

U. S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

# FORM 10-Q

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

**For the quarterly period ended June 30, 2013**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

## AVT, INC.

**Nevada**  
(State or other jurisdiction  
of Incorporation)

**000-53372**  
(Commission File Number)

**11-3828743**  
(IRS Employer  
Identification Number)

**341 Bonnie Circle, Suite 102**  
**Corona, CA 92880**  
(Address of principal executive offices)

**(951) 737-1057**  
(Issuer's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒.

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒  
(Do not check if smaller reporting company)

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

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes \_\_\_\_ No \_\_\_\_

### APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of June 30, 2013, there were 14,334,321 shares of our common stock were issued and outstanding.

## Item 1. Financial Statements

### AVT, Inc. Consolidated Balance Sheets

	March 31, 2013 (Unaudited)	December 31, 2012 (Unaudited)
<b>Assets</b>		
Current assets:		
Cash and Cash equivalents	\$ 492,586	\$ 1,059,707
Accounts Receivable	2,132,839	1,901,442
Inventory	6,998,304	5,864,835
Other Current Assets	28,546	28,546
Total Current Assets	9,652,275	8,854,530
Property and Equipment, Net of accumulated depreciation of \$3,102,171 and \$2,954,688, respectively	4,935,170	5,385,409
Intangibles, net of accumulated amortization of \$1,835,553 and \$1,691,881, respectively	8,749,361	8,887,535
Goodwill	1,048,865	1,048,865
Total Assets	\$ 24,385,671	\$ 24,176,339
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts Payable	\$ 749,560	\$ 696,733
Related Party Payable	973,840	129,093
Shareholder Notes - current portion	756,251	645,000
Capital Leases- current portion	0	435
Other Current Liabilities	114,513	91,658
Total Current Liabilities	1,826,810	1,562,919
Long-term liabilities:		
Capital Leases, less current portion	347,436	257,808
Note Payable	0	689,186
Shareholder Notes, less current portion	1,026,078	704,000
Total Long-term Liabilities	1,373,514	1,650,994
Total Liabilities	3,967,678	3,213,913
Shareholders' Equity		
Preferred Stock , \$.001 par value: Authorized Shares: 10,000,000;	2,575	2,665
Series A convertible 3,000,000 shares authorized: 2,485,598 and 2,665,598, respectively		
Common Stock, \$.001 par value: Authorized shares 100,000,000;		

Issued and outstanding shares of Common Stock: 14,334,321, and  
11,402,369, respectively

	30,729	30,227
Additional Paid in Capital	25,881,535	25,482,302
Accumulated (Deficit)	<u>(5,496,846)</u>	<u>(4,552,768)</u>
Total Shareholders' Equity	<u>20,417,993</u>	<u>20,962,426</u>
Total Liabilities and Shareholders' Equity	\$ <u><u>24,385,671</u></u>	<u><u>24,176,339</u></u>

*See accompanying notes.*

**AVT, Inc.**  
**Consolidated Statements of Operations (unaudited)**

	3 Months ended June 30, 2013	3 Months ended June 30, 2012
Revenues:		
Vending Route	\$ 270,347	\$ 263,494
Manufacturing Machine Sales	1,670,796	3,138,304
Non-vending	0	0
Total revenues	<u>1,941,143</u>	<u>3,401,798</u>
Cost of Vending Products	90,458	233,345
Cost of Manufacturing	672,342	1,327,635
Cost of Non-vending	0	0
Cost of Sales	<u>762,800</u>	<u>1,560,980</u>
Gross Profit	<u>1,178,343</u>	<u>1,840,818</u>
Operating Expenses:		
General and Administrative	1,147,193	1,396,962
Depreciation and Amortization	216,739	224,952
Total Operating Expenses	<u>1,044,176</u>	<u>1,621,914</u>
Other Income (Expense):		
Interest Expense	50,668	34,749
(Loss) on Sale of Restaurant	0	-
Provision for Income Taxes	-	-
Total Other Income (Expense)	<u>50,668</u>	<u>34,749</u>
Net Income	<u>\$ (236,257)</u>	<u>\$ 184,155</u>
Net income per share - basic	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Net income per share - diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average shares outstanding - diluted	<u>0</u>	<u>0</u>
Weighted average shares outstanding - basic	<u>0</u>	<u>0</u>

*See accompanying notes.*

**AVT, Inc.**  
**Consolidated Statements of Cash Flows**

	June 30, 2013	June 30, 2012
	(unaudited)	
<b>Operating activities:</b>		
Net income	\$ (236,257)	\$ 409,307
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	216,740	449,904
Stock compensation	0	-
Changes in operating assets and liabilities:		
Accounts receivable	(221,691)	1,909,766
Inventory	(672,818)	(2,960,733)
Accounts payable	438,983	515,471
Related party payable	322,940	186,000
Other current liabilities	3,381	3,381
Net cash provided by (used in) operating activities	(152,103)	513,096
<b>Investing activities</b>		
Proceeds from sale of restaurant	0	-
Purchases of property and equipment	(254,319)	197,784
Net cash provided by investing activities	(254,319)	197,784
<b>Financing activities</b>		
Net proceeds from issuance on shareholder notes	19,400	(116,006)
Payments on capital leases	17,697	(57,762)
Issuance of equipment leases	(147,699)	0
Proceeds from the issuance of common stock	282,145	163,476
Net cash provided by financing activities	171,543	(10,292)
Net increase in cash and cash equivalents	(234,879)	700,588
Cash and cash equivalents, beginning of year	727,464	177,400
Cash and cash equivalents, end of period	\$ 492,585	\$ 877,988
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 79,748	\$ 31,839
Income taxes	\$ -	\$ -
<b>Supplemental disclosures of investing and financing noncash information:</b>		
Shareholder notes converted into shares of common stock	\$ 8,608	\$ 22,207
Equipment purchased through capital leases	\$ -	\$ -

Payment of related party payables through issuance of preferred stock	\$ <u>125,000</u>	\$ <u></u>
Preferred shares converted into shares of common stock	\$ <u>(90,000)</u>	\$ <u>82,981</u>
Payment of interest through issuance of common stock	\$ <u>6,549</u>	\$ <u>9,759</u>

