

Edgar Filing: FLEXXTECH CORP - Form 10QSB

FLEXXTECH CORP
Form 10QSB
August 20, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB
Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001
Commission file number 000-25499

Flexxtech Corporation

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

Nevada

State or other jurisdiction of
incorporation or organization

88-0390360

(IRS Employer Identification Number)

5777 W. Century Boulevard, Suite 775,
Los Angeles, CA

(Address of principal executive offices)

90045

(Zip Code)

(310) 342-0794

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports) Yes [] No [X], and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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, 2001, the issuer had outstanding 11,287,612 shares of its Common Stock, \$0.001 par value.

PART I - FINANCIAL INFORMATION

Edgar Filing: FLEXXTECH CORP - Form 10QSB

ITEM 1. FINANCIAL STATEMENTS.

- (A) BALANCE SHEET
- (B) STATEMENT OF OPERATIONS
- (C) STATEMENT OF CASH FLOWS
- (D) NOTES TO UNAUDITED FINANCIAL STATEMENT

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES
BALANCE SHEET
JUNE 30, 2001
(Unaudited)

ASSETS

| | |
|--|--------------|
| Current Asset: | |
| Cash and cash equivalents | \$ 262,503 |
| Accounts receivable | 1,173,445 |
| Inventory | 654,358 |
| Investments in stocks available for sale | 46,000 |
| Notes Receivable | 0 |
| Notes Receivable - related parties | 929,404 |
| Insurance Receivable | 0 |
| Deposits & other current assets | 42,239 |
| Total Current Asset | 3,107,949 |
| Property & equipment, net | 1,557,836 |
| Goodwill on acquisition, net | 1,765,581 |
| TOTAL ASSETS | \$ 6,431,366 |

LIABILITIES STOCKHOLDERS' EQUITY

| | |
|---|--------------|
| Current Liabilities: | |
| Accounts payable | \$ 1,360,343 |
| Accrued expenses | 187,240 |
| Loans payable - Current | 1,936,566 |
| Loans payable related parties | 21,566 |
| Deferred income tax | 10,559 |
| Customer deposits | 5,704 |
| Total Current Liabilities | 3,521,978 |
| Long-term Liabilities: | |
| Long-term Loans | 729,624 |
| STOCKHOLDERS' EQUITY | |
| Common stock, authorized 100,000,000 shares at \$.001 par value, issued and outstanding 11,287,612 shares | 11,288 |
| Additional Paid in Capital | 5,506,289 |
| Shares to be issued | 49,300 |
| Accumulated deficit | (2,757,613) |
| Accumulated other comprehensive income: | |
| Unrealized gain on securities available for sale | (629,500) |
| | ----- |

Edgar Filing: FLEXXTECH CORP - Form 10QSB

| | |
|--|--------------|
| Total Stockholders' Equity | 2,179,764 |
| | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 6,431,366 |
| | ===== |

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

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES
STATEMENT OF OPERATIONS
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------|------------------|-------------|
| | June 30, | | June 30, | |
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | ----- | ----- | ----- |
| Sales | \$ 1,767,876 | \$ 108,496 | \$ 3,886,422 | \$ 108,496 |
| Cost of sales | 1,486,210 | 71,448 | 3,260,802 | 71,448 |
| | ----- | ----- | ----- | ----- |
| Gross profit | 281,666 | 37,048 | 625,620 | 37,048 |
| General and Administrative expenses | 848,740 | 87,166 | 1,381,118 | 87,166 |
| | ----- | ----- | ----- | ----- |
| Loss from operations | (567,074) | (50,118) | (755,498) | (50,118) |
| Other income (expenses) | | | | |
| Realized loss on sale of marketable securities | - | - | (51,958) | - |
| Other income | 6,925 | - | 8,078 | - |
| Interest income | 861 | - | 861 | - |
| Interest expense | (51,009) | - | (112,945) | - |
| | ----- | ----- | ----- | ----- |
| Total other income (expenses) | (43,223) | - | (155,964) | - |
| | ----- | ----- | ----- | ----- |
| Net loss before income tax | (610,297) | (50,118) | (911,462) | (50,118) |
| Provision of Income tax | 1,600 | 800 | 4,000 | 800 |
| | ----- | ----- | ----- | ----- |
| Net Loss | \$ (611,897) | \$ (50,918) | \$ (915,462) | \$ (50,918) |
| | ===== | ===== | ===== | ===== |
| Other comprehensive loss: | | | | |
| Unrealized loss on investments available for sale | (32,870) | (154,000) | (148,000) | (154,000) |
| | ----- | ----- | ----- | ----- |
| Comprehensive Income (Loss) | (644,767) | (204,918) | (1,063,462) | (204,918) |
| | ===== | ===== | ===== | ===== |
| Basic and diluted loss per share | \$ (0.055) | \$ (0.023) | \$ (0.082) | \$ (0.026) |
| | ===== | ===== | ===== | ===== |
| Basic and diluted weighted average shares outstanding | *11,224,816 | 2,180,629 | *11,136,129 | 1,980,915 |
| | ===== | ===== | ===== | ===== |

