

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

PROTON LABORATORIES INC
Form 10QSB
November 21, 2005

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

FORM 10-QSB

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2005.

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from --- to ---

Commission file number: 000-31883

PROTON LABORATORIES, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

Washington (State or other jurisdiction of incorporation or organization)	91-2022700 (I.R.S. Employer Identification No.)
---	---

1135 Atlantic Avenue, Suite 101
Alameda, CA 94501
(Address of principal executive offices)

(510) 865-6412
Issuer's telephone number

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

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

On November 8, 2005, the registrant had outstanding 14,222,600 shares of Common Stock, \$0.0001 par value per share.

Transitional Small Business Disclosure Format: Yes No

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PROTON LABORATORIES, INC.
TABLE OF CONTENTS

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

	PAGE
Condensed Consolidated Balance Sheets - September 30, 2005 and December 31, 2004 (Unaudited)	F-1
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2005 and 2004 (Unaudited)	F-2
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2005 and 2004 (Unaudited)	F-3
Notes to Condensed Consolidated Financial Statements (Unaudited)	F-4

PROTON LABORATORIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	SEPTEMBER 30, 2005	DECEMBER 31, 2004

ASSETS		
CURRENT ASSETS		
Cash	\$ 12,396	\$ 14,375
Accounts receivable, less allowance for doubtful accounts of \$16,522	17,786	10,000
Inventory	63,798	34,000

TOTAL CURRENT ASSETS	93,980	58,375

PROPERTY AND EQUIPMENT		
Furniture and fixtures	19,709	18,000
Equipment and machinery	161,502	95,000
Leasehold improvements	11,323	10,000
Deposit on equipment	-	69,000
LESS: ACCUMULATED DEPRECIATION	(35,530)	(19,000)

NET PROPERTY AND EQUIPMENT	157,004	174,000
DEPOSITS	6,131	

TOTAL ASSETS	\$ 257,115	\$ 232,375

LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 102,201	\$ 134,000
Accrued expenses	219,270	110,000
Deferred revenue	52,506	
Preferred dividends payable	8,000	3,000
Note payable	164,000	
Stockholder loans, current portion	262,000	84,000

TOTAL CURRENT LIABILITIES	807,977	332,000

STOCKHOLDER LOANS, NET OF CURRENT PORTION	48,642	178,000

STOCKHOLDERS' DEFICIT		
Series A convertible preferred stock, 400,000 shares authorized with a par value of \$0.0001; 8,000 shares issued and outstanding; liquidation preference of \$80,000	80,000	80,000

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

Undesignated preferred stock, 19,600,000 shares authorized with a par value of \$0.0001; no shares issued or outstanding		-	
Common stock, 100,000,000 common shares authorized with a par value of \$0.0001; 14,270,100 and 12,975,000 shares issued and outstanding, respectively		1,429	1
Additional paid in capital		1,856,602	1,350
Accumulated deficit		(2,537,535)	(1,708)

TOTAL STOCKHOLDERS' DEFICIT		(599,504)	(276)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$	257,115	\$ 233

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

F-1

PROTON LABORATORIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE SEPTEMBER
	2005	2004	2005
SALES	\$ 116,791	\$ 120,902	\$ 274,501
COST OF GOODS SOLD	113,786	99,401	214,649
GROSS PROFIT	3,005	21,501	59,852
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	114,219	178,361	793,599
LOSS FROM OPERATIONS	(111,214)	(156,860)	(733,747)
OTHER INCOME AND (EXPENSE)			
Loss on disposal of property and equipment	-	(943)	-
Interest income	61	-	161
Interest expense	(17,826)	(5,117)	(90,645)
NET OTHER EXPENSE	(17,765)	(6,060)	(90,484)
NET LOSS	(128,979)	(162,920)	(824,231)
PREFERRED STOCK DIVIDEND	(1,600)	(1,600)	(4,800)
LOSS APPLICABLE TO COMMON SHAREHOLDERS	\$ (130,580)	\$ (164,520)	\$ (829,031)