*See accompanying notes.*

**AVT, Inc.**  
**Consolidated Statement of Shareholders' Equity**

	Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2010</b>	2,278,131	2,278	3,744,143	25,192	22,912,230	(6,569,958)	16,369,742
Issuance of common stock			5,535,165	798	142,857		143,655
Common stock issued for interest on notes payable			10,324	9	9,750		9,759
Issuance of preferred stock	428,107	428					428
Issuance of common stock for conversion of notes payable			441,997	2,559	1,413,236		1,415,795
Net Income (Loss) for the period ended December 31, 2011						1,364,023	1,364,023
<b>Balance at December 31, 2011</b>	2,706,238	2,706	9,731,629	28,558	24,478,073	(5,205,935)	19,303,402
Issuance of common stock			1,341,848	1,341	1,004,230		1,005,571
Common stock issued for interest on notes payable			22,027	22			22
Issuance of preferred stock	-40,640	-41					(41)
Issuance of common stock for			306,865	306			306

conversion of notes payable

Net Income (Loss) for the period  
ended December 31, 2012

396,657

396,657

<b>Balance at December 31, 2012</b>	*	2,665,598	2,665	11,402,369	30,227	25,482,303	(4,809,278)	20,705,917
-------------------------------------	---	-----------	-------	------------	--------	------------	-------------	------------

Issuance of common stock				1,917,715	-99	117,370		117,271
--------------------------	--	--	--	-----------	-----	---------	--	---------

Common stock issued for interest on notes payable				6,549	61			61
---	--	--	--	-------	----	--	--	----

Issuance of preferred stock		-90,000	-90					(90)
-----------------------------	--	---------	-----	--	--	--	--	------

Issuance of common stock for conversion of notes payable				243,505	258			258
--	--	--	--	---------	-----	--	--	-----

Net Income (Loss) for the period  
ended March 31, 2013

-451,312

-451,312

<b>Balance at March 31, 2013</b>	*	2,575,598	2,575	13,570,138	30,447	25,599,673	(5,260,590)	20,372,105
----------------------------------	---	-----------	-------	------------	--------	------------	-------------	------------

Issuance of common stock				750,392	269	281,862		282,131
--------------------------	--	--	--	---------	-----	---------	--	---------

Common stock issued for interest on notes payable				5,183	5			5
---	--	--	--	-------	---	--	--	---

Issuance of preferred stock		-90,000						0
-----------------------------	--	---------	--	--	--	--	--	---

Issuance of common stock for conversion of notes payable				8,608	8			8
--	--	--	--	-------	---	--	--	---



Net Income (Loss) for the period  
ended June 30, 2013

-236,256

-236,256

			14,334,32				
<i>Balance at June 30, 2013</i>	*	2,485,598	2,575	1	30,729	25,881,535	(5,496,846)
							20,417,993

*See accompanying notes.*

**AVT, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2013**  
**(Unaudited)**

**1. Accounting Policies**

*Business*

AVT, Inc. (the “Company”, “We” or “Our”) was originally incorporated under the laws of the State of Delaware on February 26, 1969, as Infodex, Inc., the Company was renamed to Midwest Venture Group, Inc. in March 2005. The Company then changed its name to Automated Vending Technologies, Inc. in September 2005 to better reflect our primary operations as a machine manufacturer as well as vending route distribution. In January, 2008, the Company changed its state of domicile to Nevada, at that time we became AVT, Inc. Due to the growth of AVT’s technology foundation base, our hardware, software products, business and overall success relies on both innovative and creative designs. These systems include solutions for wireless management of remote vending, method for controlling vending machines and custom systems.

*Interim Financial Information*

The consolidated balance sheet as of December 31, 2011 was derived from audited financial statements at that date, but this report does not include all information and footnotes required by U.S. GAAP for complete audited financial statements. The interim consolidated financial statements included herein have been prepared by the Company, without audit, in accordance with the rules and regulations of the SEC pursuant to Item 210 of Regulation S-X promulgated by the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such SEC rules and regulations, although the Company believes that the disclosures included are adequate to make the information presented not misleading.

In management’s opinion, the unaudited consolidated financial statements contained herein reflect all adjustments, that are necessary for the fair presentation of the Company’s financial position, results of operations, and cash flows on a basis consistent with that of its prior audited consolidated financial statements. However, the results of operations for interim periods may not be indicative of results to be expected for the full fiscal year. Therefore, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, including the summary of significant accounting policies, included in the Company’s Form 10-Q for the year ended March 31, 2013. Unless otherwise noted, there have been no material changes in the footnotes from those accompanying the audited consolidated financial statements contained in the Company’s Form 10-K.

*Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

### *Reclassifications*

Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. The reclassifications had no effect on the Company's net income.

### *Cash and Cash Equivalents*

Cash and cash equivalents represent all highly liquid investments with original maturities of three months or less. Cash equivalents are comprised of certificates of deposit. The Company maintains its cash in bank accounts, which may exceed federally insured limits at times.

### *Concentrations*

During the three months ended March 31, 2013 and 2012, the Company had two customers which individually accounted for 10% or more of total revenue for the year. Customer A accounted for 47% and 45%, respectively, and Customer B accounted for 26% and 38%, respectively, of total revenue. Customer A accounted for 4% and 58%, respectively, and Customer B accounted for 11% and 27%, respectively, of accounts receivable as of March 31, 2013 and March 31, 2012.

### *Accounts Receivable*

Accounts receivable are reported at their outstanding unpaid balances. The Company estimates doubtful accounts for accounts receivable and finance receivables based on historical bad debts, factors related to specific customers' ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when management determines the balance is uncollectible and the Company ceases collection efforts. The Company offers extended payment terms to certain customers for equipment sales. The Company provides an allowance for credit losses as discussed above extended receivables are carried at their contractual amount and charged off against the allowance for credit losses when management determines that recovery is unlikely and the Company ceases collection efforts. All accounts are considered collectible as of June 30, 2013 and June 30, 2012. No write offs were recorded for twelve months ended December 31, 2012 and 2011.

### *Revenue Recognition*

The Company records revenue when it is realized, or realizable, and earned. The company considers these requirements met when persuasive evidence of an arrangement exists, the products or services have been provided to the customer, the sales price is fixed or determinable and collect ability is reasonably assured.

### *Inventory*

Inventory consists of finished goods and vending products. The Company's inventory is stated at the lower of cost (average cost basis) or market.