Edgar Filing: FLEXXTECH CORP - Form 10QSB

* The basic and diluted net loss per share has been restated to retroactively effect a 2:1 forward stock split in the ratio of one share for 13.09322865 shares on December 22, 1999, a 2:1 forward split on April 14, 2000, a 1:3 reverse split on April 29, 2000 and a 3:2 forward stock split at March 26, 2001.

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

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2001 & 2000
(Unaudited)

| | 2001 | 2000 |
|--|------------------|-----------------|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | \$ (915,462) | \$ (50,918) |
| Adjustments to reconcile net loss to cash used in operating activities | | |
| Depreciation and amortization | 205,437 | 2,060 |
| Amortization of goodwill | 62,839 | - |
| Issuance of stocks for consulting services | 154,413 | - |
| Issuance of stocks for compensation | 91,800 | - |
| Loss on sale of marketable securities | 51,958 | - |
| (Increase)/decrease in current assets | | |
| Accounts receivable | 79,110 | (78,105) |
| Insurance receivable | 247,490 | - |
| Inventory | (150,760) | (75,740) |
| Deposits & other current assets | (12,791) | (7,550) |
| Increase /(decrease) in current liabilities | | |
| Accounts payable | 50,115 | 102,689 |
| Accrued expenses | 109,649 | 9,580 |
| Deferred Income Tax | 7,161 | 10,559 |
| Customers' deposit | 5,704 | 7,374 |
| | ----- | ----- |
| NET CASH USED IN OPERATING ACTIVITIES | (13,337) | (80,051) |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale (Purchase) of marketable securities | 98,443 | - |
| Acquisition of property & equipment | (78,566) | (2,057) |
| | ----- | ----- |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 19,877 | (2,057) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from sales of common stock | 132,716 | 103,700 |
| Proceeds from shares to be issued | 49,300 | - |
| Repayment of notes receivable | 123,120 | - |
| Proceeds from borrowings | 705,363 | 141,950 |
| Payments of loans | (1,274,401) | - |
| | ----- | ----- |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (263,902) | 245,650 |

Edgar Filing: FLEXXTECH CORP - Form 10QSB

| | | |
|--|------------|------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (257,362) | 163,542 |
| CASH AND CASH EQUIVALENTS -BEGINNING | 519,865 | 2,869 |
| CASH AND CASH EQUIVALENTS -ENDING | \$ 262,503 | \$ 166,411 |

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

FLEXXTECH CORPORATION
 FORMERLY INFINITE TECHNOLOGY CORPORATION AND
 COLOR STRATEGIES
 NOTE TO UNAUDITED FINANCIAL STATEMENTS
 SIX MONTHS ENDED JUNE 30, 2001 AND 2000

1. Organization:

The Company was organized on March 24, 1998, under the laws of the State of Nevada, as Color Strategies. On December 20, 1999, the Company changed its name to Infinite Technology Corporation. The Company changed its name to Flexxtech Corporation in April 2000.

Prior to March 31, 2000, the Company was in the development stage whereby all the activities were devoted to obtaining financing for the acquisitions of businesses. Since April 2000, the Company is in operation through its subsidiaries.

Mardock, Inc. was established in 1986 and is a designer, manufacturer, and distributor of apparel and promotional products to the corporate community.

