MATECH Corp.
Form 10-K
April 15, 2009

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

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: 333-23617

MATECH Corp.
(Exact name of registrant as specified in its charter)

Delaware	95-4622822
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11661 San Vicente Boulevard, Suite 707
Los Angeles, California 90049
(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 208-5589

Securities registered pursuant Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recent completed fiscal quarter ended March 31, 2009: $61,247,408

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.. Yes o No o

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: April 9, 2009, 32,539,790 shares of Class A common stock, $.001 par value; and 600,000 shares of Class B common stock, $.001 par value

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933: None.

MATECH Corp.
Annual report for the period ended December 31, 2008

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PART I

ITEM 1 – Business

Development of Business

We were formed as a Delaware corporation on March 4, 1997. We are the successor to the business of Material Technology, Inc., a Delaware corporation, also doing business as Tensiodyne Scientific, Inc. Material Technology, Inc. was the successor to the business of Tensiodyne Corporation that began developing the Fatigue Fuse in 1983. Our two predecessors, Tensiodyne Corporation and Material Technology, Inc. were engaged in developing and testing our Fatigue Fuse and, beginning in 1993, developing our Electrochemical Fatigue Sensor.

Our Business

Over the last several years, we were engaged in research and development of metal fatigue detection, measurement, and monitoring technologies. We have now developed several monitoring devices for metal fatigue detection and measurement. We are currently marketing our technology.

Our efforts have been dedicated to developing devices and systems that indicate the true status of fatigue damage in a metal component. We have developed two products. The first is a small, simple device that continuously integrates the effect of fatigue loading in a structural member, called a Fatigue Fuse. The second is an instrument that detects very small growing fatigue cracks in metals, the Electrochemical Fatigue Sensor. The Electrochemical Fatigue Sensor has demonstrated in the laboratory that it can detect cracks as small as 10 microns (0.0004 inches), which we believe is smaller than any other practical crack detection technology. The Company holds the patents on the Fatigue Fuse and the license on the technology on the Electrochemical Fatigue Sensor from the University of Pennsylvania and licenses both of those technologies to us.

We have completed the technology to the point where we are now performing real world bridge inspections.

The Federal Highway Administration (FHA) has signed a $347,500 contract with us to purchase equipment and training as part of their Steel Bridge Testing Program. They will use our EFS system in the laboratory and on actual bridges to find growing fatigue cracks. Following the completion of this program, the FHA will recommend technologies for use on bridges for specific bridge problems.

Our on-call contract with the Pennsylvania Department of Transportation (PennDOT) is continuing to produce good results. We have used the EFS on 12 bridges in Pennsylvania so far, totaling over $100,000. We anticipate further work orders to be issued for the next inspection season. We have also received interest from several inspection companies in Pennsylvania to purchase EFS equipment, as well as training and licensing, in order to execute these further work orders, with licensing fees payable to us for each bridge inspected. One such company has already been trained at their cost to help us execute on-call contracts in 2008.

We completed a contract with Massachusetts (MassHighway) for $24,290. We then met with MassHighway representatives who hired us to conduct additional bridge inspections during 2008.

New York State contracted with us to provide EFS inspection services on a high profile fracture critical bridge for $9,630. As a result of this initial inspection for the New York State Department of Transportation, we will be performing a follow up inspection. Additionally, they are evaluating purchase of equipment, training for their engineers, and licensing in 2008.

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We have completed an inspection of a fracture critical bridge in West Sacramento, California, and are also in the process of analyzing and reporting the results. At the same time we have met with several high-ranking state and national officials in California, with more meetings planned, all discussing the use of EFS across the state.

We have also formed a strategic alignment with a California-based independent testing laboratory called Smith Emery Company. Smith Emery Company is over 100 years old and has over 400 employees in California as well as an office in China. They perform weld testing, building façade testing, and metallurgical failure analysis. Engineers and technicians have already been trained at their cost to execute contracts in the western U.S. region.

We have signed a contract with the Canadian National Railway to inspect a bridge in Wisconsin. The Canadian National Railway owns a number of bridges in the United States.

We have completed and sent PennDOT a report on the nine bridges we inspected in Pennsylvania. We hope to meet with PennDOT in the near future to discuss the use of EFS on their remaining steel bridges.

We have been invited by the U.S. Army Corps of Engineers to present at the U.S. Secretary of Defense's office on May 1 and 2, 2008. The U.S. Army Corps of Engineers owns all of the bridges over U.S. federal waterways.

We have scheduled inspections in 2008 for the following entities so far:

- Virginia Department of Transportation
- Canadian National Railway
- Alabama Department of Transportation
- MassHighway
- New York Department of Transportation

We have been hired to perform inspections with the following entities which have not yet been scheduled:

- New Jersey Department of Transportation
- PennDOT
- Union Pacific Railroad
- URS Engineers

Our Technologies

The Fatigue Fuse

The Fatigue Fuse is designed to be affixed to a structure to give warnings at pre-selected percentages of the fatigue life that have been used up (i.e., how close to failure the structure has progressed). It warns against a condition of widespread generalized cracking due to fatigue.

The Fatigue Fuse is a thin piece of metal similar to the material being monitored. It consists of a series of parallel metal strips connected to a common base, much as fingers are attached to a hand. Each "finger" has a different geometric pattern, called "notches," defining its boundaries. Each finger incorporates an application-specific notch near the base. By applying the laws of physics and fracture mechanics to determine the geometric contour of each notch, the fatigue life of each finger is finite and predictable.

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When the fatigue life of a finger (Fuse) is reached, the Fuse breaks.

By implementing different geometry for each finger notch in the array, different increments of fatigue life are observable. Typically, notches will be designed to facilitate observing increments of fatigue life of 10% to 20%. By mechanically attaching or bonding these devices to different areas of the structural member of concern, the Fuse undergoes the same fatigue history (strain cycles) as the structural member. Therefore, breakage of a Fuse indicates that an increment of fatigue life has been reached for the structural member. The notch and the size and shape of the notch concentrate energy on each finger. The Fuse is intimately attached to the structural member of interest. Therefore, the Fuse experiences the same strain and wear history as the member. Methods are available for remote indication of Fuse fracturing.

In a new structure, we generally assume there is no fatigue and can thus design the Fatigue Fuse for 100% of its life potential. But in an existing structure, one that has experienced loading and wear, we must determine the fatigue status of that structural member so we can design the Fatigue Fuse to monitor the remaining fatigue life potential.

We believe that the Fatigue Fuse is of value in monitoring aircraft, ships, bridges, conveyor systems, mining equipment, cranes, etc. Little special training is needed to qualify individuals to report any broken segments of the Fatigue Fuse to the appropriate engineering authority for necessary action. The success of the device is contingent upon our successful marketing of the Fatigue Fuse, and no assurance can be given that we will be able to overcome the obstacles relating to introducing a new product to the market. To implement our ability to produce and market the Fatigue Fuse, we need substantial additional capital and no assurance can be given that this needed capital will be available.

The Electrochemical Fatigue Sensor (EFS")

The EFS is a device that employs the principle of electrochemical/mechanical interaction of metals under repeated loading to find growing cracks. It is an instrument that detects very small cracks and has the potential to determine crack growth rates. The Electrochemical Fatigue Sensor has demonstrated in the laboratory that it can detect cracks as small as 10 microns (0.0004 inches), which we believe is smaller than any other practical technology. We believe that nothing comparable to this instrument currently exists in materials technology. We have inspected approximately 33 bridges to date using this technology.

The EFS functions by treating the location of interest (the target) associated with the structural member as an electrode of an electrochemical cell (similar to a battery). By imposing a constant voltage-equivalent circuit as the control mechanism for the electrochemical reaction at the target surface, current flows as a function of stress action. The EFS is always a dynamic process; therefore stress action is required, e.g., to measure a bridge structural member it is necessary that cyclic loads be imposed, such as normal traffic on the bridge would do. The results are a specific set of current waveforms and amplitudes that characterize and indicate fatigue damage i.e., growing fatigue cracks.

Status of our Technologies

Currently, our primary focus is on the commercialization of the EFS.

Status of the EFS

Within the past twelve months, we have successfully used EFS on 18 highway and railroad bridges. We are now actively marketing the EFS for bridges.