	June 30, 2013	December 31, 2012
Food products	\$ 169,517	\$ 70,368
Machine inventory	2,554,070	2,108,518
Parts inventory	4,274,717	3,685,949
	-	
	<u>\$ 6,998,304</u>	<u>\$ 5,864,834</u>

### *Property and Equipment*

	June 30, 2013	December 31, 2012
Machines on location	\$ 2,591,973	\$ 2,591,973
Building improvements	880,262	824,206
Vehicles	727,668	635,800
Furniture and equipment	457,320	456,002
Manufacturing Machinery	2,481,675	2,481,675
Kiosk/ Other	474,757	334,541
Computer and software	423,685	235,341
Accumulated depreciation	(3,102,172)	(2,954,688)
	<u>\$4,935,169</u>	<u>\$5,385,408</u>

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives or the term of the lease of the related assets, whichever is shorter. Estimated useful lives generally range from 3 to 7 years.

### *Goodwill*

Goodwill is the excess of cost over the fair value of net assets of businesses acquired. Goodwill is not amortized but is evaluated for impairment as described below.

### *Intangible Assets*

Intangible assets are carried at cost and consist of patents, copyrights and certain vending route contracts. Amortization is provided on the straight-line basis over the estimated useful lives of the respective assets, ranging from five to seventeen years.

Application software

Our intangible assets include the development of system design, proprietary technologies, application software, and customize systems in order to maintain the high degree of market position. AVT developed proprietary software, requires a methodical approach to the design and continuous evolution, enhancement and system architecture. Our application software programs, protocols, patents, and intellectual property that pertains to the design and system architecture that are all or in part of AVT's group of key intangible assets.

#### *Impairment of Long-Lived Assets*

The Company accounts for its long-lived assets in accordance with ASC 360, "*Property, Plant, and Equipment*". ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. For the quarter ended March 31, 2013 and year ended 2012, the Company did not deem any of its long-lived assets to be impaired and thus no impairment losses were recorded.

#### *Income Taxes*

No provision for income taxes has been made for quarter ended March 31, 2013 and 2012 given the Company's losses in prior years and available net operating loss carry forwards. A benefit has not been recorded as the realization of the net operating losses is not assured and the timing in which the Company can utilize its net operating loss carry forwards in any year or in total may be limited by provisions of the Internal revenue Code regarding changes in ownership of corporations.

#### *Fair Value of Financial Instruments*

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable as of June 30, 2013 and June 30, 2012. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values at June 30, 2013 and June 30, 2012 due to their short maturities.

#### *Earnings Per Share*

Basic earnings per share is computed by dividing income available to common shareholders (the numerator) by the weighted-average number of common shares (the denominator) for the period. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

Basic earnings per share take into account only the actual number of outstanding common shares during the period. Diluted earnings per share take into effect the common shares actually outstanding and the impact of convertible securities, stock options, stock warrants and their equivalents.

### *Recently Adopted Accounting Standards*

The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ("FASB"), the SEC, and the Emerging Issues Task Force ("EITF"), to determine the impact of new pronouncements on U.S. GAAP on the Company's financial statements. The following are recent accounting pronouncements adopted by the Company:

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "*Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*" ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. On January 1, 2012, the Company adopted ASU 2011-04 and does not anticipate that it will materially expand its consolidated financial statement footnote disclosures or have an impact on the Company's consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued ASU No. 2011-05, "*Comprehensive Income*" ("ASC Topic 220"): "*Presentation of Comprehensive Income*" ("ASU 2011-05"), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011, with early adoption permitted. On January 1, 2012, the Company adopted ASU 2011-05 and does not anticipate that it will have an impact on the Company's consolidated financial position, results of operations or cash flows as it only requires a change in the format of the current presentation.

### **2. Related Party Payable**

A company, that is a major shareholder and related party, loans the Company funds to assist in cash flow. There is no formal agreement between the parties. Advances totaling \$411,280 were received from the related party for the quarter ended June 30, 2013. Payments totaling \$52,014 were made to the related party. At June 30, 2013 and December 31, 2012, the Company owed the related company \$973,840 and \$129,093, respectively.

### 3. Long-Term Debt

#### *Equipment Leases*

	June 30, 2013	December 31, 2012
Ally 646432	3,928	-
De Lage	14,332	20,505
Ally 34355	22,419	-
Ally 89001	12,643	-
Ally 28777	17,469	23,292
Ally 57001	36,694	-
Ally 58335	3,953	3,953
Ally 74775	23,678	26,163
Firestone 40014	32,800	57,142
Firestone 537668	59,264	77,938
East West Note	75,883	689,186
Toyota 3369	21,006	23,136
Toyota 3352	23,414	25,679
	<u>\$347,436</u>	<u>\$946,994</u>
Current portion	(239,106)	(481,050)
Long-term portion	<u>\$108,330</u>	<u>\$465,944</u>

#### *Shareholder Notes*

Shareholder notes consist of investor convertible promissory notes of \$1,782,329. The convertible promissory notes are convertible at the option of the holder, in whole or part, at any time from issuance date until up to twelve months from issue date, into such number of fully paid and non- assessable shares of common stock, as of such date that the holder elects to convert by (y) a number which is 75% of the average Closing Price for the immediate preceding 10 Trading Days; or at any time from a date which is after 12 months from the Issuance Date up to a date which is 24 months from the Issuance date a number which is 85% of the average Closing Price for the immediate preceding 10 Trading Days; or at any time from a date which is after 24 months from the Issuance Date up to the Maturity Date a number which is 90% of the average Closing Price for the immediate preceding 10 Trading Days.

#### *Future Maturities*

	Capital Leases	Shareholder Notes
2013	\$261,926	\$ 520,651
2014	210,918	185,000
2015	45,056	519,000
2016	51,462	557,678
	<u>\$569,362</u>	<u>\$1,782,329</u>

#### **4. Shareholders' Equity**

##### *Common Stock*

On March 2, 2011, the majority of the Company's shareholders approved the resolution of the Company's board of directors to amend the Company's articles of incorporation to reverse split the Company's common stock on a 1 for 10 basis. All fractional shares were rounded up. Shares issued prior to March 2011, have been retroactively restated to reflect the impact of the stock split.

##### *Preferred Stock*

For the quarter ended June 30, 2013, there were 90,000 shares converted of Series A Convertible Preferred stock. For the quarter ended June 30, 2013, there were 125,000 shares issued of Series A Convertible Preferred stock.