Primavera Corporation ("PC") was incorporated in the state of Texas on April 26, 2000. Pursuant to an acquisition agreement, dated May 11, 2000, PC acquired one hundred percent (100%) of the common shares outstanding of the North Texas Circuit Board, Inc. (NTCB). NTCB was incorporated in 1978 in the state of Texas. NTCB manufactures printed circuit boards. The products are sold through its distribution center in Irving, Texas utilizing outside sales people. Deliveries are made primarily throughout the United States.

OpiTV.com, a Nevada Corporation, was formed on October 12, 1999. OpiTV.com is an I-Commerce technology company that is engaged in the business of marketing and distributing a Set-Top-Box (STB) device on a rental or acquisition basis. The STB is a convergence device, giving the consumer high-speed Internet access and enhanced communications as well as full computing capabilities in their home or office. Through June 30, 2001, OpiTV.com has not generated any revenue.

Flexxtech Holdings, Inc., a Nevada Corporation, was formed on October 1, 1999. Flexxtech Holdings, Inc. owns majority shares ownership of Mardock, Primavera and OpiTV.com.

Flexx Capital Partners, a Nevada Corporation, was formed on December 1, 2000. The purpose of organization is to engage in merchant banking advisory activities for technology companies. Flexx Capital Partners did not have any operations during 2000.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

2. Principles of Consolidation:

The accompanying financial statements include the accounts of Flexxtech Corporation (the "Parent"), and its 100% owned subsidiaries, Flexxtech Holdings, Inc., Mardock Promotional Products, Inc, (an Oregon corporation), Primavera Corporation and its wholly owned subsidiary North Texas Circuit Board Co., Inc. (a Texas corporation) and 82% owned

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES
NOTE TO UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2001 AND 2000

Optv.com (a Nevada corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

3. Basis of Preparation:

The accompanying unaudited condensed interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The audited financial statements for the two years ended December 31, 2000 was filed on May 14, 2001 with the Securities and Exchange Commission and is hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

4. Recent Pronouncements:

In January 2001, the Financial Accounting Standards Board Emerging Issues Task Force issued EITF 00-27 effective for convertible debt instruments issued after November 16, 2000. This pronouncement requires the use of the intrinsic value method for recognition of the detachable and imbedded equity features included with indebtedness, and requires amortization of the amount associated with the convertibility feature over the life of the debt instrument rather than the period for which the instrument first becomes convertible. Management is in the process of evaluating the requirements of EITF 00-27, but does not expect this pronouncement will materially impact the Company's financial position or results of operations.

On July 20, 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements make significant changes to the accounting for business combinations, goodwill, and intangible assets.

SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. This statement is effective for business combinations completed after June 30, 2001.

SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. Intangible assets

Edgar Filing: FLEXXTECH CORP - Form 10QSB

with a determinable useful life will continue to be amortized over that period. This statement becomes effective January 1, 2002.

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES
NOTE TO UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2001 AND 2000

Management is in the process of evaluating the requirements of SFAS No. 141 and 142, but does not expect these pronouncements will materially impact the Company's financial position or results of operations.

5. Stockholder's Equity

Stock Split:

On December 22 1999, the Board of Directors of the Company declared a 13.09322865 to 1 forward stock split of the Company's common stock. The stockholders approved an increase in the authorized number of shares of common stock from 25 million to 100 million. On April 14, 2000, the Company affected a 2-for-1 forward stock split of its common stock. On April 29, 2000, the Company affected a reverse stock split of 1:3. On March 26, 2001, the Company affected a 3 for 2 forward stock split of its common stock.

Common Stock:

Effective March 30, 2001, the Board of directors approved to cancel 750,000 shares of common stock issued to a related party, related through common share holder, in exchange of various notes receivable. The notes were receivable from a Corporation totaling \$1,250,000. The notes, carried interest ranging from 8% to 12% per year, were secured and due on demand. The company returned the notes to the related party.

During six-month period ending June 30, 2001, the Company issued 135,907 shares of common stock for cash amounting \$132,716, 82,078 shares for services amounting \$154,413 and 20,000 shares for compensation amounting \$91,800.