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Status of the Fatigue Fuse

To date, certain organizations have included our Fatigue Fuse in test programs. We have already completed the tests for welded steel civil bridge members conducted at the University of Rhode Island. In 1996, Westland Helicopter, a British firm, tested the Fatigue Fuse on helicopters. That test was successful with the legs of the Fatigue Fuses failing in sequence as predicted. At the present time, we are applying Fatigue Fuses to several portable aluminum bridges for the U.S. Army.

The Fatigue Fuse has been at this stage for the past several years as we have not had the necessary financial resources to finalize our development and commence marketing. At the present time we have elected to defer future development of the Fatigue Fuse and apply our resources to pursue the EFS technology.

Commercial Markets for our Products and Technologies

Our technology is applicable to many market sectors such as bridges and aerospace as well as ships, cranes, railways, power plants, nuclear facilities, chemical plants, mining equipment, piping systems, and heavy iron.

Application of Our Technologies For Bridges

Our EFS and Fatigue Fuse products primarily address the detection of fatigue in structures such as bridges. In the United States alone, there are more than 610,000 bridges of which over 260,000 are rated by the Federal Highway Administration as requiring major repair, rehabilitation, or replacement. Our EFS and Fatigue Fuse products can be effectively used as fatigue detection devices for all metal bridges located within the United States. Our detection devices also address maintenance problems associated with bridge structures.

Although there are normal business imperatives, the bridge market is essentially macro-economically and government policy driven. In our opinion, only technology can provide the solution. The need for increased spending accelerates significantly each year as infrastructure ages. The Federal government has mandated bridge repair and detection through the passage of the Intermodal Surface Transportation and Efficiency Act in 1991 and again in the $200 billion, 1998 Transportation Equity Act. We have completed several contracts to install our fatigue detection products on bridge structures within the United States, and are in negotiations for several others.

Our Patent Protections

We are the owner and/or assignee of eight patents as follows:

Title	USPTO No.
Devise for Monitoring Fatigue Life	4,590,804
Method of Making a Device for Monitoring Fatigue Life	4,639,997
Metal Fatigue Detector	5,237,875

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Device for Monitoring the Fatigue Life of a Structural Member and a Method of Making Same	5,319,982
Device for Monitoring the Fatigue Life of a Structural Member and a Method of Making Same	5,425,274
Methods and Devices for Electro Chemically Determining Metal Fatigue Status	5,419,201
Apparatus for and Method for Interrogating a Fatigue Fuse	Provisional
Indicator for Fatigue Fuse	Provisional

Our Patents are Encumbered

The patents described in the preceding section are pledged as collateral to secure the repayment of loans extended to us or indebtedness that we currently owe. On August 30, 1986, we entered into a funding agreement with the Advanced Technology Center, whereby ATC paid $45,000 to us for the purchase of a royalty of 3% of future gross sales and 6% of sublicensing revenue. The royalty is limited to the $45,000 plus an 11% annual rate of return. The payment of future royalties was secured by equipment we used in the development of technology as specified in the funding agreement; however, no lien against our equipment or our patents in favor of ATC vested until we generated royalties from product sales.

On May 4, 1987, we entered into a funding agreement with ATC whereby ATC provided $63,775 to us for the purchase of a royalty of an additional 3% of future gross sales and 6% of sublicensing revenue. The agreement was amended August 28, 1987, and as amended, the royalty cannot exceed the lesser of (1) the amount of the advance plus a 26% annual rate of return or, (2) total royalties earned for a term of 17 years. As with our first agreement with ATC, no lien or encumbrance against our assets, including our patents, vested in favor of ATC until we generated royalties from product sales.

On September 28, 2006, we entered into an agreement with Ben Franklin Technology, the successor to ATC, to give Ben Franklin 3,334 shares of our common stock, valued at $40,000, in exchange for a general release of the above liabilities.

On May 27, 1994, we borrowed $25,000 from Sherman Baker, one of our shareholders. We gave Mr.

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Baker a promissory note due May 31, 2002 and we pledged our patents as collateral to secure the repayment of this note. As of December 31, 2007, there is a first priority security interest in our patents as collateral for the repayment of the amounts we owe to Mr. Baker. As additional consideration for this loan, we granted to Mr. Baker a 1% royalty interest in the Fatigue Fuse and a 0.5% royalty interest in the Electrochemical Fatigue Sensor. We are in default of the repayment terms of the note held by Mr. Baker, and at December 31, 2007, we owe Mr. Baker $56,761 in principal and accrued interest. Mr. Baker has not taken any action to foreclose his interest in the collateral and we are in discussions with Mr. Baker, with the expectation that we will cure any default in the note he holds and avoid any foreclosure of his security interest held in our patents. We believe that although we have not yet cured our defaults on the loans to Mr. Baker, our current communications with him suggest that Mr. Baker does not have the present intention of foreclosing on the patents as collateral or the pursuit of legal action against us to collect the balance due under our note.

Distribution of our Products

Subject to available financing, we have and continue to exhibit the Electrochemical Fatigue Sensor, and to a lesser extent the Fatigue Fuse, at various trade shows and intend to also market our products directly to end users including certain state regulatory agencies charged with overseeing bridge maintenance, companies engaged in manufacturing and maintaining large ships and tankers, and the military. Although we intend to undertake marketing, dependent on the availability of funds, within and without the United States, no assurance can be given that any such marketing activities will be implemented.

Competition

Other technologies exist which identify cracks which may be the result of fatigue damage. Single cracks larger than a minimum size can be found by nondestructive inspection methods such as dye penetrant, radiography, eddy current, acoustic emission, and ultrasonics. Ours is the only one known able to detect growing cracks. Tracking of load and strain history, to subsequently estimate fatigue damage by computer processing, is possible with recording instruments such as strain gauges and counting accelerometers. These methods have been used for over 40 years and also offer the advantage of having been accepted in the market, whereas our products remain largely unproven. Companies marketing these alternate technologies include Magnaflux Corporation, Kraut-Kramer-Branson, Dunegan-Endevco, and Micro Measurements. These companies have more substantial assets, greater experience, and more resources than us, including, but not limited to, established distribution channels and an established customer base. The familiarity and loyalty to these technologies may be difficult to dislodge. Because we are still in the development stage, we are unable to predict whether our technologies will be successfully developed and commercially attractive in potential markets.

Employees

We have eight full-time employees. In addition, we retain consultants on an independent contractor basis for specialized work.

ITEM 1A – RISK FACTORS

Financial Position of the Company, Working Capital Deficit; Report of Independent Registered Public Accounting Firm

The Company has generated no earned income during its fiscal year ended December 31, 2008. The Company has not yet generated sufficient operating income from operations, nor is there any assurance that the Company

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will achieve future revenue levels and operating efficiencies to support existing operations, generate positive cash flow from operations or recover its proposed investment in its property, plant and equipment. The Company expects to show continued losses through the first half of calendar 2009 and there can be no assurance that such losses will not continue thereafter. The success of the Company's operations are largely dependent upon its ability to establish and improve operating efficiencies and overall production capacity, generate substantial sales revenues and generate adequate cash-flows from operations. The Company's operations are subject to numerous risks associated with the establishment of its business, including lack of adequate financing sources and competition from numerous large, well-established and well-capitalized competitors. In addition, the Company has in the past and may again in the future encounter unanticipated problems, including manufacturing, distribution and marketing difficulties, some of which may be beyond the Company's financial and technical abilities to resolve. The failure to adequately address such difficulties could have a materially adverse effect on the Company's prospects.

The Report of Independent Registered Public Accounting Firm on the Company's financial statements for the period ended December 31, 2008, contains an explanatory paragraph regarding the Company's ability to continue as a going concern. See Report of Independent Registered Public Accounting Firm contained in the Financial Statements. See Item 8 “Financial Statements and Supplementary Data”.

Availability and Integration of Future Acquisitions

The Company's strategy includes pursuing acquisition candidates that complement its existing product line and geographic presence and leverage of its purchasing power, brand management and capability and operating efficiencies. Potential competitors for acquisition opportunities include larger companies with significantly greater financial resources. Competition for the acquisition of businesses may result in acquisitions on terms that prove to be less advantageous to the Company that have been attainable in the past or may increase acquisition prices to levels beyond the Company's financial capability. The Company's financial capability to make acquisitions is partially a function of its ability to access the debt and equity capital markets. In addition, there can be no assurance that the Company will find attractive acquisition candidates in the future or succeed in reducing the costs and increasing the profitability of any business acquired in the future.

