

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

AERO MARINE ENGINE INC
Form 10QSB
November 19, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2003

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(D) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____

Commission File Number 000-49698

AERO MARINE ENGINE, INC.

(Exact name of registrant as specified in its charter)

Nevada 98-0353007

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

23960 Madison Street, Torrance, California 90505

(Address of principal executive offices)

(310) 791-4642

(Issuer's telephone number)

N/A

(Former name, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports
required to be filed by Section 13 or 15(d) of the Exchange Act during the past
12 months (or for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements for the past
90 days:

Yes X No

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

As of November 19, 2003, 49,994,922 shares of Common Stock of the issuer were outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AERO MARINE ENGINE, INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
QUARTER ENDED SEPTEMBER 30, 2003

AERO MARINE ENGINE, INC.

TABLE OF CONTENTS

	PAGE
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheet at September 30, 2003	A-3
Consolidated Statement of Operations for the Three Months Ended September 30, 2003 and the period of December 30, 2002 (date of inception) to September 30, 2003	A-4
Consolidated Statement of Cash Flows for the Three Months Ended September 30, 2003 and the period of December 30, 2002 (date of inception) to September 30, 2003	A-5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	A-6

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2003 (UNAUDITED)

ASSETS:

CURRENT ASSETS

Cash and cash equivalents	\$ 7,035
Cash held in trust	23,000
Inventories	266,519
	=====

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Total current assets	296,554
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$5,765	121,002
INTANGIBLE ASSETS, net of accumulated amortization of \$6,679	188,321
GOODWILL	526,384

TOTAL ASSETS	\$1,132,261 =====
 LIABILITIES AND STOCKHOLDERS' EQUITY:	
CURRENT LIABILITIES:	
Accounts payable	\$ 43,659
Accrued expenses	29,175
Advances from shareholders	218,684

Total current liabilities	291,518 -----
 STOCKHOLDERS' EQUITY:	
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, none issued and outstanding	-
Common stock, \$0.001 par value, 100,000,000 shares authorized, 49,994,922 issued and outstanding	49,995
Paid in capital	1,146,982
Deficit accumulated during the development stage	(356,234)

Total stockholders' equity	840,743 -----
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 \$1,132,261 =====

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

A-3

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Period of
Three Months	December 30, 2002
Ended	(date of inception)
September 30, 2003	through
	September 30, 2003

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
Selling, general and administrative	112,459	112,459
Consulting	279	1,404
Professional fees	93,770	229,927
Depreciation and amortization	12,444	12,444
Total operating expenses	218,952	356,234
OPERATING LOSS	(218,952)	(356,234)
LOSS BEFORE INCOME TAXES	(218,952)	(356,234)
INCOME TAX PROVISION (BENEFIT)	-	-
NET LOSS	\$ (218,952)	\$ (356,234)
NET LOSS PER SHARE:		
Basic	\$ *	\$ (0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	49,994,922	43,244,006

* - less than \$0.01

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

A-4

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Three Months
Ended

Dece
(date
t

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

	September 30, 2003	Septem
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (218,952)	\$
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,444	
Changes in assets and liabilities (net of business acquisition):		
Inventory	70	
Prepaid expenses	15,582	
Accounts payable	(32,935)	
	-----	-----
Net cash used by operating activities	(223,791)	
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(26,767)	
Purchase of business	-	
	-----	-----
Net cash (used in) investing activities	(26,767)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	218,684	
Proceeds from sale of common stock and contributed capital	-	
	-----	-----
Net cash provided by financing activities	218,684	
	-----	-----
(DECREASE)/INCREASE IN CASH	(31,874)	
CASH, BEGINNING OF PERIOD	61,909	
	-----	-----
CASH, END OF PERIOD	\$ 30,035	\$
	=====	=====

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

A-5

AERO MARINE ENGINE, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

1. ORGANIZATION AND BASIS OF PRESENTATION

Princeton Ventures, Inc. (the "Company") was incorporated in the State of Nevada on May 10, 2001. The Company had not commenced operations. On May 30, 2003, the Company exchanged 37,944,922 shares of its common stock for all of the issued and outstanding shares of Aero Marine Engine Corp. ("Aero"). Aero was

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

formed on December 30, 2002. Aero had no operations and was formed to acquire the assets of Dyna-Cam Engine Corporation. The Company changed its name from Princeton Ventures, Inc. to Aero Marine Engine, Inc.