6. Segment Information

In computing income from operations by industry segment, un-allocable general and administrative expenses have been excluded from each segments' pre-tax operating earnings before interest expense and have been included in general corporate and other operations.

The Company reportable business segments are strategic business units that offer distinctive products and services that are marketed through different channels. They are managed separately because of their unique technology, marketing, and distribution requirements. The Company is a holding company that is comprised of two operating subsidiaries: North Texas Circuit Board, Inc. (a 100% subsidiary of Primavera, Inc.) and Mardock, Inc. North Texas Circuit Board, Inc. (NTCB) manufactures printed circuit boards. The products are sold through its distribution center in Irving, Texas utilizing outside sales people. Deliveries are

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES

Edgar Filing: FLEXXTECH CORP - Form 10QSB

NOTE TO UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2001 AND 2000

made primarily throughout the United States. Mardock is a designer, manufacturer, and distributor of apparel and promotional products to the corporate community.

Following is a summary of segmented information for the three months and six months ended June 30, 2001:

| | NTCB | | Mardock | |
|----------------------------------|--------------|--------------|------------|------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Sales | \$ 1,634,000 | \$ 3,612,000 | \$ 134,000 | \$ 274,000 |
| Operating gain/(loss) | (189,023) | (344,180) | 689 | (14,439) |
| Total Assets | 3,433,315 | 3,433,315 | 247,428 | 247,428 |
| Capital Expenditure | 78,026 | 78,566 | - | - |
| Depreciation and amortization | 60,000 | 130,000 | 6,685 | 11,667 |

Substantially all of the Company's operations are domestic. The Company's foreign operations are not material to the Company's results of operations.

7. Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principle, which contemplate continuation of the Company as a going concern. However, the Company has accumulated deficit of \$2,757,613 including net losses of \$915,462 and \$50,918 for the six-month period ended June 30, 2001 and 2000, respectively. The continuing losses have adversely affected the liquidity of the Company. The Company faces continuing significant business risks, including but not limited to, its ability to maintain vendor and supplier relationships by making timely payments when due.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. 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 the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. Management devoted considerable effort during the period ended June 30, 2001, towards (i) obtaining additional equity financing (ii) reduction of salaries and general and administrative expenses (iii) management of accounts payable and (iv) evaluation of its distribution and marketing methods.

FLEXXTECH CORPORATION
FORMERLY INFINITE TECHNOLOGY CORPORATION AND
COLOR STRATEGIES
NOTE TO UNAUDITED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2001 AND 2000

Edgar Filing: FLEXXTECH CORP - Form 10QSB

8. Contingency

In April 2001, a suit was brought against the Company and certain of its officers and directors for alleged breach of contract. The Company has denied all the claims and believes it is a frivolous suit. The management of the Company plans to rigorously defend the Company. Management does not believe implication of this litigation will have any material impact on the Company's financial statements.

9. Subsequent Events

Subsequent to June 30, 2001, the Company disposed off two of its subsidiaries, Mardock, Inc. in exchange for 200,000 shares of its common stock and OpiTV.com for 50,000 shares of its common stock.

Subsequent to June 30, 2001, The Company exchanged a promissory note receivable amounting \$900,000 for 450,000 shares of its common stock, which was owned by purchaser of the note.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Report on Form 10-QSB contains forward-looking statements, including (without limitation) statements concerning possible or assumed future results of operations and those preceded by, followed by or that include the words "believes," "could," "expects," "anticipates," or similar expressions. For those statements, we assert the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should understand that various events could cause those results to differ materially from those expressed in such forward-looking statements: materially adverse changes in economic conditions in the markets that we and our subsidiaries serve; competition from others in the markets and industry segments occupied by us and our subsidiaries; the ability to enter, the timing of entry and the profitability of entering new markets; greater than expected costs or difficulties related to the integration of the businesses acquired by our subsidiaries; and other risks and uncertainties as may be detailed from time to time in our public announcements and SEC filings.

The discussion and financial statements contained herein are for the quarters ended June 30, 2001 and June 30, 2000. The following discussion regarding the financial statements of the Company should be read in conjunction with the financial statements of the Company included herewith.