The Series A Convertible Preferred Stock has the following rights and preferences:

##### *Conversion/ Dividend Rights*

Each share of the Series A Preferred Stock may be convertible, at the option of the holder thereof and subject to notice requirements described herein, at any time, into six (6) shares of our common stock. Holders of our Series A Convertible Preferred Stock will be entitled to receive dividends on the stock out of assets legally available for distribution when, as and if authorized and declared by our Board of Directors.

##### *Liquidation Preference*

The holders of Series A Convertible Preferred Stock are entitled to receive, prior to the holders of the other series of the Company's Preferred Stock and prior and in preference to any distribution of our assets or surplus funds to the holders of any other shares of stock of the Company by reason of their ownership of such stock, an amount equal to \$0.37 per share with respect to each share of Series A Convertible Preferred Stock, plus all declared but unpaid dividends with respect to such share.

##### *Voting Rights*

Except as otherwise required by law, the holders of the Company's Series A Convertible Preferred Stock vote; (i) as a single class and shall have such number of votes as is determined



by multiplying (a) the number of shares of Series A Convertible Preferred Stock held by such holder, (b) the number of issued and outstanding shares of our Series A Convertible Preferred Stock and Common Stock as of the record date for the vote, or, if no such record date is established, as of the date such vote is taken or any written consent of stockholders is solicited, and (c) 0.00000025; and (ii) the holders of our Common Stock shall have one vote per share of Common Stock held as of such date.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation**

### *Forward Looking Statements*

This report contains certain forward-looking statements regarding, among other things, the anticipated financial and operating results of the Company. For this purpose, forward-looking statements are any statements contained herein that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, "estimate", "could", "should", "would", "likely", "may", "will", "plan", "intend", "believes", "expects", "anticipates", "projected", or similar expressions. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. For these statements, we claim the protection of the "bespeaks caution" doctrine. All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements.

Our Financial Statements are attached to the end of this Report.

### **Results of Operations**

Total revenues for the six months ended June 30, 2013, were \$3,332,130 compared to total revenues of \$6,850,999 for the six months ended June 30, 2012. The decrease in revenue of \$3,518,869 is due to manufacturing sales. We attribute the decreased manufacturing revenues to a delay in shipping of our custom kiosks.

For the six months ended June 30, 2013, cost of goods totaled \$1,519,401 compared to the six months ended June 30, 2012 of \$3,571,475. This decrease in cost of goods of \$2,052,074 is due to the decrease in shipping of machines and kiosks.

For the three months ended June 30, 2013, operating expenses were \$1,147,193, this compares to the three months ended June 30, 2012 where we had \$1,396,962 in operating expenses. We attribute the decrease in operating expenses of \$249,769 for the three months ended June 30, 2013 to decreased General & administration expenses.

For the three months ended June 30 31, 2012, net income was of (\$236,257) compared to the three months ended June, of \$70,804. The decrease in net income of \$307,061 is the result of a delay in shipping manufacturing kiosks.

We expect manufacturing to continually increase sales over the next 12 months. We believe that we have sufficient cash and cash flow from operations to satisfy our working capital and capital expenditure requirements during the next 12 months. There can be no assurance, however, that cash and cash flow from operations will be sufficient to satisfy our working capital and capital requirements for the next 12 months or beyond.

## Liquidity and Capital Resources

We have historically financed operations through a combination of cash on hand, cash provided from operations and the sale of our securities.

### *Working Capital*

	<b>Six Months Ended June 30, 2013</b>	<b>At December 31, 2012</b>
Current Assets	\$9,652,275	\$8,854,531
Current Liabilities	\$2,594,164	\$1,562,919
Working Capital	\$7,058,111	\$7,291,612

These numbers reflect our transitioning several major projects from the development and pilot phase, in to actual production.

AVT has a commitment to developing custom-designed systems that fit the specific needs of our customers. Accordingly, we often spend months in development, fine-tuning all aspects of a system - from graphics to software to the customer interface. After initial development, we move this approved system into a pilot program, where field-testing and consumer feedback can be obtained. Only after the successful outcome of this lengthy process do we begin full-scale production.

Accordingly, our inventory has grown considerably as we moved into production on several large programs. The inventory is shipped and invoiced as quickly as possible following final assembly and inspection.

## The Company

AVT, Inc. is an innovative developer, manufacturer and vending operator of technology based product dispensing solutions and equipment that is in the process of revolutionizing convenience food access and food product dispensing. With extensive experience in the vending machine industry, AVT combines vast market knowledge and strong customer relationships with best-in-class technologies to dramatically improve the values delivered to consumers.

AVT's designs are innovative and exploit the use of integrated PCs. As a design manufacturer, creator of specialty application software and integrator of technology, our company defines the cutting edge of the vending and dispensing industry. We are positioned us as a leader and industry innovator. We currently have vending systems throughout the Los Angeles, Orange and Riverside, California counties. It is our vending operation experience over the past years that adds a distinctive advantage and contributes to our overall success as a manufacturer and leader of technology based vending products

We were originally incorporated under the laws of the State of Delaware on February 25, 1969 as Infodex, Incorporated. In October, 2005, we acquired Automated Vending Technologies, Inc., a Nevada corporation and began focusing our business on vending operations. In December, 2006 we merged our operating wholly owned subsidiary into the parent company and in January of 2008, we changed our state of domicile to the State of Nevada and renamed the company to “AVT, Inc.”. We operate in the State of California as “AVT Vending, Inc.”.

## **Our Products**

We have a family of products which are geared towards improving the experience of consumers, establishments, and operators in the convenience food, digital signage and product dispensing industry.

### ***Automated Express Market***

We have developed and created an Automated Express Market (AEM™) system which is a Controlled Access Cabinet system. These custom built wood and steel based cabinets are PC based and designated for use in specialized locations such as hotels, Inns, c-stores, malls and retail stores that are limited in the ability to effectively sell and market food, and carry convenience items or higher priced items which are subject to pilfering. The cabinets can be merchandised to dispense more than seventy-two selections including snacks, hot meals, ice cream, alcoholic and non-alcoholic beverages as well as personal amenities such as sunscreen, toothpaste, and brushes. They can also be configured for high ticket items such as cell phones, digital cameras, mp3 players, personal electronic devices and more. The AEM™ system gives the hotel's customers the convenience of billing directly to their room through touch screen pin technology so they do not have to carry cash or coin to make purchases. The system automatically posts the charge to the guest's account by utilizing touch screen vending (TSV™) and multi-payment capabilities. AEM™ cabinets have multiple payment options built in that include touch screen payment technology, credit/debit acceptors and smart card readers. We are currently exploring opportunities with many limited service hotel chains in the U.S., a market that totals more than 50,000 establishments as well as c-stores, retail stores and shopping malls.