At the time that the transaction was agreed to, the Company had 20,337,860 common shares issued and outstanding. In contemplation of the transaction with Aero, the Company's two primary shareholders cancelled 9,337,860 shares of the Company's common stock held by them, leaving 11,000,000 shares issued and outstanding. As a result of the acquisition of Aero, there were 48,944,922 common shares outstanding, and the former Aero stockholders held approximately 78% of the Company's voting stock. For financial accounting purposes, the acquisition was a reverse acquisition of the Company by Aero, under the purchase method of accounting, and was treated as a recapitalization with Aero as the acquirer. Accordingly, the historical financial statements have been restated after giving effect to the May 30, 2003, acquisition of the Company. The financial statements have been prepared to give retroactive effect to December 30, 2002, the date of inception of Aero, of the reverse acquisition completed on May 30, 2003, and represent the operations of Aero. Consistent with reverse acquisition accounting: (i) all of Aero's assets, liabilities, and accumulated deficit, are reflected at their combined historical cost (as the accounting acquirer) and (ii) the preexisting outstanding shares of the Company (the accounting acquiree) are reflected at their net asset value as if issued on May 30, 2003.

Additionally, on June 30, 2003, the Company acquired the operating assets of Dyna-Cam Engine Corp. ("Dyna-Cam"). Dyna-Cam was a development stage enterprise developing a unique, axial cam-drive, free piston, internal combustion engine. Dyna Cam intended to produce and sell the engine primarily for aircraft and marine applications. Dyna-Cam had not generated significant revenues at the time of the Company's acquisition.

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and Aero, its wholly owned subsidiary, for the period December 30, 2002, date of inception, to September 30, 2003. The purchase of the operating assets of Dyna-Cam occurred on June 30, 2003, and the effect of that purchase is included in the accompanying balance sheet at June 30, 2003. There were no material results of operations of Dyna-Cam for the period ended September 30, 2003. The consolidated entity is considered a development stage enterprise as of September 30, 2003.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company faces many operating and industry challenges. The Company intends to do business in a highly competitive industry. Future operating losses for the Company are anticipated and the proposed plan of operations, even if successful, may not result in cash flow sufficient to finance the initiation and continued expansion of its business. These factors raise substantial doubt about the Company's ability to continue as a going concern. Realization of assets is dependent upon continued operations of the Company, which in turn is dependent upon management's plans to meet its financing requirements, as discussed below, and the success of its future operations. The financial statements do not include any adjustments that might result from this uncertainty.

A-6

The Company, under its new management, has raised over \$1,000,000 in cash to effect the acquisition of Dyna-Cam. Management believes that it has the ability

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

to raise additional capital adequate to complete the development of the Dyna-Cam engine and begin revenue generating operations. In the three months ended September 30, 2003, the Company raised debt capital of approximately \$219,000.

Management believes the Company's capital restructuring and financing plans along with the expected sale of engines will allow the Company to obtain sufficient capital for operations and to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash includes all short-term highly liquid investments that are readily

convertible to known amounts of cash and have original maturities of three months or less. At June 30, 2003, the Company had not yet established its own bank accounts. The Company's cash was held in a trust account with its attorney's office.

Principles of Consolidation: The consolidated financial statements include the

accounts of the Company and its wholly owned subsidiary, Aero Marine Engine Corp. All significant intercompany accounts and transactions are eliminated.

Inventories consist of raw materials and purchased parts used in the

manufacturing of engines. The Company records its inventory at the lower of cost (first-in, first-out) or market.

Property and equipment is stated at cost less accumulated depreciation.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to seven years. There was no depreciation expense for the period ended June 30, 2003.

Income taxes: The Company provides for income taxes based on the provisions of

Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of financial statements.

Financial Instruments: Financial instruments consist primarily of cash and

obligations under accounts payable and accrued expenses. The carrying amounts of cash, accounts payable and accrued expenses approximate fair value because of the short maturity of those instruments. The Company has applied certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

A-7

Net loss per share is calculated using the weighted average number of shares of

common stock outstanding during the year as prescribed by the provisions of SFAS No. 128 Earnings Per Share.