Risks of Leverage

The Company anticipates that it may incur substantial borrowings for the purpose of purchasing inventory and equipment, and for financing the expansion and growth of the Company, including the possible acquisition of other companies. See “Business - Borrowing Policies”. Any amounts borrowed will depend, among other things, on the condition of financial markets. Acquisitions of equipment, vehicles, or other companies purchased on a leveraged basis generally can be expected to be profitable only if they generate, at a minimum, sufficient cash revenues to pay interest on, and to amortize, the related debt, to cover operating expenses and to recover the equity investment. The use of leverage, under certain circumstances, may provide a higher return to the shareholders but will cause the risk of loss to the shareholders to be greater than if the Company did not borrow, because fixed payment obligations must be met on certain specified dates regardless of the amount of revenues derived by the Company. If debt service payments are not made when due, the Company may sustain the loss of its equity investment in the assets securing the debt as a result of foreclosure by the secured lender. Interest payable on Company borrowings, if any, may vary with the movement of the interest rates charged by banks to their prime commercial customers. An increase in borrowing costs due to a rise in the “prime” or “base” rates may reduce the amount of Company income and cash availability for dividends.

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Highly Competitive Industry

The Company's business is highly competitive. The Company faces competition in all of its markets from large, national companies and smaller, regional companies, as well as from individuals. Many of the Company's competitors are larger and have greater financial resources than the Company. The Company from time to time will experience price pressure in certain of its markets as a result of competitors' promotional pricing practices. Competition is based on quality, functionality, price, brand loyalty, effective promotional activities and the ability to identify and satisfy emerging preferences.

Rapid Growth

The Company may experience rapid growth. It will be necessary for the Company to rapidly add a significant number of employees and may be required to expend considerable efforts in training these new employees. This growth will place strains on the Company's management resources and facilities. The Company's success will, in part, be dependent upon the ability of the Company to manage growth effectively.

General Economic Conditions

The financial success of the Company's operations may be sensitive to adverse changes in general economic conditions, such as inflation, unemployment, and the cost of borrowing. These changes could cause the cost of the Company's products to rise faster than it can raise prices. The Company has no control over any of these changes.

Dividends

There can be no assurance that the proposed operations of the Company will result in sufficient revenues to enable the Company to continue to operate at profitable levels or to generate positive cash flow to enable the Company to pay cash dividends to its shareholders.

Potential Quarterly Fluctuations

The Company may experience variability in its net sales and net income on a quarterly basis as a result of many factors, including the volatility of commodities, industrial stability in general, seasonal shifts in demand, weather and announcements of new and/or competitive producers. The Company's planned operating expenditures each quarter are based on sales forecasts for the quarter. If sales do not meet expectations in any given quarter, operating results for the quarter may be materially and adversely affected.

Dependence on Senior Management

The Company's future performance will depend to a significant extent upon the efforts and abilities of certain key management personnel. The Company currently does not have key life insurance policies on any of its executives. The loss of service of one or more of the Company's key management personnel could have an adverse effect on the Company's business. The Company's success and plans for future growth will also depend in part on management's continuing ability to hire, train and retain skilled personnel in all areas of its business.

Product Liability and Warranty Claims

The Company has never had a significant claim brought against it for product liability. While the Company has never incurred significant liability for such claims, any significant occurrence in claims could have an adverse impact on the Company. The Company

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believes that its product liability insurance will be adequate and that it also may have certain rights to indemnification from third parties. There can, however, be no assurance that claims exceeding such coverage will not be made, that the Company will be able to obtain and continue insurance coverage, or that the Company would be successful in obtaining indemnification from such third parties. Although the Company from time to time will provide written limited warranties to its customers, no significant warranty claims have been received or are expected. There can, however, be no assurance that significant warranty claims will not be received in the future.

Business Interruption

The Company believes that its success and future results of operations will be dependent in large upon its ability to provide prompt and efficient service to its customers. As a result, any disruption of the Company's day-to-day operations could have a material adverse effect upon the Company and any failure of the Company's management and manufacturing systems, distribution arrangements or communication systems could impair its ability to receive and process customer orders and ship products on a timely basis.

If the Company's facilities are significantly damaged by fire or other casualty, production may be substantially interrupted and such casualty loss and business interruption would have a material adverse effect on the Company's operations and profitability. The Company intends to maintain business interruption insurance but there can be no assurance that such coverage, if obtained, will be sufficient to cover the Company's losses or that the Company will be able to regain its market share or customer base after resuming operations.

Factors Affecting Operations

The construction industry may be affected by adverse changes in general or local economic market conditions, weather, changing regulatory requirements, limited alternative uses for the rubber materials, changing demographics, and other factors.

Dependence on Key Personnel

The operation of the company requires managerial and operational expertise. The Company has no reason to believe that any of its key management personnel will not continue to be active in the Company's operations.

Employees

Although the Company believes that it will be able to obtain and maintain an adequate number of competent personnel, there is no assurance that a shortage of qualified operating personnel will not present a serious problem to the Company in the future..

Uninsured Losses

The Company intends to arrange for comprehensive insurance, including general liability, fire and extended coverage and business interruption insurance, which is customarily obtained for similar operations. Although the Company will maintain insurance coverage in amounts believed to be prudent and sufficient, there is a possibility that losses may exceed such coverage limitations. Furthermore, there are certain types of losses (generally of a

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catastrophic nature, including tornadoes, earthquakes and floods) that are either uninsurable or not economically insurable. Should such a disaster occur, theCompany could suffer a loss of the capital invested in, as well as, anticipated profits from any property destroyed by such a casualty.

Governmental Regulations

Existing and subsequent changes in foreign, national, state and local laws, as well as, administrative regulations and enforcement policies over which the Company has no control could have an adverse effect on the Company's business. Worker's compensation requirements and other regulation of wages, hours and working conditions could have adverse effects on the Company's operations. The continued operations are dependent upon its ability to comply with local zoning and land use regulations which govern the use of buildings and similar matters. The Company believes that it can obtain the necessary permits to promote the intended business of the Company at the sites where it intends to do business, but its ability to obtain these permits is dependent upon the discretion of state and/or local officers. Moreover, many of these permits may impose restrictive conditions upon the business operations of the Company and may be reviewed and revoked at specified intervals. No assurance can be given that a future law or regulation applicable to the Company's location will not have an adverse effect upon its ability to conduct business.

The Company is subject to numerous federal, state and local laws and regulations that govern the discharge and disposal of wastes, workplace safety and other aspects of the Company business. The Company's operations entail the risk of noncompliance with environmental and other government regulations. Environmental and other legislation and regulations have changed in recent years and the Company cannot predict what, if any, impact future changes may have on the Company's business. Further, environmental legislation has been enacted, and may in the future be enacted, that creates liability for past actions that were lawful at the time taken. As in the case with manufacturing companies in general, if damage to persons or the environment has been caused, or is in the future caused, by the Company's use of hazardous solvents or by hazardous substances located at the Company's facilities, the Company may be fined or held liable for the cost of remediation. Imposition of such fines or the incurrence of such liability may have a material adverse effect on the Company's business, financial condition and results of operations.

Indemnification

The Company's Certificate of Incorporation limits the liability of its directors and officer to the Company and its shareholders to the fullest extent permitted by Delaware law, and provides for indemnification of the directors and officers to such extent. See "Management-Limited Liability and Indemnification". The Company may also obtain liability insurance. These measures will provide additional protection to the directors and officers of the Company against liability in connection with certain actions and omissions.

Conflicts of Interest

There are anticipated conflicts of interest between the Company and its stockholders, and there may be potential conflicts of interest involving the Company and its stockholders, some of which may affect the planed business activities of the Company. The Board of Directors will attempt to resolve any conflict of interest situation which may arise and which is brought to the attention of the Board of Directors on a case-by-case basis.

Non-Arm's Length Transactions

The Company may engage in transactions with its officers, directors and shareholders. Such transactions may be considered as not having occurred at arm's length. The Company may do business with such

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persons in the future, but intends to contract with them on the same basis and upon no more favorable terms than could be obtained from persons not affiliated with the Company.