### ***Media Advertising***

We have developed a software product called AVTi Media™ which enables an advertising medium (player) to be added to virtually any of AVT designed systems including AEM™ cabinets and all four next generation vending and product dispensing systems. By incorporating AVTi Media, we allow the consumer to view the media, advertising or hotel messaging while they make their selections. AVTi Media can generate advertising revenue for owners and operators in many settings such as conference rooms, hotel lobbies, airport terminals, restaurants, car rental outlets and surgery center waiting rooms. By having vending machines in prominent locations within major companies, the vending operator “owns” the valuable advertising space that can be used to generate advertising revenue through the Digital TV Message Board or (DTVMB) technology. Our Vending Management System software enables the management of machine inventory, repairs, collections and advertising through remote access. VMS™ enables owners/operators to reduce costs and increase profits by enabling real time access to inventory levels, system status, machine service and daily receivables with little to no machine down time.

### ***Vending Management System™ (VMS)***

Our VMS is another AVT developed software product that allows us to remotely view information for each machine to help plan for daily replenishment, sales statistics and alerts of system malfunctions to operators as well as defect history for each machine by means of software error log files. This technology increases operational efficiency of vending operations and helps to prevent inventory shrinkage and skimming, both major control issues in the vending industry. A key differentiator relative to the offerings of other established players in the vending machine management space is that our VMS solution works via a DSL line cellular modem or Internet Wi-Fi and are substantially less expensive to own and operate than competing systems that do not use the internet for bi-directional transmission of vending system data. VMS currently holds a Patent pending.

### ***Vend Sensing System (VSS)***

We have developed and have a patent pending on our VSS product to provide a surefire solution for detecting all vended items.

The VSS was developed specifically to detect a vending type of product that has dropped from one of the dispensing columns directly above the sensing system and has fallen into the customer delivery bin at the base of the vending system.

The VSS is coupled directly with the vending system control electronics. The VSS circuitry is disabled until the vending system control electronics has received payment. Once payment has been received and the vending system starts the dispensing process, the control electronics enables the VSS circuitry to detect product which has been dispensed and has dropped into the delivery bin below. During this sensing period, the VSS circuitry is only enabled for the time period taken to detect that a vendible product has fallen into the delivery bin.

During the sensing period of time, the VSS circuitry uses an auto-calibrated ultrasonic beam to detect if an object of just about any size, form or shape (designed for detection of any object that can be vended) has fallen into the detectable space of the customer product delivery bin. If an object (vended product) enters the detectable vending space, the VSS circuitry detects the object and in turn sends a “detected” signal to the Control Electronics. If the VSS circuitry does not detect an object has entered the customer delivery bin space within the allotted empirical time frame, the VSS circuitry returns a command signal to the control electronics stating “no vend object detected”. It is the control electronics responsibility to determine the next appropriate action to take.

This invention for product detection provides many distinct and exciting advantages over conventional detection. First and foremost, the VSS is calibrated to “look” across the entire cross-sectional area of the delivery bin. This is a primary advantage over the conventional light beam detection method. The detection system is compatible in cost to that of traditional vending detection systems. The self calibration mode allows the system to be able to retrofit into other vending systems with minimal modification needed.

### ***Touch Screen Vending (TSV)***

TSV (Touch Screen Vending) is our primary flagship application software product. Designed and development by AVT's software staff several years ago, it is like most of today's application software, constantly maintained and in continuous refinement, support and development to remain compatible with and competitive with the ever changing PC's environment. Our TSV software product is the primary foundation for ALL of AVT's touch screen based systems. This application software is modular by design allowing extreme flexibility by our customers allowing them to have a product that is capable providing the system owner a specific "look and feel" coupled with dispensing their own specific products via the customizable GUI interface.

### ***Kiosk/ Game Trader Systems***

In addition to our vending machines, we have incorporated a line of computer and technology based kiosk systems. These kiosks will be deployed in conjunction with our line of vending systems as well as being sold as self service or control center kiosk systems. All kiosks have the ability to be fitted with digital signage which runs our media software products to become a part of AVTi Media Network. AVT engineered the Game Trader machine that will allow customers to buy video games as well as trade used games in for cash.

### ***Media Products***

Our Media Product Technology effort is focused on the design and enhancement of our AVTi Media products. The AVTi Media products are integrated into our base systems and also sold to other vending manufacturers.

- ***AVTi Media Administer:*** This program is designed to manage and administer all aspects and features of our digital signage program. The Media Administrator allows a remote operator to create, manage, update and schedule ads that will play on LCD displays which have been integrated into vending systems.
- ***AVTi Media Client:*** This program is designed to be located on the vending system's integrated PC and has the priority of playing the ad "play list." This client software also uses prescheduled times to monitor the server to "update" the playlist as required.
- ***AVTi Media Server:*** This is a server based program which coordinates the efforts, changes and directives from the administrator program with the schedule efforts of all the multiple clients located in the field and connected via the internet. Our secondary fabrication and design efforts run concurrently with our primary efforts to support ongoing systems and to develop new products. These products are summarized as follows:
  - ***TSV:*** Touch Screen Vending is an ongoing software development effort which is our primary flagship software product. This modular program is designed to evolve with the changing technologies supporting our vending and dispensing products.
  - ***IVend:*** This is an ongoing development design that features a high-end dispensing center which combines our base cabinet with a creative front door design which includes interactive touch screens and a variety of other supported hardware. The IVend also has its own software application program which is designed to provide a high degree of interactive and intuitive application to the user.
  - ***Tech Store:*** This system is similar to our IVend system designed for middle priced systems.

- **Vend Mart:** This system is similar to our IVend system designed for entry level priced systems. The Vend Mart also has its own software application program, designed to provide a high degree of interactive and intuitive application to base line vending systems equipped with TSV.

In addition, we have a variety of ongoing hardware and software R&D projects which are at various stages of development. The following is a brief list of some of our non-confidential R&D efforts:

MDB – PC Software Interface	VMSII – Hardware/Server/Software Project
DEX to PC software Interface	VMS – Drop Sensing efforts
MDB to USB Hardware Device	AEM Cabinet Design
DEX to Radio Controller PCB	Multiple All-In-One PC/LCD Displays Designs
X – Y Dispensing Center Design	Multiple Custom Dispensing Projects

The expense of complying with environmental regulations is of minimal consequence.