Use of Estimates: The preparation of financial statements in conformity with

generally accepted accounting principles requires management to make estimates

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Intangible Assets: Intangible assets are comprised of goodwill and certain

finite life intangible assets purchased in the acquisition of the Dyna-Cam operating assets. These assets represent the value of the difference between the purchase price of the acquired business and the fair value of the identifiable tangible net assets. The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142, Goodwill and Other Intangible Assets. The Company does not amortize goodwill but rather annually evaluates the carrying value of goodwill for impairment, in accordance with the provisions of SFAS No. 142. The finite life of the intangibles will be amortized over 7 to 10 years. There was no amortization expense for the period ended June 30, 2003 due to the intangible assets being acquired on June 30, 2003.

Recently Issued Accounting Pronouncements:

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities". This Standard requires costs associated with exit or disposal activities to be recognized when they are incurred. The requirements of SFAS No. 146 apply prospectively after June 30, 2003, and as such, the Company cannot reasonably estimate the impact of adopting these new rules.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." SFAS No. 147 is effective October 1, 2002. The adoption of SFAS No. 147 did not have a material effect on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," effective for contracts entered into or modified after June 30, 2003. This amendment clarifies when a contract meets the characteristics of a derivative, clarifies when a derivative contains a financing component and amends certain other existing pronouncements. The Company believes the adoption of SFAS No. 149 will not have a material effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 requires the classification as a liability of any financial instruments with a mandatory redemption feature, an obligation to repurchase equity shares, or a conditional obligation based on the issuance of a variable number of its equity shares. The Company does not have any authorized preferred shares or other financial instruments with a mandatory redemption feature. The Company believes the adoption of SFAS No. 150 will not have a material effect on the Company's financial statements.

A-8

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

guarantees issued and outstanding. The initial recognition and initial measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements for periods ending after December 15, 2002. The adoption of FIN 45 did not impact the Company's financial statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN No. 46 states that companies that have exposure to the economic risks and potential rewards from another entity's assets and activities have a controlling financial interest in a variable interest entity and should consolidate the entity, despite the absence of clear control through a voting equity interest. The consolidation requirements apply to all variable interest entities created after January 31, 2003. For variable interest entities that existed prior to February 1, 2003, the consolidation requirements are effective for annual or interim periods beginning after June 15, 2003. Disclosure of significant variable interest entities is required in all financial statements issued after January 31, 2003, regardless of when the variable interest was created. The adoption of FIN No. 46 did not have a material impact on the Company's financial statements.

Impairment of long-lived assets is assessed by the Company for impairment

whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

3. STOCKHOLDERS' EQUITY

The Company declared a 3.1126202 for 1 stock split effective June 30, 2003. The number of shares presented in these financial statements has been retroactively restated for all periods to reflect this stock split.

The Company issued 37,944,922 shares of its common stock in connection with the acquisition of Aero Marine Engine Corp. Under reverse acquisition accounting, these shares are reflected as issued on the date of inception and valued at the book value of the net assets of as of the date of the transaction.

Aero was incorporated in contemplation of the reverse acquisition of the Company as well as the Dyna-Cam acquisition. A total of 38,944,922 common shares were issued in the reverse merger transaction. However, 1,000,000 of those shares were designated for the Dyna-Cam acquisition. The Company raised \$1,218,598 as part of its initial capitalization. This capital was raised among four individuals in contemplation of their receiving the 37,944,922 shares of the Company's common stock in connection with the acquisition of Aero Marine Engine Corp. The value of the 1,000,000 shares issued in connection with the Dyna-Cam purchase was determined to be \$0.032 per share, which is the price per share paid by the investors that acquired the 37,944,922 shares for cash.

A-9

In connection with the reverse acquisition transaction with Aero, the Company's two controlling shareholders at that time cancelled 9,337,860 shares of common stock held by them. Upon completion of this cancellation, the Company had 11,000,000 shares of common stock remaining outstanding prior to the reverse acquisition transaction.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH ON THE FORWARD LOOKING STATEMENTS AS A RESULT OF THE RISKS SET FORTH IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, GENERAL ECONOMIC CONDITIONS, AND CHANGES IN THE ASSUMPTIONS USED IN MAKING SUCH FORWARD LOOKING STATEMENTS.