ITEM 1B – Unresolved Staff Comments

The Company received a comment letter dated January 9, 2009, regarding its pending Form S-1 registration statement (File No. 333-156139). The Company intends to file an amendment to the Form S-1 registration statement and to then respond to the comments of the staff as soon as possible.

ITEM 2 – Properties

We lease an office at 11661 San Vicente Blvd., Suite 707, Los Angeles, California, 90049. The space consists of 830 square feet and will be adequate for our current and foreseeable needs. The total rent is payable at $2,582 per month on a month-to-month basis. Either party may cancel the lease on 30 days notice.

ITEM 3 – LEGAL PROCEEDINGS

Stephen Beck

In July 2002, we settled a lawsuit related to a contract dispute with Mr. Stephen Beck. In March 2006, Mr. Beck filed a lawsuit against us alleging breach of contract related to the lawsuit settlement and sought approximately $135,000 in damages, plus the issuance of 12,989 shares of our common stock plus interest.

In December 2006, we entered into a settlement and release agreement, as well as irrevocable escrow instructions, to settle the lawsuit Mr. Beck filed in March 2006. As consideration under the settlement, we issued 5,000,000 shares of our common stock to Mr. Beck, with the shares to be held by an escrow agent and distributed to Mr. Beck monthly with a trading limit equal to 8% of the previous month's trading volume of our common stock, until Mr. Beck has received a total of $800,000. As we have guaranteed this debt to Mr. Beck in the amount of $800,000, we have recorded a liability as of December 31, 2007 for this amount. As Mr. Beck receives proceeds from the sale of his shares into the market and 7.5% (net of any expenses incurred by us) of any cash raised by us from the sale of equity, we will reduce our guarantee by that amount. We have paid a total of $285,182 to Mr. Beck in cash as part of the settlement. Mr. Beck also had anti-dilution rights on those shares to maintain his percentage ownership through September 27, 2008. We issued another 5,000,000 shares to Mr. Beck to be held in escrow until the conditions are met with respect to the anti-dilution shares. As of the date of this Report, we have issued a total of 1,393,617 shares of common stock to Mr. Beck pursuant to the anti-dilution provision in the settlement arrangement. In or about February 2008, Mr. Beck reached the $800,000 guarantee from the sale of our common stock and the cash received from us for 7.5% of the capital we raised. Therefore, as of the date of this Report, we have no further liability to Mr. Beck.

On September 12, 2007, we filed a complaint for declaratory relief against Mr. Beck in the Superior Court of the State of California, County of Los Angeles, Central Judicial District, seeking a judicial determination as to the respective rights and duties of us and Mr. Beck with respect to certain terms and conditions of the settlement agreement and escrow instructions.

On October 1, 2007, Mr. Beck served us with a Motion for Enforcement of Settlement and Entry of Judgment (Motion"). Mr. Beck's motion was denied.

On February 7, 2008, we filed a first amended complaint in our action against Mr. Beck for declaratory relief which now also seeks to have the settlement agreement and escrow instructions rescinded. On March 6, 2008,

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Mr. Beck filed a cross-complaint against us and Robert M. Bernstein, our President and a Director, for breach of contract, specific performance, declaratory relief, conversion, intentional interference with contract (against Mr. Bernstein only) and, in the alternative, equitable restitution.

Gem Advisors, Inc., GEM Global Emerging Markets, and Global Emerging Markets of North America, Inc.

On June 15, 2005, we filed a Complaint in the Los Angeles Superior Court, State of California, case number BC336689, against Gem Advisors, Inc., GEM Global Emerging Markets, and Global Emerging Markets of North America, Inc., seeking a declaration regarding certain agreements we entered into with the parties. We did not seek monetary damages. On November 16, 2005, Gem Advisors, Inc. filed an Answer and Cross-Complaint, seeking approximately $1.9 million in damages arising out of finders fees for certain transactions. On November 30, 2005, default judgments were entered against the other defendants who failed to respond to our Complaint. In September 2006, this case was dismissed as to all parties because the parties thought they could agree on the terms of a written settlement agreement. However, the parties failed to reach a settlement and no formal settlement agreement was ever executed.

On November 30, 2007, Gem Advisors, Inc. filed a lawsuit against us, Robert M. Bernstein, and Lawrence I. Washor (who represented us in the lawsuit against Gem Advisors, Inc. filed on June 15, 2005), for breach of contract (settlement), breach of contract (for transfer to Gem Advisors, Inc. of 585,000 shares we held in another company), breach of covenant of good faith and fair dealing, and fraud and deceit – promise made without intention to perform (the only cause of action asserted against Robert M. Bernstein and Lawrence I. Washor). Gem Advisors, Inc. is seeking damages in excess of $250,000. On April 10, 2008, the Court dismissed Lawrence I. Washor from the lawsuit.

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

None.

PART II

ITEM 5 – Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is quoted on the OTC bulletin board under the symbol MTCH. The following table sets forth the high and low bid prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	High	Low
Fiscal year ended December 31, 2006:		
First quarter	$ 0.29	$ 0.09
Second quarter	$ 0.35	$ 0.08
Third quarter	$ 0.10	$ 0.03
Fourth quarter	$ 13.80	$ 0.03

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Fiscal year ended December 31, 2007:				
First quarter	$	3.70	$	0.41
Second quarter	$	1.65	$	1.01
Third quarter	$	1.97	$	0.55
Fourth quarter	$	0.75	$	0.40
Fiscal year ended December 31, 2008:				
First quarter	$	0.86	$	.025
Second quarter	$	.028	$	.0021
Third quarter	$	.017	$	.001
Fourth quarter (Oct 1 and Oct 2)	$	.0015	$	.0014
Fourth quarter (Oct 3 thru Dec 31)(1)	$	3.30	$	0.25

(1) After a 1-for-1000 reverse stock split in October 2008.

The closing price of our common stock on April 9, 2009, was $2.50.

Holders

We had 24,408,963 shares of our Class A common stock issued and outstanding and held by approximately 1,728 holders of record as of December 31, 2008. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

The transfer agent for our Class A common stock is Interwest Transfer Company, Inc., 1981 Murray Holiday Road, Suite 100, Salt Lake City, Utah 84117.

Dividends

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends to stockholders in the foreseeable future. In addition, any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

On April 18, 2006, our Board of Directors approved the 2006 Non-Qualified Stock Grant and Option Plan (the 2006 Plan") with 100,000 shares of our common stock available for issuance under the plan. The plan offers selected employees, directors, and consultants an opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. As of the date of this Report, we have issued all 100,000 shares of common stock under the plan.

On December 1, 2006, our Board of Directors approved the 2006/2007 Non-Qualified Company Stock Grant and Option Plan (the 2006/2007 Plan") with 3,000,000 shares of our common stock available for issuance under the plan. The plan offers selected employees, directors, and consultants an opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. As of the date of this Report, we have not issued any options or shares of common stock under the 2006/2007 Plan.

On April 22, 2008, our Board of Directors approved the 2008 Incentive and Nonstatutory Stock Option Plan (the "2008 Plan") with 100,000,000 shares of our common stock available for issuance

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under the plan. On May 23, 2008, our Board of Directors amended the 2008 Plan increasing the number of shares of our common stock available for issuance under the plan to 400,000,000. The 2008 Plan offers selected employees, directors, and consultants an opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. As of the date of this Report, we have issued all 400,000,000 stock options to employees under the 2008 Plan.

Recent Sales of Unregistered Securities

On January 9, 2008, we issued 425,000 shares of common stock to one individual in exchange for consulting services.

On January 14, 2008, we issued a total of 7,000,000 shares of common stock to two entities for investor relations services.

On January 21, 2008, we issued 425,000 shares of common stock to one individual in exchange for services.

On February 19, 2008, we issued 200,000 shares of common stock to one individual in exchange for services.

On February 25, 2008, we issued 150,000 shares of common stock to one individual in exchange for consulting services.

On February 27, 2008, we issued 150,000 shares of common stock to one individual in exchange for consulting services.

On February 27, 2008, we issued 200,000 shares of common stock to one individual in exchange for consulting services.

On February 27, 2008, we issued 25,000 shares of common stock to one individual in exchange for consulting services.

On April 9, 2008, we issued options to purchase a total of 15,390,546 shares of Class A common stock to two individuals at an exercise price of $0.025 per share.

On April 9, 2008, we issued options to purchase a total of 48,000 shares of Class B common stock to two individuals at an exercise price of $0.50 per share.