Overview:

The Company, through its wholly owned subsidiary, Flexxtech Holdings, Inc., is engaged in the business of acquiring, developing, operating, and investing in growth companies in technology. The Company's objective is to build long-term capital appreciation for its shareholders primarily through the acquisition of technology companies. The primary focus in technology will include the acquisition, investment, and internal development in the following categories: Data Storage, Internet Infrastructure, Wireless Technologies, Computer Software, Telecommunications Networks equipment and services, Semiconductor Equipment and Electronic Manufacturers and Services. The Company's focus of investment and acquisition is also guided by the economic conditions within a particular segment of technology. The major thrust of the

Edgar Filing: FLEXXTECH CORP - Form 10QSB

Company currently is its acquisition of circuit board and electronic component companies servicing the government sector.

Plan of Operation:

The Company is a holding company through its wholly owned subsidiary, Flexxtech Holdings, Inc., of a variety of investments in the technology arena that include 100% in Primavera Corporation, the parent company of North Texas Circuit Board Co. and the primary asset of the Company. The Company's main thrust is the acquisition or "roll-up" of companies within the circuit board and government contracting business which have history of profitability and business synergies. In its endeavor the Company also seeks out acquisitions that are in a turnaround situation and that can be exploited. The turnaround candidates, for the most part, have been historically profitable and would represent significant future value to the Company.

ROLL-UP STRATEGY

In addition to the circuit board roll-up plan the Company will seek out additional industries where efficiencies through consolidation will greatly benefit the Company. The thrust will be to:

- . Acquire "islands of excellence" in attractive, complementary markets.
- . Efficiently acquire and integrate new companies while preserving their entrepreneurial spirit.
- . Use the greater purchasing power to obtain improved vendor deals.
- . Keep and integrate only those superior managers.

MERGER & ACQUISITION TENETS

- . Build on the Company's organizational skill in performing acquisitions; develop systems for managing the process from lead evaluation, negotiation, contracting, and post-closing integration.
- . Pay reasonable multiples with extra incentives to ensure seller commitment.
- . Exercise complete due diligence to ensure smooth integration of personnel and operations.
- . Achieve rapid returns on investment by implementing the Company's best practices in the acquired operation.
- . Reduce overhead by vacating unneeded premises.
- . Centralize any duplicated support functions into the Headquarter location.

In April 2000 the Company changed the direction and business plan of the Company to its current model. Before April 2000 the Company virtually had no meaningful business. New Officers and Directors were approved and appointed by the shareholders to guide the Company and its new business plan.

On June 26, 2000 the Company commenced a private placement offering pursuant to Regulation D, Rule 506, as amended and Regulation S, as amended. Through June 30, 2001, the Company had 11,287,612 shares of common stock outstanding.

While there is no assurance the Company will be successful in raising additional capital, the Company is actively seeking public and private equity financing to assure that it will be capable of financing the continuation of business.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

Any additional capital raised above and beyond what the Company needs as its monthly expenditure would be used in increasing marketing and sales efforts and future investments and acquisitions. Should the Company fail to raise additional funding, it will be forced to curtail its growth, both through internal development and through investments and acquisitions. As only a holding company to date, the company does not generate its own revenues, but relies on additional financing to pay its operation expenses. The Company is currently developing a plan to provide a variety of consulting services to emerging technology companies to include business and marketing plan development, merchant and investment banking services and general business consulting. The Company hopes to attract clients for these new services in the fourth quarter of this year, therefore not relying on additional financing to support its role as a holding company.