OVERVIEW

The Company was incorporated in the State of Nevada on May 10, 2001 under the name Princeton Ventures, Inc. The Company owns 100% of the issued and outstanding stock of Aero Marine Engine Corp., incorporated in the State of Nevada on December 30, 2002 (hereinafter "Aero"). The Company acquired Aero in a reverse merger during the fiscal year ended June 30, 2003. The Company has not generated any revenues and is considered a development stage enterprise, as defined in Financial Accounting Standards Board No. 7.

During the 2003 fiscal year, Aero acquired all of the tangible and intangible assets regarding a proprietary internal combustion, gasoline powered engine (the "Dyna-Cam Engine"). These assets, included, but were not limited to, three Dyna-Cam Engines, all engineering plans, designs and drawings, system maps, abstracts, blueprints, surveys and drawings relating thereto, materials to assemble approximately twenty Dyna-Cam Engines, the tooling to manufacture the Dyna-Cam Engine, the www.dynacam.com Web site and all interest in and to the trade name and trademarks and all other rights related to the use of the name "Dyna-Cam" or any combination or variation thereof. The Company, through Aero, is currently engaged in the development, manufacture and distribution of the Dyna-Cam Engine.

PLAN OF OPERATIONS

The Company has obtained financing to satisfy its cash requirements for the next twelve months at current operating levels and to commence production of the Dyna-Cam Engine.

Currently, the Company is developing a spark-assisted version of the Dyna-Cam Engine and researching a full diesel version. The Company intends to conduct further research and development on the Dyna-Cam Engine regarding its chamber design, cylinder heads, fuel delivery system and exhaust removal system.

The Company will need to acquire additional milling and machining equipment to achieve commercial levels of production. At this time, the Company cannot determine with reasonable certainty the amount of equipment that it will need. The Company intends to move production of the Dyna-Cam Engine to Long Island, New York in 2004 to a 25,000 square foot facility.

The Company anticipates that it will need to hire several additional skilled machinists to achieve commercial levels of production of the Dyna-Cam Engine. The number of machinists hired will depend on the volume of production.

The Company will have its first public showing of the Dyna-Cam Engine at the Miami Boat Show from February 12th through February 17th of 2004.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

The Company has been invited to meet with representatives of several consulting and engineering firms in the Middle East in December of 2003.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

REVENUES

The Company had no revenues for the three months ended September 30, 2003.

COSTS AND EXPENSES

For the three months ended September 30, 2003, the Company had costs and expenses of \$218,952 consisting of selling, general and administrative ("SG&A") expenses of \$112,459, consulting expenses of \$279, professional fees of \$93,770 and depreciation and amortization of \$12,444.

LOSS FROM OPERATION AND NET LOSS

Loss from operations increased \$212,512 from \$6,440 for the three months ended September 30, 2002 to \$218,952 for the three months ended September 30, 2003. The significant increase in loss from operations is due to an increase in SG&A, professional fees and depreciation and amortization offset by a decrease in consulting expense. These increases are a result of the development, manufacture and distribution of the Dyna-Cam Engine that the Company began during the fiscal year ended June 30, 2003.

Net Loss

Net loss was \$218,952 for the three months ended September 30, 2003 as the Company did not recognize a deferred income tax provision or benefit.

Net Loss Per Share

The Company had a net loss per share of \$0.00 for the three months ended September 30, 2003 and \$0.01 for the three months ended September 30, 2002.

Liquidity and Capital Resources

For the three months ended September 30, 2003, the Company did not generate cash flow from its operations. As a result, the Company requires additional working capital to develop its business until the Company either achieves a level of revenues adequate to generate sufficient cash flows from operations or obtains additional financing necessary to support its working capital requirements.

As of September 30, 2003, the Company had accounts payable of \$43,659, accrued expenses of \$29,175, and notes payable to related parties of \$218,684.

As of September 30, 2003, the Company had cash and cash equivalents of \$7,035, cash held in trust of \$23,000, and inventories of \$266,519. The Company has working capital of \$5,036.

The Company received financing from its majority shareholders in the amount of \$1,218,598 during the period from inception (December 30, 2002) through September 30, 2003. In addition, the Company secured financing in the amount of \$2,500,000 from existing shareholders, to be advanced to the Company as unsecured shareholder loans, of which \$218,684 had been loaned as of September 30, 2003. The advances will bear interest at the Federal Reserve prime rate plus 1.25% and interest will be payable annually. There is no repayment schedule at this time. In addition, Perma-Tune Electronics, Inc. has agreed to extend to the Company a \$1.5 million credit line to provide

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

products and services to the Company as discussed below in Part II, Item 5.