On April 11, 2008, we issued 77,600 shares of common stock to four individuals under Regulation S for total gross proceeds of $18,624.

On July 11, 2008, we issued a total of 8,577,907 shares of common stock to two entities pursuant to their conversion of Series E Convertible Preferred Stock.

Unless otherwise indicated, we relied on the exemption from registration relating to offerings that do not involve any public offering pursuant to Section 4(2) under the Securities Act of 1933 (the "Act") and/or Rule 506 of Regulation D of the Act. We believe that each investor had adequate access to information about us through the investor's relationship with us.

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ITEM 6 – Selected Consolidated Financial Data

Comparison of Years Ended December 31, 2008 and 2007

During the fiscal year ended December 31, 2008 and 2007, the Company had revenues of $102,622 and $201,917, respectively, a decrease of approximately 54%. The revenues of the Company were derived primarily by providing bridge testing services.

During the fiscal year ended December 2008 and 2007, the Company had a net loss of $267,909,404 versus a loss of $73,396,579, respectfully which equates to a 365% increase in net loss. The increased loss was attributable mainly to changes in the fair value of derivative and warrant liability and losses regarding shareholder settlements relating to the failure to register common stock of the Company as required by contractual commitments.

General and administrative expenses declined from $98,557,941 in the year ended December 31, 2007, to $27,582,716 during the year ended December 31, 2008. Research and development expenses also declined from $3,701,966 during the year ended December 31, 2007, to $527,833 during the year ended December 31, 2008.

During the fiscal year end December 31, 2008, the Company incurred a loss of $39,407,195 due to its failure to register the shares of its common stock sold to investors to private placements because it failed to timely register such securities within the required contractual time period, compared to no similar loss during fiscal 2007.

During the year ended December 31, 2008, the Company incurred a loss of $(196,565,985) regarding the change in fair value of derivative and warrant liabilities, compared to a gain of $34,962,617 during fiscal 2007.

ITEM 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Disclaimer Regarding Forward Looking Statements

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this Report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

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Overview

We research and develop technologies that detect and measure metal fatigue. We have developed two products. Our two products are the Fatigue Fuse and Electrochemical Fatigue Sensor. We generate very little revenue from the sale and licensing of our products, and thus we are a development stage company.

Our biggest challenge is funding the continued research and development and commercialization of our products until we can generate sufficient revenue to support our operations. We try to keep our overhead low and utilize outside consultants as much as possible in order to reduce expenses, and thus far we have been successful in raising enough capital through loans and financing to fund operations. For the foreseeable future, we will continue to raise capital in this manner.

Our consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. We have sustained operating losses since our inception (October 21, 1983). In addition, we have used substantial amounts of working capital in our operations. Further, at December 31, 2007, the deficit accumulated during the development stage amounted to approximately $313,208,402, and amounted to $581,117,806 at December 31, 2008.

In view of these matters, realization of a major portion of the assets in the accompanying consolidated balance sheet is dependent upon our ability to meet our financing requirements and the success of our future operations. During 2007, we received approximately $4,000,000 in private financing, primarily from the sale of equity and debt securities. We plan to continue to raise funds through the sale of our securities for the foreseeable future. In addition in 2007, we received contracts to inspect certain bridges with nine states which generated gross revenue of approximately $201,917. We have begun marketing our current technologies while continuing to develop new methods and applications. We will need to raise additional capital to finance future activities and no assurances can be made that current or anticipated future sources of funds will enable us to finance future operations. In light of these circumstances, substantial doubt exists about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should we be unable to continue as a going concern.

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We research and develop technologies that detect and measure metal fatigue. We have developed two products: (1) the Fatigue Fuse; and (2) the Electrochemical Fatigue Sensor. We generate very little revenue from the sale and licensing of our products, and thus we are a development stage company.

Our biggest challenge is funding the commercialization of our products until we can generate sufficient revenue to support our operations. We try to keep our overhead low and utilize outside consultants as much as possible in order to reduce expenses, and thus far we have been successful in raising enough

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capital through loans and financing to fund operations. For the foreseeable future, we plan to continue to raise capital in this manner.

Our consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. We have sustained operating losses since our inception (October 21, 1983).

In addition, we have used substantial amounts of working capital in our operations. Further, at December 31, 2008, the deficit accumulated during the development stage amounted to approximately $581,117,806.

We will need to raise additional capital to finance future activities and no assurances can be made that current or anticipated future sources of funds will enable us to finance future operations. In light of these circumstances, substantial doubt exists about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should we be unable to continue as a going concern.

Results of Operations for the Year Ended December 31, 2008 as Compared to the Year Ended December 31, 2007 (audited)

Introduction

We have had revenues primarily from bridge testing. Our revenues from bridge testing for 2007 totaled $201,917 and for 2008 totaled $92,622, a decrease of approximately 54%. We continued to fund the majority of our operations through the issuance of our stock, resulting in large expenses in the areas of research and development and consulting. The amount of cash used in our operations was approximately $2,664,630 in 2007 compared to approximately $2,830,283, an increase of approximately 6% in 2008. We anticipate that we will continue to fund a substantial portion of our operations through the sale of our securities until such time as we can begin to generate substantial revenue from the sale of our services and products, and we do not have an estimate of when such revenues will begin.

Revenues and Loss from Operations

Our revenue, research and development costs, general and administrative expenses, and loss from operations for the year ended December 31, 2007 as compared to the year ended December 31, 2008 are as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2008	Percentage Change
Revenue	$ 201,917	$ 102,622	(54.2) %
Research and development costs	3,701,966	527,833	(85.7) %
General and administrative expenses	98,557,943	27,582,716	(72.0) %
Loss from Operations	$ (73,396,581)	$ (267,909,404)	(365) %

Our revenues for both 2007 and 2008 were derived primarily from bridge testing.

Of the $3,701,966 in research and development costs for 2007, $197,005 was incurred in salaries to our in-house engineering staff which included an officer and director, $359,861 was paid to outside

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consultants and for related expense reimbursements, and we valued the issuance of 2,116,000 shares of our common stock that were issued to various consultants at $3,145,100. Of the $527,833 in research and development costs for 2008, $241,930 was incurred in salaries to our in-house engineering staff which included an officer and director, $298,022 was paid to outside consultants and $2,208 for related expense reimbursements.

General and administrative expenses were $98,557,943 and $27,582,716, respectively, for the years ended December 31, 2007 and 2008. The major expenses incurred during each of the years were:

	Year Ended December 31, 2007	Year Ended December 31, 2008
Consulting services	$ 16,855,747	$ 5,012,162
Officer’s salary	284,916	20,238,533
Officer’s stock based compensation	60,048,000	19,885,333
Secretarial salaries	132,754	275,278
Professional Fees	1,053,280	571,709
Office expense	97,459	76,270
Rent	139,173	33,099
Impairment loss	19,294,875	-
Payroll taxes	42,334	129,486
Telephone	27,929	22,175

Of the $16,855,747 in consulting expense for the year ended December 31, 2007, $12,394,888 was related to the issuance of 8,926,724 shares of common stock. In addition, we charged $1,100,000 in consulting fees through an increase in convertible debt of $1,100,000 and charged $2,845,000 to consulting in connection with the acquisition of shares of Rocket City Automotive.

Other Income and Expenses and Net Loss

Our gain on modification of convertible debt, modification of research and development sponsorship agreement, loss on subscription receivables, interest expense, other-than-temporary impairment of marketable securities, change in fair value of derivative and warrant liabilities, loss on settlement of lawsuits, and net loss for the year ended December 31, 2008 as compared to the year ended December 31, 2007 are as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2008	Percentage Change
Gain on modification of convertible debt	$ 0	$ (964,730)	(100)%
Interest expense	(2,374,032)	(2,905,684)	22.3 %
Net unrealized and realized loss of marketable securities	(3,986,553)	(0)	100 %
Change in fair value of derivative and warrant liabilities	34,962,617	(196,565,985)	(562)%
Interest income	60,179	16,174	(73.1)%
Provision for income taxes	(800)	(800)	-
Net loss	$ (73,396,581)	$ (267,909,404)	(365)%

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Liquidity and Capital Resources

Introduction

During the year ended December 31, 2008, as with the year ended December 31, 2007, we did not generate positive cash flow. As a result, we funded our operations through the private sale of equity and debt securities, the issuance of our securities in exchange for services, and loans.