BASIC AND DILUTED LOSS PER

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

COMMON SHARE	\$	(0.01)	\$	(0.01)	\$	(0.06)

BASIC AND DILUTED WEIGHTED AVERAGE						
SHARES OUTSTANDING		14,234,230		11,268,481		13,534,217

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

F-2

PROTON LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005	2005	2004

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (824,231)	\$ (246,114)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	16,370	8,495
Provision for allowance for doubtful accounts	-	6,430
Loss on disposal of property and equipment	-	943
Common stock issued for services	459,040	40,000
Amortization of loan costs	27,075	-
Changes in operating assets and liabilities		
Accounts receivable	(7,153)	(591)
Inventory	(29,701)	(67,034)
Deposits	(1,131)	-
Deferred revenue	52,506	-
Accounts payable	(32,579)	(28,437)
Accrued expenses	108,708	55,862

NET CASH FROM OPERATING ACTIVITIES	(231,096)	(230,446)

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,562)	(24,760)

NET CASH FROM INVESTING ACTIVITIES	(3,562)	(24,760)

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	20,000	-
Proceeds from sale of preferred stock	-	80,000
Proceeds from notes payable	164,000	-
Proceeds from shareholder loans	48,642	178,000

NET CASH FROM FINANCING ACTIVITIES	232,642	258,000

NET INCREASE IN CASH	(2,016)	2,794
CASH AT BEGINNING OF PERIOD	14,412	4,423

CASH AT END OF PERIOD	\$ 12,396	\$ 7,217

NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of inventory to equipment	\$ 64,500	\$ 27,377

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

Issuance of common stock for loan costs	\$ 27,075	\$ -
Accrual of preferred stock dividends	\$ 4,800	\$ -

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

F-3

PROTON LABORATORIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION AND NATURE OF OPERATIONS

BASIS OF PRESENTATION - The condensed consolidated financial statements include the accounts of Proton Laboratories, Inc., and its wholly owned subsidiary ("Proton" or the "Company"). All significant intercompany transactions and balances have been eliminated in consolidation.

In April 2004, the Company changed its name from BentleyCapitalCorp.com, Inc. to Proton Laboratories, Inc. The Company's subsidiary also changed its name from Proton Laboratories, Inc. to Water Science, Inc.

CONDENSED FINANCIAL STATEMENTS - The accompanying unaudited condensed consolidated financial statements are condensed and, therefore, do not include all disclosures normally required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the Company's annual financial statements included in the Company's December 31, 2004 Annual Report on Form 10-KSB. In particular, the Company's significant accounting principles were presented as Note 1 to the consolidated financial statements in that report. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying condensed consolidated financial statements for the nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2005.

NATURE OF OPERATIONS - The Company's operations are located in Alameda, California. The core business of the Company consists of the sales and marketing of the Company's industrial, environmental and residential systems throughout the United States of America which alter the properties of water to produce functional water. The Company acts as an exclusive importer and master distributor of these products to various companies. Additionally, the Company formulates intellectual properties under licensing agreements, supplies consumer products, consults on projects utilizing functional water, facilitates between manufacturer and industry and acts as educators on the benefits of functional water.

BASIC AND DILUTED LOSS PER COMMON SHARE - Basic loss per common share is calculated by dividing net loss by the weighted-average number of common shares outstanding. Diluted loss per common share is calculated by dividing net loss by the weighted-average number of Series A convertible preferred shares and common shares outstanding to give effect to potentially issuable common shares except during loss periods when those potentially issuable shares are anti-dilutive. Potential common shares from convertible preferred stock have not been included as they are anti-dilutive.

NOTE 2 - BUSINESS CONDITION

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The company has incurred losses applicable to common shareholders of \$829,031 for the nine months ended September 30, 2005. The Company had a working capital deficit of \$713,997 and \$273,400 at September 30, 2005 and December 31, 2004, respectively. Loans were required to fund operations.