ITEM 3. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and our chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report (the "Evaluation Date"), has concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to him by others within those entities.

(b) Changes in internal control over financial reporting. There were no significant changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None.

ITEM 5. OTHER INFORMATION

Robert E. Fyn, Murray H. Stark, Garth S. Bailey and Peter Mergenthaler own majority control of Perma-Tune Electronics, Inc. as well as majority control of the Registrant. Messrs. Fyn and Stark each own approximately 30% of Perma-Tune Electronics, Inc. and Messrs. Bailey and Mergenthaler own approximately 13% of Perma-Tune Electronics, Inc.

In August 2003, the Company secured financing in the amount of \$2,500,000 from existing shareholders, to be advanced to the Company as unsecured shareholder loans, of which \$218,684 had been loaned as of September 30, 2003. The advances bear interest at the Federal Reserve prime rate plus 1.25% and interest will be payable annually

In November 2003, Perma-Tune Electronics, Inc. agreed to provide a \$1.5 million line of credit to provide products and services to the Company. Pursuant to the agreement between the Company and Perma-Tune Electronics, Inc., for every \$2 paid to Perma-Tune Electronics, Inc. by the Company, Perma-Tune Electronics, Inc. will extend \$1 of credit, up to a maximum of \$1.5 million dollars.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

Exhibit No.	Description	
2.1	Exchange Agreement	(1)
2.2	Disposition of Collateral and Settlement Agreement	(1)
3.1	Amendment to Articles of Incorporation	(2)
3.2	Amended Bylaws	(1)

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

31 Certificate of the Chief Executive Officer and Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 (3)

32 Certificate of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)

- (1) Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on July 8, 2003, and incorporated herein by reference.
- (2) Filed as an exhibit to the Company's Form 8-K filed with the Securities and Exchange Commission on July 10, 2003, and incorporated herein by reference.
- (3) Filed herewith as an exhibit.

b) Reports on Form 8-K

The Company filed the following four reports on Form 8-K during the first quarter of the fiscal period covered by this report and one report thereafter:

- (1) Form 8-K filed on July 8, 2003, to report a reverse merger, the resignation and appointment of officers and directors, amended bylaws, and the intent of a name change.
- (2) Form 8-K filed on July 10, 2003, to report an Amendment to Articles of Incorporation regarding a name change and a forward stock split.
- (3) Form 8-K filed on August 6, 2003, to dismiss the former accountant and appoint a new principal independent public accountant.
- (4) Form 8-K filed on September 18, 2003, to report unaudited financial information of Aero marine Engine Corporation, a wholly-owned subsidiary. Aero Marine provided an unaudited balance sheet of Aero Marine Engine Corporation as of June 30, 2003, as well as a pro-forma unaudited balance sheet of Aero Marine Engine Corporation as of June 30, 2003, as if the Dyna-Cam transaction, which was not completed until July 2003, had been completed and all payments obligations had been assumed as of June 30, 2003.
- (5) Form 8-K/A Amendment No. 1 filed on October 1, 2003, to amend the Form 8-K filed on July 8, 2003.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AERO MARINE ENGINE, INC.

Date: November 19, 2003
By: /s/ Garth S. Bailey

Garth S. Bailey
Chief Executive Officer

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

EXHIBIT 31

CERTIFICATION

I, Garth S. Bailey, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Aero Marine Engine, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Paragraph omitted in accordance with SEC transition instructions contained in SEC Release No. 33-8238;
 - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Edgar Filing: AERO MARINE ENGINE INC - Form 10QSB

Date: November 19, 2003

By: /s/Garth S. Bailey

Garth S. Bailey,
Chief Executive Officer,
President and Chief
Financial Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Garth S. Bailey, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Aero Marine Engine, Inc. on Form 10-QSB for the quarterly period ended September 30, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-QSB fairly presents in all material respects the financial condition and results of operations of Aero Marine Engine, Inc.

By:/s/ Garth S. Bailey

Name: Garth S. Bailey
Title: Chief Executive Officer,
President and Chief
Financial Officer

November 19, 2003