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document
	XBRL Taxonomy Extension Definition Linkbase Document

101 DEF	
101 LAB	XBRL Taxonomy Extension Label Linkbase Document
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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.

Dated: May 7, 2014

AMERITYRE CORPORATION
By:

/s/ Timothy L. Ryan	/s/ L. Wayne Arnett
Timothy L. Ryan	L. Wayne Arnett
Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)