Our cash, investments in marketable securities held for trading, investments in marketable securities available for sale, accounts receivable, prepaid services, prepaid expenses and other current assets, total current assets, total assets, total current liabilities, and total liabilities as of December 31, 2008, as compared to December 31, 2007, were as follows:

	December 31, 2008	December 31, 2007
Cash	$ 176,345	$ 809,710
Marketing securities		
- trading	$ -	$ 300,000
Investment in certificates of deposit	$ -	$ 1,009,267
Accounts receivable	$ 41,961	$ 108,661
Inventories	$ 141,341	$ 62,216
Prepaid expenses and other	$ 359,227	$ 47,692
Total current assets	$ 718,847	$ 2,337,546
Total assets	$ 801,587	$ 2,425,280
Total current liabilities	$ 2,998,107	$ 691,380
Total liabilities	$ 214,766,043	$ 14,240,655

Cash Requirements

For the year ended December 31, 2008, our net cash used in operations was $(2,830,283) compared to $(2,664,630) for the year ended December 31, 2007.

Negative operating cash flows during the year ended December 31, 2008 were primarily created by a net loss from operations of $(267,909,404), offset by the issuance of stock for services of $3,993,541, amortization of discount on convertible debentures of $2,416,754 and an increase in officer stock based compensation of $19,885,333. There was also a decrease in the fair value of derivative and warrant liabilities of $196,565,985, and a net increase in other assets of $73,619.

Sources and Uses of Cash

Net cash provided by (used in) investing activities for the year ended December 31, 2008 and 2007 were $1,282,833 and $(648,543), respectively.

Net cash provided by financing activities for the year ended December 31, 2008 and 2007, was $914,085 and $3,993,588, respectively.

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We are not generating sufficient cash flow from operations to fund growth. We cannot predict when we will begin to generate revenue from the sale of our products, and until that time, we will need to raise additional capital through the sale of our securities. If we are unsuccessful in raising the required capital, we may have to curtail operations.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with our Board of Directors, we have identified the following accounting policies that we believe are key to an understanding of our financial statements. These are important accounting policies that require management's most difficult, subjective judgments.

The first critical accounting policy relates to revenue recognition. Income from our research is recognized at the time services are rendered and billed.

The second critical accounting policy relates to research and development expense. Costs incurred in the development of our products are expensed as incurred.

The third critical accounting policy relates to the valuation of non-monetary consideration issued for services rendered. We value all services rendered in exchange for our common stock at the quoted price of the shares issued at date of issuance or at the fair value of the services rendered, which ever is more readily determinable. All other services provided in exchange for other non-monetary consideration is valued at either the fair value of the services received or the fair value of the consideration relinquished, whichever is more readily determinable.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of EITF 96-18, Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services " and EITF 00-18, Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance to EITF 00-18, an asset acquired in exchange for the issuance of fully vested, nonforfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, we record the fair value of nonforfeitable common stock issued for future consulting services as prepaid services in our consolidated balance sheet.

The fourth critical accounting policy is our accounting for conventional convertible debt. When the convertible feature of the conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature (BCF"). We record a BCF as a debt discount pursuant to EITF Issue No. 98-5 (EITF 98-05), Accounting for Convertible Securities with Beneficial Conversion Features or Contingency Adjustable Conversion Ratio," and EITF Issue No. 00-27, Application of EITF Issue No. 98-5 to Certain Convertible Instrument(s)." In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. We amortize the discount to interest expense over the life of the debt using the effective interest method.

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The fifth critical account policy relates to the accounting for non-conventional convertible debt and the related stock purchase warrants. In the case of non-conventional convertible debt, we bifurcate our embedded derivative instruments and record them under the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities," as amended, and EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." These embedded derivatives include the conversion feature, liquidated damages related to registration rights and default provisions. The accounting treatment of derivative financial instruments requires that we record the derivatives and related warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. In addition, under the provisions of EITF Issue No. 00-19, as a result of entering into the non-conventional convertible debenture, we are required to value and classify all other non-employee stock options and warrants as derivative liabilities at that date and mark them to market at each reporting date thereafter. Any change in fair value will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, we will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, we will record non-operating, non-cash income. We value our derivatives primarily using the Black-Scholes Option Pricing Model. The derivatives are classified as long-term liabilities.

The sixth critical accounting policy relates to the recording of marketable securities held for trading and available-for-sale. Marketable securities purchased with the intent of selling them in the near term are classified as trading securities. Trading securities are initially recorded at cost and are adjusted to their fair value, with the change in fair value during the period included in earnings as unrealized gains or losses. Realized gains or losses on dispositions are based upon the net proceeds and the adjusted book value of the securities sold, using the specific identification method, and are recorded as realized gains or losses in the consolidated statements of operations. Marketable securities that are not classified as trading securities are classified as available-for-sale securities. Available-for-sale securities are initially recorded at cost. Available-for-sale securities with quoted market prices are adjusted to their fair value, subject to an impairment analysis (see below). Any change in fair value during the period is excluded from earnings and recorded, net of tax, as a component of accumulated other comprehensive income (loss). Any decline in value of available-for-sale securities below cost that is considered to be other than temporary is recorded as a reduction of the cost basis of the security and is included in the statement of operations as a write down of the market value (see below).

The seventh critical accounting policy is our accounting for the fair market value of non-marketable securities we have acquired. Non-marketable securities are originally recorded at cost. In the case of non-marketable securities we acquired with our common stock, we value the securities at a significant discount to the stated per share cost based upon our historical experience with similar transactions as to the amount ultimately realized from the sale of the shares. Such investments are reduced when we have indications that a permanent decline in value has occurred. At such time as quoted market prices become available, the net cost basis of these securities will be reclassified to the appropriate category of marketable securities. Until that time, the securities will be recorded at their net cost basis, subject to an impairment analysis (see below).

In accordance with the guidance of EITF 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, we assess any decline in value of available-for-sale securities and non-marketable securities below cost as to whether such decline is other than temporary. If a decline is determined to be other than temporary, the decline is recorded as a reduction of the cost basis of the security and is included in the statement of operations as an impairment write down of the investment.

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Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Effective September 11, 2007, KMJ/Corbin and Company, LLP ("KMJ") resigned as our independent registered public accounting firm for the fiscal year ended December 31, 2007.

We engaged KMJ on January 21, 2005. For the last two fiscal years, KMJ's reports on our financial statements did not contain an adverse opinion or a disclaimer of opinion, nor were the reports qualified or modified as to audit scope, or accounting principles, but they were modified as to uncertainty about our ability to continue as a going concern. For the last two fiscal years and any subsequent interim period preceding the dismissal, there were no disagreements with KMJ on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of KMJ would have caused KMJ to make reference to the matter in their reports.

We engaged Weinberg & Company, P.A. (hereinafter "Weinberg") as our principal accountants to audit our financial statements effective as of September 11, 2007. Effective November 5, 2007, we dismissed Weinberg as our independent registered public accounting firm for the fiscal year ended December 31, 2007. Weinberg never issued a report on our financial statements. During their engagement, there were no disagreements with Weinberg on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Weinberg would have caused Weinberg to make reference to the matter in their reports.

We engaged Kabani & Company, Inc. (hereinafter "Kabani") as our principal accountants to audit our financial statements effective as of November 5, 2007. Effective March 13, 2008, we dismissed Kabani as our independent registered public accounting firm for the fiscal year ended December 31, 2008. Kabani's services were limited to a review of our Quarterly Report on Form 10-QSB for the quarter ended September 30, 2007. During their engagement, there were no disagreements with Kabani on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Kabani would have caused Kabani to make reference to the matter in their reports.

We engaged Gruber & Co. LLC (hereinafter "Gruber") as the principal accountants to audit our financial statements effective as of March 13, 2008. We, during our most recent fiscal year and any subsequent interim period to the date hereof, did not have discussions nor have we consulted with Gruber regarding the following: (i) the application of accounting principles to a specified transaction, either completed or proposed or the type of audit opinion to be rendered on the our financial statements, and neither a written report was provided to us nor oral advice was provided that Gruber concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matters that were the subject of a "disagreement," as that term is defined in Item 304(a)(1)(iv) of Regulation S-B and the related instructions to Item 304 of Regulation S-B, or a reportable event.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with our Board of Directors, we have identified the following accounting policies that it believes are key to an understanding of its financial statements. These are important accounting policies that require management's most difficult, subjective judgments.