### **Company Patent Summary**

We have filed for multiple patents. Below is a summary of the patents applied for and the status of the application.

#### **1. MULTIMEDIA SYSTEM AND METHOD FOR CONTROLLING VENDING MACHINES - Pending**

A multimedia system for controlling a plurality of remote vending machines, comprising: an enterprise control center; a network coupling said enterprise control center and the plurality of remote vending machines; a touch screen associated with each of the plurality of vending machines for selecting items to be vended therein; and means for displaying a plurality of advertisements on said touch screen. The multimedia system according to claim 1, wherein said touch screen further comprises means for paying for said items to be vended within the plurality of vending machines. The multimedia system according to claim 1, wherein said advertisement display means further comprises means for delivering advertisement content based on the selection of items vended within the plurality of vending machines.

#### **2. WIRELESS MANAGEMENT OF REMOTE VENDING MACHINES - Approved**

A wireless system for managing a plurality of remote vending machines includes an enterprise control center; and a two way wireless network coupling the enterprise control center and the plurality of remote vending machines. A touch screen may be associated with each of the plurality of vending machines for selecting items to be vended therein, and means for displaying a plurality of advertisements on the touch screen. The touch screen may also include means for paying for the items to be vended within the plurality of vending machines.

#### **3. VENDING SENSING SYSTEM - Pending**

Vend Sensing System known as VSS is an AVT exclusive technology which includes booth hardware and software components. This evaluation is for the software component which includes the development of specific software code which accepts the output from the VSS sensor into the RS232 serial port of the PC to identify via precise time when a product has fallen into the delivery bin of a RAM 4000 or 5000

#### **4. SYSTEM AND METHOD FOR INTERACTIVE ADVERTISING - Pending**

Is a software application that allows customers to create and modify templates that pushes media contents such as High Definition movies and images and compressed flash medias to locations with television based on scheduling tables set by customers. This application allows an inexpensive way for companies to advertise their products to vast amount of consumers on a 24/7 basis.

#### **5. SYSTEM AND METHOD FOR INTERACTIVE ADVERTISING CROSS-REFERENCE TO RELATED APPLICATIONS - Pending**

Is a software application that allows customers to create and modify templates that pushes media contents such as High Definition movies and images and compressed flash Medias to locations with television based on scheduling tables set by customers. This application allows an inexpensive way for companies to advertise their products to vast amount of consumers on a 24/7 basis. In addition, this software utility has a feature that will interact with other system software application or customer selection of specific items – the software can then tailor the advertisement to that customer base on the cross-reference information as related to product selection or other cross-reference related information.

#### **6. ITEM VERIFICATION METHODOLOGIES FOR RENTAL RETURN, EXCHANGE OR REDEMPTION AT UNATTENDED SELF-SERVICE AUTOMATED SYSTEMS - Pending**

Item Verification Methodologies For Rental Return, Exchange or Redemption at Unattended Self-Service Automated Systems is a definitive means for providing positive identification and return of, detection of, verification of, a product, merchandise, item, article, thing, commodity, goods, article of trade, system, to or from a single or plurality of unattended self-service automated system.

#### **7. AUTOMATIC METHODS FOR PRODUCT AUTHENTICATION AND VERIFICATION**

The present invention is related generally to automated vending machines and more particularly to the verification of intended products to be dispensed by the means and use of a camera or network of cameras used to detect the presence of a product inside a vending machine having the intentions to be vended. Additionally, the camera or network of cameras are also used to verify the physical fulfillment (re-stocking) or remerchandising of product which is intended to be dispensed.

The following is a summary of the patent applications filed by Utique, Inc. Pursuant to a license agreement between the Company and Utique, we have licensed the right to use the Utique intellectual property and are required to maintain the Utique patents.

#### **8. MOBILE DEVICE ASSISTED RETAIL SYSTEM AND PROCESS IN A VENDING UNIT, RETAIL DISPLAY OR AUTOMATED RETAIL STORE - Pending**

Systems and methods for users of an automated retail store, vending unit, digital signage or interactive retail display (self-service units) to interact with such display/unit, collectively referred to in this text as a machine, directly and/or simultaneously using a one or more mobile devices. In addition, system and methods are provided that can recognize registered users within a set proximity to the machine and broadcast messages and notifications such as machine information, inventory information, rewards, discounts and free products, all of which could be tailored to the specific user based on understanding gathered through analysis of prior interactions.



## **9. DISPENSING MECHANISM FOR CENTRALIZED ROBOTIC GANTRY - Pending**

A vending arrangement for computerized vending machines, retail displays, automated retail stores, utilizes a centralized, robotic gantry associated with companion modules for vending a plurality of selectable products. The modularized design enables deployment of half-sized or larger, full sized machines. The robotic gantry is deployed in a centralized module disposed adjacent display and inventory modules. Inventory modules can be fitted to both gantry sides, and doors can be fitted to the gantry front or rear. The gantry comprises an internal, vertically displaceable elevator utilizing a central conveyor for laterally, horizontally moving selected items from associated display and inventory positions to a vending position. Computerized software enables the display and vending functions, and controls elevator movement to dispense products from twin sides of the gantry by appropriately controlling the conveyor.

## **10. INVENTORY STORAGE AND DISPENSING MECHANISM - Pending**

A vending arrangement for computerized vending machines, retail displays, automated retail stores, utilizes a centralized, robotic gantry associated with companion modules for vending a plurality of selectable products. The modularized design enables deployment of half-sized or larger, full sized machines. The robotic gantry is deployed in a centralized module disposed adjacent display and inventory modules. The inventory modules can be fitted to both gantry sides, and doors can be fitted to the gantry front or rear. The gantry comprises an internal, vertically displaceable elevator utilizing a central conveyor for laterally, horizontally moving selected items from associated display and inventory positions to a vending position. The inventory modules comprise a plurality of dispensing modules adjustably configurable to adjust the storage density of items to be vended. Computerized software enables the display and vending functions, and controls movement of the gantry elevator and the dispenser module conveyor to dispense products from twin sides of the gantry by appropriately controlling the gantry conveyor.