F-4

NOTE 2 - BUSINESS CONDITION (continued)

The Company is working towards raising public funds to expand its marketing and revenues. The Company has spent considerable time in contracting with several major overseas corporations for the co-development of enhanced antioxidant beverages for distribution into the overseas markets. In addition, the Company is working with its Canadian business associates to identify institutional businesses to market various disinfection applications based upon functional water, pending government approval.

The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future.

NOTE 3 - RELATED PARTY TRANSACTIONS

During 2005, two shareholders advanced the Company \$48,642. These advances bears interest at 7% with principal and accrued interest due between November 2005 and January 2007. At September 30, 2005 and December 31, 2004, the company owed the two shareholders \$310,642 and \$262,000, respectively. At September 30, 2005 and December 31, 2004, the accrued interest was \$31,604 and \$15,946, respectively.

During the nine months ended September 30, 2005, the Company accrued \$45,000 as salaries payable to the majority shareholder resulting in \$139,890 of salaries payable at September 30, 2005.

NOTE 4 - NOTES PAYABLE

In March 2005 the Company issued a note payable in the amount of \$164,000. The note was originally due in May 2005 and has been extended to December 2005 secured by inventory. The original terms of the loan provided for an interest payment of \$28,500 or 106% per annum; when the note was extended in May 2005, the interest rate was amended to 30% on the original principal balance. At September 30, 2005 \$47,776 of interest had been accrued. In addition, the Company issued the lender 47,500 shares of common stock, which was recorded as a \$27,075 loan cost and was amortized over the original term of the note.

NOTE 5 - COMMON STOCK

During the nine months ended September 30, 2005, the Company issued 131,600 shares of its common stock to a director for compensation of services. The shares were valued at \$52,640 based on the market value of the Company's stock on the date of issuance.

In June 2005, the Company issued 1,016,000 of its common stock to consultants for services. The shares were valued at \$406,400 based on the market value of the Company's stock on the date of issuance.

In August 2005, the Company sold 100,000 shares of restricted common stock at a

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

sale price of \$0.20 per share for total consideration of \$20,000 in cash.

F-5

NOTE 6 - COMMITMENTS

In June 2005, the Company entered into an agreement with Mitachi, a Japanese electronics component manufacturer, to aid in the production of enhanced drinking water generators. Pursuant to this agreement, Mitachi agreed to pay the Company 25,000,000 Yen for engineering design, molding, tooling and preparation costs, and the exclusive product distribution rights for China, Taiwan, and Japan. As of September 30, 2005, Mitachi had paid 6,000,000 Yen, or \$52,506, for the above mentioned distribution rights. Since the project is not yet completed and no units have been sold, this amount is classified as deferred revenue.

F-6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS.

FORWARD-LOOKING STATEMENT

Certain statements contained in this report, including, without limitation, statements containing the words, "believes," "anticipates," "expects," and other words of similar meaning, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We disclaim any obligation to update any such factors or to announce publicly the results of any revision of the forward-looking statements contained or incorporated by reference herein to reflect future events or developments. In addition to the forward-looking statements contained in this Form 10-QSB, the following forward-looking factors could cause our future results to differ materially from our forward-looking statements: competition, funding, government compliance and market acceptance of our products.

INTRODUCTION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited financial statements and accompanying notes and the other financial information appearing in our annual report on Form 10-KSB for the year ended December 31, 2004. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S.A., which contemplate our continuation as a going concern.

Our independent auditors made a going concern qualification in their report dated March 7, 2005 (contained in our annual report on Form 10-KSB for the year ended December 31, 2004), which raises substantial doubt about our ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should we be unable to continue in existence. Our ability to continue as a going concern is dependent

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future.

We incurred net losses applicable to common shareholders of \$829,031 for the nine months ended September 30, 2005. We have incurred net losses of \$965,840 for the year ended December 31, 2004, and \$217,333 for the year ended December 31, 2003. We had a working capital deficit of \$713,997 at September 30, 2005 and \$273,400 at December 31, 2004. Loans were required to fund operations. This condition raises a substantial doubt about our ability to

continue as a going concern.