(a) Results of Operations

The Company has generated consolidated revenues of \$1,767,876 for the quarter ended June 30, 2001 as compared to \$108,496 for the quarter ended June 30, 2000. A majority of the revenues are attributed from the Company's subsidiary, North Texas Circuit Board Company (NTCB). NTCB for the quarter ended June 30, 2001 has invested heavily in its future by making capital improvement of \$374,566 to the facility, equipment and processes that have had a dramatic impact on the performance of the business. The operating costs have been reduced by approximately 33 percent. Approximately one year ago, at the acquisition of NTCB, NTCB needed to sell more than \$900,000 per month in products and services to break-even. The current break-even level is approximately \$600,000 per month. The dramatic drop in operating cost coupled with internal yields and quality at a historic high level for the business, positions NTCB to return to profitability anticipated in the fourth quarter of this year. While making the investment and improvements to the facility, equipment and processes, NTCB has been turning away business. The Company anticipates an increase in generating revenues in the future. Currently, the Company's cash needs include, but are at no means limited to, rent, salaries and wages, cash raising expenses and to fund operation of its subsidiaries, and for future acquisitions. On December 15, 2000, the Company sold 225,000 shares of Accesspoint Corporation to a shareholder. Subsequent to June 30, 2001, the Company exchanged the Note for the 450,000 shares of the Company's common stock. Subsequent to June 30, 2001, the Company sold 100,000 shares of Easyriders, Inc. to a shareholder for 25,000 shares common stock of Flexxtech. The Company plans on growing its revenues through the acquisition of various technology companies in various markets and increasing its products and services in part through acquisition of existing technology businesses. The Company will continue to seek capital for acquisitions and in the internal development of those companies acquired. The Company will seek capital through private investors and anticipates attracting institutional investors in the near future. In the event the Company does not attract such capital and is unable to generate revenues sufficient to support its expenses, then the Company will be required to curtail its operations, sell existing investments, and slow down its plan for expansion.

The Company, however, is taking all necessary action to limit its overhead and cut expenses at its operating subsidiaries. Because of the current slow down in the economy, the Company's acquisition plans and expansion plans have slowed. Further, the slow down in financing and the lack of capital have also slowed the acquisition plans of the Company. The Company feels that the current economic conditions benefit the Company in its choice of acquisitions.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

For the Quarter and Six Months Ended June 30, 2001 as Compared to the Quarter and Six Months Ended June 30, 2000

Revenues.

We had revenues of \$1,767,876 and \$3,886,422 for the three months and six months ended June 30, 2001 as compared to \$108,496 and \$108,496 for the three months and six months ended June 30, 2000. The increase in revenues was the result of the acquisition of Mardock, Inc. on April 26, 2000, and the acquisition of Primavera Corporation, the parent company of North Texas Circuit Board Company (NTCB) on August 15, 2000. NTCB had sales of \$3,612,000 for the six months ended June 30, 2001 and Mardock had \$455,000 for the six months ended June 30, 2001.

Cost of Sales.

We incurred Cost of Sales of \$1,486,210 and \$3,260,802 for the three months and six months ended June 30, 2001 as compared to \$71,448 and \$71,448 for the three months and six months ended June 30, 2000. The increase in Cost of Sales is the result of consolidated Cost of Sales from the Company's subsidiaries, Mardock, Inc., Primavera Corporation and its wholly owned subsidiary, North Texas Circuit Board Co. The Cost of Sales increase was the result of NTCB making capital improvements of \$374,566 to the facility, equipment and processes that have a dramatic impact on the performance of the business. The operating cost has been reduced by approximately 33 percent at NTCB.

General, Administrative and Selling Expenses.

We incurred costs of \$848,740 and \$1,381,118 for the three months and six months ended June 30, 2001 as compared to \$87,166 and \$87,166 for the three months and six months ended June 30, 2000. The increase of operating expenses is the result of the Mardock and North Texas Circuit Board acquisitions and their consolidated operating expenses and an increase in rent, salaries, and wages. Much of the increase in the three-month period was due to the increase in improvements to the facility and the processes that will allow us to return to profitable operations in the fourth quarter of 2001.

Net loss before income taxes.

We had a loss before taxes of \$610,297 and \$911,462 for the three months and six months ended June 30, 2001 as compared to a loss of \$50,918 and \$50,118 for the three months and six months ended June 30, 2000. The loss of \$611,897 for the three months was a result of the Company expensing capital improvements and processes of \$374,566 and from the issuance of common stock for services and compensation for \$246,213. By capitalizing the improvements and the stock issuance we would show a \$10,482 net profit before income tax.

Net loss.