## **11. MODULAR VENDING WITH CENTRALIZED ROBOTIC GANTRY - Pending**

A vending arrangement for computerized vending machines, retail displays, automated retail stores, utilizes a centralized, robotic gantry associated with companion modules for vending a plurality of selectable products. The modularized design enables deployment of half-sized or larger, full sized machines. The robotic gantry is deployed in a centralized module disposed adjacent display and inventory modules. Inventory modules can be fitted to both gantry sides, and doors can be fitted to the gantry front or rear. The gantry comprises an internal, vertically displaceable elevator utilizing a central conveyor for laterally, horizontally moving selected items from associated display and inventory positions to a vending position. Computerized software enables the display and vending functions, and controls elevator movement to dispense products from twin sides of the gantry by appropriately controlling the conveyor.

## **12. VENDING MACHINES WITH LIGHTING INTERACTIVITY AND ITEM-BASED LIGHTING SYSTEMS FOR RETAIL DISPLAY AND AUTOMATED RETAIL STORES - Approved**

A vending arrangement for computerized vending machines, retail displays, automated retail stores, utilizes a centralized, robotic gantry associated with companion modules for vending a plurality of selectable products. The modularized design enables deployment of half-sized or larger, full sized machines. The robotic gantry is deployed in a centralized module disposed adjacent display and inventory modules. The inventory modules can be fitted to both gantry sides, and doors can be fitted to the gantry front or rear. The gantry comprises an internal, vertically displaceable elevator utilizing a central conveyor for laterally, horizontally moving selected items from associated display and inventory positions to a vending position. The inventory modules comprise a plurality of dispensing modules adjustably configurable to adjust the storage density of items to be vended. Computerized software enables the display and vending functions, and controls movement of the gantry elevator and the dispenser module conveyor to dispense products from twin sides of the gantry by appropriately controlling the gantry conveyor.

## **13. INTERACTIVE AND 3-D MULTI-SENSOR TOUCH SELECTION INTERFACE FOR AN AUTOMATED RETAIL STORE, VENDING MACHINE, DIGITAL SIGN, OR RETAIL DISPLAY - Approved**

Vending machines, automated retail stores, and retail displays with a computer controlled, activation system that senses either the gesture of a customer proximate product display tubes or a touch-screen selection on a computer screen. Item-based lighting produces variable visual effects in conjunction with actual or potential vends to provide an enhanced vending experience. Offered products are stored within display tubes that are arranged in orderly geometric arrays. RGB lighting through a plurality of LED banks associated with each display tube are controlled by the activation system. Combinations of differently colored LED's are computer controlled on a per product basis to artistically illuminate available products and assist customers. Pre-programmed lighting sequences can switch LEDs off and on, vary their intensity, and alter resultant colors.

## **14. CUSTOMER RETENTION SYSTEM AND PROCESS IN A VENDING UNIT, RETAIL DISPLAY OR AUTOMATED RETAIL STORE - Approved**

A vending system comprising numerous remote vending machines, retail displays, and automated retail stores connected to a communication network access a central database so that each remote machine provides and responds to personalized customer information. Each machine comprises a display containing products to be vended and a plurality of touchable product viewing areas for initiating a vend. A computer recognizes customer data derived from peripheral inputs. Software communicates with the database for establishing customer profiles and either recognizing customers or registering customers by generating a global unique identifier. Subroutines initiate the dispensing of items in response to preselected conditions associated with each GUID.

## **15. VIRTUAL VISUAL SELECTION MERCHANDISING INTERFACE - Pending**

A vending arrangement for computerized vending machines, retail displays, automated retail stores, or the like presents a physical display comprising a plurality of viewing windows or modules containing items to be vended. The physical windows or modules are organized into visually recognizable patterns of rows or columns physically apparent from the machine exterior. A controlling computer responds to software and provides a visual display controlled by the software for establishing screens for inputting customer selections and displaying machine options. The screen presents virtual representations of physical displays arranged in said recognizable patterns, whereby images appearing the virtual screen selected and viewed by customers correspond to actual items available in corresponding physical displays.

## **16. VENDING MACHINE WITH ENHANCED RETAIL DISPLAY FAÇADE - Pending**

This is a design patent (vs. all the “Utility patents above) with the following claim: “The ornamental design for a vending machine with enhanced retail façade.”

### ***Additional information regarding the Company***

The Company currently has approximately 30 full time employees and 5 part-time employees. We also allow and utilize the services of independent contractors.

### ***Vending Machine Manufacturing, Sales and Placements***

We currently manufacture next generation refrigerated and high capacity snack machines as well as standard and customized product dispensing systems. These machines have been designed to meet or exceed our specific performance specifications and give us the ability to minimize costs traditionally associated with purchasing new equipment. The manufacturing of our own equipment also allows us to incorporate our technology into the systems during production reducing the costs associated with retrofitting units. We sell these systems directly to distributors, vending operators and end users located primarily throughout the United States, Canada and Mexico. We believe that we are currently the only manufacturing entity with this capability in the vending industry, giving us a tremendous lead and advantage over our competition.

The major competitive advantages of AVT’s next generation machines is they all have the capability of being configured with an integrated PC with customized AVT software.

The integrated PC allows for a variety of additional functions which include but are not limited to, cashless vending, remote sales management and media advertising for creating additional revenue through the sale and display of advertising play loops.

The feature of playing multiple looping advertisements yields the possibility of adding additional stream of revenue which may exceed that of the sales of vended product. Another significant advantage is the ability to plug into a standard 120 VAC household power outlet. As an operator, AVT’s experience is that the unit price of a machine and sometimes the required 220VAC circuits for the units represent major constraints to growth of a vending company.

Our next generation machines will cut machine acquisition cost by greater than 50% and eliminate expensive power outlet upgrades for establishments and operators, thereby increasing placement and sales opportunities.

Through the design and manufacturing of vending and product dispensing systems using new technologies, we have become a vendor of equipment for the entire gamut of food and high priced consumer electronics and dispensed items. Our company can produce machines that are far less expensive, are less power demanding and have multi-pay options that far exceed the traditional market standard. As a result, we have the opportunity to grow both the mainstream and the specialty segment of the vending machine manufacturing and operations business. We also have the opportunity a major equipment provider to other distributors, all without a heavy capital investment.

## **Business Strategy**

### ***Manufacturing Capabilities***

AVT is a full service developer and manufacturer of highly integrated vending and product dispensing systems. Over the past several years, AVT has assembled an integrated team of experienced engineers and qualified technicians and software programmers to develop proprietary technology based solutions. Our solutions are comprised of original and inventive technology that is integrated into a line of sophisticated self service products. At the heart of our business is our engineering, manufacturing and creatively inventive and functional application software for use on our AVT designed and manufactured systems.