Our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, to obtain additional financing for us as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future.

Our operations are located in Alameda, California. Our business consists of the sales and marketing of the industrial, environmental and residential systems throughout the U.S.A. which alter the properties of water to produce functional water. We act as an exclusive importer and master distributor of these products to various companies in which uses for the product range from food processing to retail water sales. We are working towards raising funds to expand our marketing and revenues. We have spent considerable time negotiating with several overseas corporations for the co-development of enhanced antioxidant beverages for distribution into the overseas markets. In addition, we are working with Canadian businesses to identify markets for various disinfection applications of functional water, pending government approval. We are working on agricultural applications of functional water. We are working on packaging for a spray-on application of function water for pathogen counter-measures.

We: formulate intellectual properties under licensing agreements; supply consumer products; consult on projects utilizing functional water; facilitate usage, uses and users of functional water between manufacturer and industry; and act as educators on the benefits of functional water. Our business has been focused on marketing functional water equipment and systems. Alkaline-concentrated functional water may have health-beneficial properties and may be used for drinking and cooking purposes. Acidic-concentrated functional water may be used as a topical, astringent medium.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our 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 generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions provide a basis for us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions, and these differences may be material.

We recognize revenue when all four of the following criteria are met: (i)

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

persuasive evidence that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is both fixed and determinable and; (iv) collectibility is reasonably probable. Our revenues are derived from sales of our industrial, environmental and residential systems which alter the properties of water to produce functional water. We believe that this critical accounting policy affects our more significant judgments and estimates used in the

preparation of our consolidated financial statements.

Our fiscal year end is December 31.

We began a joint research and development program with Weber Farms located in Washington State. Weber Farms is family-owned with a long history of raising and marketing quality potatoes, wheat and corn. In 1979, Weber Farms built a fresh pack potato warehouse to ensure better quality and more oversight of the marketing of open potatoes both to domestic and foreign markets. In 1997, a state-of-the-art potato storage facility capable of storing 50,000 tons was built. End uses of Weber Farm potatoes are generally in the areas of boxed and bagged potatoes for retail stores, hash browns, French fries and other retail-type products. We will work together in various areas where Proton's electrolyzed water, with its unique efficacies, can be integrated into potato production and post-harvesting processes. Understanding that Proton's water brings about certain potato maintenance efficacies, environmental and worker safety, on-site production abilities and cost efficiencies, both parties are looking forward to a mutually rewarding relationship.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

We had revenue of \$274,501 for the nine months ended September 30, 2005 compared to revenue of \$278,907 for the nine months ended September 30, 2004.

We had Selling, General and Administrative Expenses of \$793,599 for the nine months ended September 30, 2005 compared to Selling, General and Administrative Expenses of \$341,119 for the nine months ended September 30, 2004. This increase in Selling, General and Administrative Expenses was due primarily to stock compensation we paid to a consultant that we valued at \$459,040 during the second quarter

We had a net loss of \$824,231 for the nine months ended September 30, 2005 compared to a net loss of \$246,114 for the nine months ended September 30, 2004. This increase in net loss was due primarily to the increase in expenses for Selling, General and Administrative Expenses.

Net cash used by operating activities was \$231,096 for the nine months ended September 30, 2005 compared to cash used by operating activities of \$230,446 for the nine months ended September 30, 2004.

LIQUIDITY

As of September 30, 2005, we had cash on hand of \$12,396. Our growth is dependent on attaining profit from our operations and our raising of additional capital either through the sale of stock or borrowing. There is no assurance that we will be able to raise any equity financing or sell any of our products to generate a profit.

During 2005, two of our shareholders advanced us an aggregate of \$48,642. These advances bear interest at 7% with principal and accrued interest due between November 2005 and January 2007. At September 30, 2005 we owed the two

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

shareholders an aggregate of \$310,642 and at

December 31, 2004, we owed the two shareholders an aggregate of \$262,000. These amounts include loans made to us by them prior to 2005. At September 30, 2005 and December 31, 2004, the accrued interest was \$31,604 and \$15,946, respectively.