The first critical accounting policy relates to revenue recognition. Income from our research is recognized at the time services are rendered and billed.

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The second critical accounting policy relates to research and development expense. Costs incurred in the development of our products are expensed as incurred.

The third critical accounting policy relates to the valuation of non-monetary consideration issued for services rendered. We value all services rendered in exchange for our common stock at the quoted price of the shares issued at date of issuance or at the fair value of the services rendered, which ever is more readily determinable. All other services provided in exchange for other non-monetary consideration is valued at either the fair value of the services received or the fair value of the consideration relinquished, whichever is more readily determinable.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of EITF 96-18, “Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services ” and EITF 00-18, Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees.” The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor’s performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance to EITF 00-18, an asset acquired in exchange for the issuance of fully vested, nonforfeitable equity instruments should not be presented or classified as an offset to equity on the grantor’s balance sheet once the equity instrument is granted for accounting purposes. Accordingly, we record the fair value of nonforfeitable common stock issued for future consulting services as prepaid services in our consolidated balance sheet.

The fourth critical accounting policy is our accounting for conventional convertible debt. When the convertible feature of the conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature (BCF”). We record a BCF as a debt discount pursuant to EITF Issue No. 98-5 (EITF 98-05”), Accounting for Convertible Securities with Beneficial Conversion Features or Contingency Adjustable Conversion Ratio,” and EITF Issue No. 00-27, Application of EITF Issue No. 98-5 to Certain Convertible Instrument(s).” In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. We amortize the discount to interest expense over the life of the debt using the effective interest method.

The fifth critical account policy relates to the accounting for non-conventional convertible debt and the related stock purchase warrants. In the case of non-conventional convertible debt, we bifurcate our embedded derivative instruments and records them under the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities,” as amended, and EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock. ” These embedded derivatives include the conversion feature, liquidated damages related to registration rights and default provisions. The accounting treatment of derivative financial instruments requires that we record the derivatives and related warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. In addition, under the provisions of EITF Issue No. 00-19, as a result of entering into the non-conventional convertible debenture, we are required to value and classify all other non-employee stock options and warrants as derivative liabilities at that date and mark them to market at each reporting date thereafter. Any change in fair value will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, we will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, we will record non-operating, non-cash income. We value our derivatives primarily using the Black-Scholes Option Pricing Model. The derivatives are classified as long-term liabilities.

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The sixth critical accounting policy relates to the recording of marketable securities held for trading and available-for-sale. Marketable securities purchased with the intent of selling them in the near term are classified as trading securities. Trading securities are initially recorded at cost and are adjusted to their fair value, with the change in fair value during the period included in earnings as unrealized gains or losses. Realized gains or losses on dispositions are based upon the net proceeds and the adjusted book value of the securities sold, using the specific identification method, and are recorded as realized gains or losses in the consolidated statements of operations. Marketable securities that are not classified as trading securities are classified as available-for-sale securities. Available-for-sale securities are initially recorded at cost. Available-for-sale securities with quoted market prices are adjusted to their fair value, subject to an impairment analysis (see below). Any change in fair value during the period is excluded from earnings and recorded, net of tax, as a component of accumulated other comprehensive income (loss). Any decline in value of available-for-sale securities below cost that is considered to be other than temporary is recorded as a reduction of the cost basis of the security and is included in the statement of operations as a write down of the market value (see below).

The seventh critical accounting policy is our accounting for the fair market value of non-marketable securities we have acquired. Non-marketable securities are originally recorded at cost. In the case of non-marketable securities we acquired with our common stock, we value the securities at a significant discount to the stated per share cost based upon our historical experience with similar transactions as to the amount ultimately realized from the sale of the shares. Such investments are reduced when we have indications that a permanent decline in value has occurred. At such time as quoted market prices become available, the net cost basis of these securities will be reclassified to the appropriate category of marketable securities. Until that time, the securities will be recorded at their net cost basis, subject to an impairment analysis (see below).

In accordance with the guidance of EITF 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, we assess any decline in value of available-for-sale securities and non-marketable securities below cost as to whether such decline is other than temporary. If a decline is determined to be other than temporary, the decline is recorded as a reduction of the cost basis of the security and is included in the statement of operations as an impairment write down of the investment.

ITEM 7A – Quantitative and Qualitative Disclosure About Market Risk

Highly Competitive Industry

The Company’s industry is highly competitive. The Company faces competition in all of its markets from large, national construction material companies and smaller, regional companies, as well as from individuals. Many of the Company’s competitors are larger and have greater financial resources than the Company. The Company from time to time will experience price pressure in certain of its markets as a result of competitors’ promotional pricing practices. Competition is based on product quality, functionality, price, brand loyalty, effective promotional activities and the ability to identify and satisfy emerging consumer preferences. See “Business—Competition”.

Rapid Growth

The Company may experience rapid growth. It will be necessary for the Company to rapidly add a significant number of employees and may be required to expand considerable efforts in training these new employees. This growth will place strains on the Company’s management resource and facilities. The Company’s success will, in part, be dependent upon the ability of the Company to manage growth effectively.

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Business Interruption

The Company believes that its success and future results of operations will be dependent in large upon its ability to provide prompt and efficient service to its customers. As a result, any disruption of the Company's day-to-day operations could have a material adverse effect upon the Company and any failure of the Company's management and manufacturing systems, distribution arrangements or communication systems could impair its ability to receive and process customer orders and ship products on a timely basis.

Competition

The Company's industry in itself is a highly competitive business. In the raw materials supply industry, barriers to entry are relatively low and the risk of new competition entering the market is high. Certain existing competitors of the Company have substantially greater resources. In addition, price is an important competitive factor in the rubber materials market and there can be no assurance that the Company will not be subject to increased price competition.

Many large competitors have significant research and development budgets, marketing staffs, financial resources and access to other resources which far surpass the current resources of the Company. Several such competitors are currently attempting to develop and introduce similar recycled materials. The Company must also compete in theraw materials market with certain other recyclers currently manufacturing recycled materials intended for similar applications. Few of such recyclers, to the Company's knowledge, have achieved significant commercial acceptance to date.

General Economic Conditions

The financial success of the Company's operations may be sensitive to adverse changes in general economic conditions, such as inflation, unemployment, and the cost of borrowing. These changes could cause the cost of the Company's production costs and raw material supplies to rise faster than it can raise prices. The Company has no control over any of these changes.

ITEM 8 – Financial Statements and Supplemental Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF MATECH CORPORATION

We have audited the accompanying consolidated balance sheets of MATECH Corporation (a Development Stage Company), as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders equity and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MATECH Corporation (a Development Stage Company), as of December 31, 2008 and 2007, and the results of its' consolidated operations and its' consolidated stockholders equity and consolidated cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's viability is dependent upon its ability to obtain future financing and the success of its future operations. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Management's plan in regard to these matters is described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Gruber & Company, LLC Saint Louis, Missouri

April 11, 2009

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MATECH CORP
(Formerly known as Material Technologies, Inc.)
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	2007	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 809,710	$ 176,345
Investments in marketable securities held for trading	300,000	-
Investment in certificate of deposits and commercial paper	1,009,267	-
Accounts receivable	108,661	41,961
Inventories	62,216	141,341
Prepaid expenses and other current assets	47,692	359,227
Total current assets	2,337,546	718,874
Property and equipment, net	82,546	78,601
Intangible assets, net	2,840	1,764
Deposit	2,348	2,348
	$ 2,425,280	$ 801,587

See notes to consolidated financial statements.