We had a net loss of \$611,897 and \$915,462 for the three months and six months ended June 30, 2001 as compared to a net loss of \$50,918 and \$50,918 for the three months and six months ended June 30, 2000. The net loss was mostly due to the acquisition and inclusion of operations of North Texas Circuit Board Co. and Mardock, Inc. and the increase in general and administrative expenses of the Company. 100 percent of the loss for the three months ended June 30, 2001 was the result of expensing capital improvements and processes and from the issuance of common stock for services and compensation.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

Unrealized Loss on Investments.

We had an unrealized loss on marketable investments available for sale of \$32,870 and \$148,000 for the three months and six months ended June 30, 2001 as compared to a loss of \$154,000 for the three months and \$154,000 for the six months ended June 30, 2000. The unrealized loss is contributed to the fluctuating market value of the securities the Company's subsidiary, Flexxtech Holdings, Inc. owns, at the end of the quarter. The securities owned are marked to market on the last day of the trading month for the period ended. Subsequent to the period ended June 30, 2001, the Accesspoint Corporation investment and Easyrider, Inc. investment were sold in an exchanged for shares of the Company's common stock with a shareholder.

Comprehensive Loss.

We had a Comprehensive Loss of \$644,767 and \$1,063,462 for the three months and six months ended June 30, 2001 as compared to a Comprehensive Loss of \$204,918 and \$204,919 for the three months and six months ended June 30, 2000. The Comprehensive Loss includes the unrealized loss on marketable investments available for sale of \$32,870 and the net loss after taxes of \$611,897.

Liquidity and Capital Resources

The Company's business plan was restructured in April 2000 to its now current plan. The Company must continue to raise capital to fulfill its plan of acquiring technology companies and assisting in the development of those companies internally. If the Company is unable to raise any additional capital its operations will be curtailed and it may have to liquidate its current investments for operating capital. As of June 30, 2001, the Company had total Current Assets of \$3,107,949 and Current Liabilities of \$3,521,978. Cash and cash equivalents were \$262,503. Stockholders' Equity was \$2,179,764. In its acquisition of North Texas Circuit Board, Management feels that it has made necessary cost cutting efforts to reduce the debt and increase productivity of the Company. In its turn-around effort, management feels additional capital will be needed to complete a full turnaround, but that the Company has made significant strides toward a successful turnaround. Management feels that other operations of the Company are financially sound at this time and that no outside forces, including inflation has had a significant impact on its operations. The Company will continue to raise capital for acquisitions and the internal development of its subsidiaries.

Subsidiaries

Flexxtech Holdings, Inc. is a wholly owned subsidiary of Company. On April 26, 2000, Flexxtech Holdings acquired 100% of the outstanding common stock of Mardock, Inc., an Oregon Corporation. Subsequent to June 30, 2001, Flexxtech Holdings sold Mardock, Inc. to Mardock.com in exchange for 200,000 shares of the Company's common stock. Mardock was sold so the Company could focus its resources on North Texas Circuit Board Co. and other acquisitions that would add greater value to the Company.

On August 15, 2000 the Company, through its wholly owned subsidiary Flexxtech Holdings, Inc. acquired Primavera Corporation, the parent company of North Texas Circuit Board Company. All terms of the Primavera acquisition have been satisfied. On June 17, 2001 the Company acquired the remaining 20% of Primavera Corporation for 100,000 options to purchase common stock, issued to the four shareholders representing 20% of Primavera Corp. The options are exercisable \$2.50 per share and expire on June 17, 2004.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

NTCB has invested heavily in its future in the three months ended June 30, 2001. NTCB has made capital improvements of \$374,566 to the facility, equipment, and processes that have had a dramatic impact on the performance of the business. The operating costs have been reduced by one-third while the internal yields and quality are now at a historic high level for the business. While making the improvements in facility, equipment and processes that would allow the Company to have profitable operations anticipated in the fourth quarter of 2001, NTCB has been turning away business.

Primavera Corporation was formed in Texas on April 26, 2000. The Company is a holding company, which operates primarily through its wholly owned subsidiary, North Texas Circuit Board Company ("NTCB"), which was formed in 1978 in the state of Texas. NTCB manufactures printed circuit boards on a quick-turn basis and has recently invested heavily in its future toward production levels. On May 11, 2000, Primavera acquired 100% of the common stock of NTCB.