During the nine months ended September 30, 2005, we accrued \$45,000 as salaries payable to our majority shareholders resulting in \$139,890 of salaries payable at September 30, 2005. This accrual includes salary accruals that we made prior to 2005.

In March 2005, we issued a note payable in the amount of \$164,000. The note was originally due in May 2005 and has been extended to December 2005 secured by inventory. The original terms of the loan provided for an interest payment of \$28,500 or 106% per annum; when the note was extended in May 2005, the interest rate was amended to 30% on the original principal balance. At September 30, 2005 \$47,776 of interest had been accrued. In addition, the Company issued the lender 47,500 shares of common stock, which was recorded as a \$27,075 loan cost and was amortized over the original term of the note. The lender is Gary Taylor who is our President.

During July 2005, we sold 100,000 shares of our common stock to one investor at \$0.20 per share.

In June 2005, we entered into an agreement with Mitachi, a Japanese electronics component manufacturer, to aid in the production of enhanced drinking water generators. Pursuant to this agreement, Mitachi agreed to pay us 25,000,000 Yen for engineering design, molding, tooling and preparation costs, and the exclusive product distribution rights for China, Taiwan, and Japan. Through September 30, 2005, Mitachi had paid to us 6,000,000 Yen (US \$52,506) in connection with this agreement. Since the project is not yet completed and no units have been sold, this amount is classified as deferred revenue.

FUTURE CAPITAL REQUIREMENTS

Our growth is dependent on attaining profit from our operations, or our raising additional capital either through the sale of stock or borrowing. There is no assurance that we will be able to raise any equity financing or sell any of our products at a profit.

Our future capital requirements will depend upon many factors, including:

- The cost to acquire equipment that we then would resell.
- The cost of sales and marketing.
- The rate at which we expand our operations.
- The results of our consulting business.
- The response of competitors.

ITEM 3. CONTROLS AND PROCEDURES.

- (a) Evaluation of disclosure controls and procedures.

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

Based on their evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), our principal executive officer and principal financial officer have concluded that as of the end of the period covered by this quarterly report on Form 10-QSB such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal control over financial reporting.

During the quarter under report, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The evaluation of our disclosure controls included a review of whether there were any significant deficiencies in the design or operation of such controls and procedures, material weaknesses in such controls and procedures, any corrective actions taken with regard to such deficiencies and weaknesses and any fraud involving management or other employees with a significant role in such controls and procedures.

There have been no changes in our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Cure of default by reset of maturity. In March 2005, we issued a note payable in the amount of \$164,000. The note was originally due in May 2005 and has since been extended to mature in December 2005. The note is secured by inventory. The original terms of the loan provided for an interest payment of \$28,500 or 106% per annum. When the note's maturity was extended in May 2005, the interest rate was amended to 30% on the original principal balance. At September 30, 2005 \$47,776 of interest had been accrued. In addition, the Company issued the lender 47,500 shares of common stock, which was recorded as a \$27,075 loan cost and was amortized over the original term of the note. The lender is Gary Taylor who is our President.

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

None.

ITEM 5. OTHER INFORMATION.

None.

Edgar Filing: PROTON LABORATORIES INC - Form 10QSB

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Name
31.1	Certification pursuant to Section 13a-14 of CEO.
31.2	Certification pursuant to Section 13a-14 of CFO.
32.1	Certification pursuant to Section 1350 of CEO.
32.2	Certification pursuant to Section 1350 of CFO.

SIGNATURES

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

PROTON LABORATORIES, INC.

November 18, 2005

By: /s/ Edward Alexander
Edward Alexander
Director, Chief Executive Officer, and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Name
31.1	Certification pursuant to Section 13a-14 of CEO.
31.2	Certification pursuant to Section 13a-14 of CFO.
32.1	Certification pursuant to Section 1350 of CEO.
32.2	Certification pursuant to Section 1350 of CFO.