**Design:** AVT employs a complete design team. Our engineers use creative tools such as “Solid Works” to develop and generate CAD drawings used by our local manufacturing partners as well as our OEM manufacturer in China to produce our state of the art vending systems components, shipped to our 50 thousand square foot facility in Corona, California for integration, assembly, final testing and deployment.

A multitude of electrical and software tools are also used to create AVT’s proprietary control boards, sensors, and firmware used by all AVT branded product.

**Software Development:** We also employ a complete software design and development team. Our software products are a key factor to the success, functional operation and financial position of the company. AVT owned Intellectual Property supports our proprietary software products, which are sold as a licensed part of every system AVT sells, that can be integrated with an optional PC. We design our software products using today’s state-of-the-art high level programming environments which produce effective and efficient software programs that are highly flexibly and user friendly, while maintaining the elevated degree of complexity and inventiveness that yield a superior and competitive product.

## **Future Goals**

In addition, our PDC systems can dispense a variety of snack items and non-food items such as cell phones, MP3 players, digital cameras, DVDs, consumer electronics and accessories. We will also focus on “Themed” systems to dispense products such as tee-shirts, promotional items, perfumes, contact lenses and just about any product our customers have a location and market for. Our “Themed” systems are of exceptional interest to our direct end customers as the products these systems dispense result in higher profit margins.

All of our vending systems are capable of the inclusion of PC hardware and LCD displays. A future goal of AVT is to complete and continue to refine application software that runs digital signage for the primary purpose of displaying paid advertisements. Each system that is equipped with a PC and LCD display becomes a “node” on a digital network. As the digital network expands, many thousands of vending

systems and PDCs can be part of nationwide advertising network which we believe will interest national advertisers.

Our goal is to “own” the network but not the systems. All vending system owners will have the option to join the AVT nationwide network with our AVT based advertising vending system, to share revenue for allowing advertisements from AVT’s servers to be pushed-out onto their vending system.

Future goals and system refinements will include continued software and hardware development and refinements, including even more efficient operating systems to integrate more seamlessly with the internet, becoming Wi-Fi standard and including SMS and email features. Our goal is to make the AVT solution the standard for intelligent self-service vending systems deployed throughout the US and world markets.

### **Off-Balance Sheet Arrangements**

We maintain no significant off-balance sheet arrangements.

### **Foreign Currency Transactions**

None.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We currently do not utilize sensitive instruments subject market risk in our operations. In the event that we borrow money for our operations, our principal exposure to financial market risks is the impact that interest rate changes could have on our loans.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we have carried out an evaluation of the effectiveness of the design and operation of our Company's disclosure controls and procedures as of the end of the period covered by this quarterly report, being March 31, 2013. This evaluation was carried out under the supervision and with the participation of our Company's management, including our President, Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, our President, Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are not effective as of the end of the period covered by this report due to the material weaknesses described in Management's Report on Internal Control over Financial Reporting below.

There have been no significant changes in our Company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our Company's reports filed under the Exchange Act is accumulated and communicated to management, including our Company's president and Principal Executive Officer as appropriate, to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, our internal control over financial reporting does not provide assurance that a misstatement of our financial statements would be prevented or detected.

As of June 30, 2013, management conducted an evaluation of the effectiveness of our internal control over financial reporting and found it to be not effective subsequent to filing our Annual Report on Form 10-K for the year ended December 31, 2012, with the Commission.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that the Company's internal controls over financial reporting are not effective because we have limited resources available. As we obtain additional funding and employ additional personnel, we will implement programs recommended by the Treadway Commission to ensure the proper segregation of duties, reporting channels and accounting policies.

Our management has concluded that (i) the Company's disclosure controls and procedures are not effective to ensure that material information relating to the Company is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Commission, and (ii) the Company's controls and procedures have not been designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Controls over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with our evaluation of these controls as of the second fiscal quarter ended June 30, 2013, as covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitation on Effectiveness of Controls**

Our management does not expect that its disclosure controls or its internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## ***Part II – Other Information***

### **Item 1. Legal Proceedings**

We are not a party to any pending legal proceedings responsive to this Item Number.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Default Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not Applicable

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

<b>Exhibits</b>	<b>Exhibit #</b>	<b>Form Type</b>	<b>Filing Date</b>	<b>Filed with This Report</b>
Certificate of Incorporation filed with the Secretary of State of Delaware on February 25, 1969.	3.1	10	8/14/2008	
Certificate of Amendment filed with the Secretary of State of Delaware on December 16, 1985.	3.2	10	8/14/2008	
Certificate of Amendment filed with the Secretary of State of Delaware on March 5, 1987.	3.3	10	8/14/2008	
Certificate of Amendment filed with the Secretary of State of Delaware on February 11, 1991.	3.4	10	8/14/2008	
Certificate of Renewal filed with the Secretary of State of Delaware on January 14, 2005.	3.5	10	8/14/2008	
Certificate of Amendment filed with the Secretary of State of Delaware on September 22, 2005.	3.6	10	8/14/2008	
Amended and Restated Certificate of Amendment of Incorporation filed with the Secretary of State of Delaware on April 28, 2006.	3.7	10	8/14/2008	
Articles of Incorporation filed with the Nevada Secretary of State on September 24, 2007.	3.8	10	8/14/2008	
Certificate of Amendment filed with the Nevada Secretary of State on November 30, 2007.	3.9	10	8/14/2008	
Certificate of Merger filed with the Secretary of State of Delaware on December 11, 2007.	3.10	10	8/14/2008	
Certificate of Designation of Rights, Preferences, Privileges and Restrictions of Series A Convertible Preferred Stock filed with the Nevada Secretary of State on March 5, 2008.	3.11	10	8/14/2008	
Amended and Restated Bylaws dated March 12, 2008.	3.12	10	8/14/2008	
Agreement and Plan of Merger dated December 3, 2007 by and between Automated Vending Technologies, Inc. and AVT, Inc.	10.12	10/A-1	2/24/2009	
Code of Ethics	14.1	10	8/14/2008	



## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
/s/ <u>Natalie Russell</u> Natalie Russell	Secretary, Chief Financial Officer Principal Accounting Officer Director	June 8, 2014