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MATECH CORP
(Formerly known as Material Technologies, Inc.)
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET

	December 31, 2007	December 31, 2008
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 599,619	$ 670,207
Deferred revenue - related party	-	90,000
Current portion of payable due on legal settlement	-	54,033
Current portion of research and development sponsorship payable	25,000	25,000
Current portion of Convertible debentures and accrued interest payable, net of discount	-	1,859,325
Notes payable	66,761	299,542
Total current liabilities	691,380	2,998,107
Legal settlenent payable	480,000	155,978
Research and development sponsorship payable, net of current portion	760,650	778,549
Notes payable, long-term	213,508.00	-
Convertible debentures and accrued interest payable, net of discount	1,981,194	335,834
Derivative and warrant liabilities	10,113,923	210,497,575
	13,549,275	211,767,936
Total liabilities	14,240,655	214,766,043
Minority interest in consolidated subsidiary	825	825
Commitments and contingencies		
Stockholders' deficit:		
Class A preferred stock, $0.001 par value, liquidation preference of $720 per share; 350,000 shares authorized; 337 shares issued and outstanding as of December 31, 2007 and 2008	-	-

Class B preferred stock, $0.001 par value, liquidation preference of $10,000 per share; 15 shares authorized; none issued and outstanding as of December 31, 2007 and 2008	-	-
Class C preferred stock, $0.001 par value, liquidation preference of $0.001 per share; 25,000,000 shares authorized; 1,517 shares issued and outstanding as of December 31, 2007 and 2008	1	1
Class D preferred stock, $0.001 par value, liquidation preference of $0.001 per share; 20,000,000 shares authorized; 0 shares issued and outstanding as of December 31, 2007 and 2008	-	-
Class E convertible preferred stock, $0.001 par value, no liquidation preference; 60,000 shares authorized; 55,000 shares issued and outstanding as of December 31, 2007 and 49,250 shares issued and outstanding as of December 31, 2008	55	49
Class A Common Stock, $0.001 par value, 1,699,400,000 shares authorized; 546,174 shares issued and 126,347 shares outstanding as of December 31, 2007; 99,408,963 shares issued and 24,389,794 shares outstanding as of December 31, 2008	126	24,390
Class B Common Stock, $0.001 par value, 600,000 shares authorized, issued and outstanding as of December 31, 2007 and 2008	600	600
Warrants subscribed	10,000	10,000
Additional paid-in-capital	301,474,553	367,125,759
Deficit accumulated during the development stage	(313,208,402)	(581,117,806)
Treasury stock (86 shares at cost at December 31,2007 and 24,635 shares at cost at December 31, 2008)	(93,133)	(8,274)
Total stockholders' deficit	(11,816,200)	(213,965,281)
	$ 2,425,280	$ 801,587

See notes to consolidated financial statements.

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MATECH CORP
(Formerly known as Material Technologies, Inc.)
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended 2007	For the Year Ended 2008	From October 21, 1983 (Inception) through December 31, 2008
Revenues:			
Research and development	$ -	$ -	$ 5,392,085
Revenue from bridge testing	201,917	92,622	411,246
Other	-	10,000	284,125
Total revenues	201,917	102,622	6,087,456
Costs and expenses:			
Bridge testing costs	-	73,257	73,257
Research and development	3,701,966	527,833	21,090,822
General and administrative	98,557,941	27,582,716	331,077,957
Modification of research and development sponsorship agreement	-	-	5,963,120
Loss on settlement of lawsuits	-	-	1,267,244
Total costs and expenses	102,259,907	28,183,806	359,472,400
Loss from operations	(102,057,990)	(28,081,184)	(353,384,944)
Other income (expense):			
Gain (Loss) on modification of convertible debt	-	(964,730)	(378,485)
Loss on subcription receivable		-	(1,368,555)
Interest expense	(2,374,032)	(2,905,684)	(14,645,877)
Other-than-temporary impairment of marketable securities available for sale	-	-	(9,785,947)
Loss on shareholder settlement relating to failure to register common shares	-	(39,407,195)	(39,407,195)
Net unrealized and realized loss of marketable securities	(3,986,553)	-	(9,398,218)

Change in fair value of investments derivative liability	-	-	(210,953)
Change in fair value of derivative and warrant liabilities	34,962,617	(196,565,985)	(152,978,896)
Interest income	60,179	16,174	483,056
Other	-	-	(25,992)
Other expense, net	28,662,211	(239,827,420)	(227,717,062)
Loss before provision for income taxes	(73,395,779)	(267,908,604)	(581,102,006)
Provision for income taxes	(800)	(800)	(15,800)
Net loss	$ (73,396,579)	$ (267,909,404)	$ (581,117,806)
Per share data:			
Basic and diluted net loss per share	$ (681.44)	$ (39.44)	
Weighted average Class A common shares outstanding - basic and diluted	107,708	6,793,179	

See notes to consolidated financial statements.

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MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Year Ended September 30,		From October 21, 1983 (Inception) through September 30,
	2006 (Restated)	2007 (Restated)	2007 (Unaudited) (Restated)
Net loss	$ (177,884,101)	$ (73,396,581)	$ (313,208,402)
Other comprehensive loss:			
Temporary increase (decrease) in market value of securities available for sale	-		-
Reclassification to other-than-temporary impairment of marketable securities available for sale	-	-	-
	-	-	-
Net comprehensive loss	$ (177,884,101)	$ (73,396,581)	$ (313,208,402)

See notes to consolidated financial statements.

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MATECH CORP

(Formerly known as Material Technologies, Inc.)

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' (DEFICIT))

	Class A Common Shares Outstanding	Amount	Class B Common Shares Outstanding	Amount	Class A Preferred Stock Shares Outstanding	Amount	Class B Preferred Stock Shares Outstanding	Amount	Class C Preferred Stock Shares Outstanding	Amount	Class D Preferred Stock Shares Outstanding	Amount	Class E Preferred Stock Shares Outstanding	Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage
Initial Issuance of Common Stock October 21, 1983	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	2,500	$ -
Adjustment to give effect to recapitalization on December 15, 1986 Cancellation of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,496	-
Balance - October 21, 1983																
Shares issued By Tensiodyne Corporation in connection with pooling of interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,342	-
Net (loss), year ended December 31, 1983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,317)
Balance December 31, 1983	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,838	(4,317)
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,755	-

Issuance of common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,700	-
Costs incurred in connection with issuance of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,849)	-
Net (loss), year ended December 31, 1984	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,797)
Balance December 31, 1984	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,444	(26,114)
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,555	-
Sale of 12,166 warrants at $1.50 Per Warrant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,250	-
Shares cancelled	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net (loss), year ended December 31, 1985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(252,070)
Balance December 31, 1985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	255,249	(278,184)
Net (Loss), Year Ended December 31, 1986	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,365)
Balance December 31, 1986	-	-	-	-	-	-	-	-	-	-	-	-	-	-	255,249	(288,549)
Issuance of Common Stock upon Exercise of Warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,082	-
Net (Loss), Year Ended December 31, 1987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,389)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	282,331	(333,938)

Balance December 31, 1987																
Issuance of Common Stock																
Sale of Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	101,752	-
Services Rendered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,600	-
Net (Loss), Year Ended December 31, 1988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(142,335)
Balance December 31, 1988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	454,683	(476,273)
Issuance of Common Stock																
Sale of Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	-
Services Rendered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,000	-
Net (Loss), Year Ended December 31, 1989	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,945)
Balance December 31, 1989	-	-	-	-	-	-	-	-	-	-	-	-	-	-	474,683	(508,218)
Sale of Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,250	-
Services Rendered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,400	-
Net Income, Year Ended December 31, 1990	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,894
Balance December 31, 1990	-	-	-	-	-	-	-	-	-	-	-	-	-	-	566,333	(374,324)

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MATECH CORP

(Formerly known as Material Technologies, Inc.)

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' (DEFICIT))

	Class A Common		Class B Common		Class A Preferred Stock		Class B Preferred Stock		Class C Preferred Stock		Class D Preferred Stock		Class E Preferred Stock		Additional	Deficit Accumulated During the
	Shares Outstanding	Amount	Shares Outstanding	Amount	Shares Outstanding	Amount	Shares Outstanding	Amount	Shares Outstanding	Amount	Shares Outstanding	Amount	Shares Outstanding	Amount	Paid-in Capital	Development Stage
Issuance of Common Stock																
Sale of Stock	-	-	-	-	350	-	-	-	-	-	-	-	-	-	273,686	-
Services Rendered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,884	-
Conversion of Warrants	-	-													-	
Conversion of Stock	-	-	60,000	60	-	-	-	-	-	-	-	-	-	-	(6)	-
Net (Loss), Year Ended December 31, 1991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(346,316)
Balance December 31, 1991	-	-	60,000	60	350	-	-	-	-	-	-	-	-	-	904,897	(720,640)
Issuance of Common Stock																