On September 15, 2000 the Company, through its wholly owned subsidiary Flexxtech Holdings, Inc., acquired 80% of OpiTv.com in exchange for 100,000 shares of newly issued common stock of the Company at \$6.25 per share. Subsequent to June 30, 2001 we sold OpiTv.com to Mardock.com, a shareholder of the Company, in exchange for 50,000 shares of the Company's common stock. The OpiTv.com plan was not implemented due to the passing of Howard Frantom, the Chairman and CEO in December 2000 and due to the lack of capital required to implement the plan. 40,000 shares of common stock issued to John Alkire were retired to Flexxtech treasury upon his resignation.

OpiTV has no revenues to date and no operating expenses for the three months ended June 30, 2001.

Following is a summary of segmented information for the three months and six months ended June 30, 2001:

| | NTCB | | Mardock | |
|-------------------------------|--------------|--------------|------------|------------|
| | 3 Months | 6 Months | 3 Months | 6 Months |
| Sales | \$ 1,634,000 | \$ 3,612,000 | \$ 134,000 | \$ 274,000 |
| Operating gain/(loss) | (189,023) | (344,180) | 689 | (14,439) |
| Total Assets | 3,433,315 | 3,433,315 | 247,428 | 247,428 |
| Capital Expenditure | 78,026 | 78,566 | - | - |
| Depreciation and amortization | 60,000 | 130,000 | 6,685 | 11,667 |

Substantially all of the Company's operations are domestic. The Company's foreign operations are not material to the Company's results of operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On April 26, 2001 a suit was brought against the Company and certain officers and directors by Robert Eubanks, Larry Donizetti and Luminary Venture, Inc. The complaint is for breach of contract among other actions. The Company has denied all claims and is considering filing a counter suit for breach of contract and for filing a frivolous suit among other claims. Management will rigorously defend itself. Management also believes that a settlement will be reached. Management also feels that this action is not material to the business of the Company.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

Robert Eubanks, President of Luminary Venture, Inc., was retained by the Company to provide public relations and promotional services. Robert Eubanks, under the agreement, was to act as Company spokesman. The agreement called for Luminary to receive stock and options in the company and a monthly cash retainer.

The Company is not aware of any material legal action or pending legal action at this time.

Item 2. Changes in Securities

On June 26, 2000 we commenced a private placement offering ("Offering") pursuant to Regulation D, Rule 506, as amended and Regulation S, as amended for the sale of up to 3,000,000 shares of our common stock at a price of \$2.50 per share. On September 8, 2000 we amended the Offering price to \$5.00 per share and commenced a new Offering. On May 1, 2001 we began a new offering with an offering price of \$1.00 per share. In the three months ended June 30, 2001, pursuant to Regulation D, we sold 4,333 shares at \$3.00 per share for proceeds of \$13,000, and 79,500 shares at 1.00 per share for proceeds of \$79,500. We also issued 1,738 promotional shares for par value \$.001 which resulted in no proceeds. 20,000 promotional shares were issued at par value \$.001 to two (2) officers of NTCB, and 19,000 promotional shares valued at \$50,000 for consulting services. In the three months ended June

30, 2001, pursuant to Regulation S, we sold 6,000 shares at \$3.00 per share for proceeds of \$18,000 and 3,000 shares at 1.75 for proceeds of \$5,250.

In the three months ended June 30, 2001, we sold a total of 83,833 shares pursuant to the exemptions afforded by Regulation D resulting in gross proceeds of \$92,500. In the three months ended June 30, 2001, we sold a total of 10,250 shares pursuant to the provisions of Regulation S resulting in gross proceeds of \$28,250. \$25,735 received where shares have not been issued. We utilized the services of finders in placing the Offering. We did not utilize the services of brokers or underwriters. The Offering was self-underwritten. The Offering expenses were approximately 15% of the gross Offering proceeds. The balance of the Offering expenses were related to general sales expenses, including, but not limited to, due diligence, accounting and legal expenses.

The Shares are being offered to persons who are "accredited investors," as defined under Rule 506 of Regulation D of the Securities Act of 1933 as amended (the "Act"). An additional thirty-five (35) non-accredited investors may participate in the Offering. Accredited investors must have a net worth or joint net worth with their spouse of \$1,000,000.00 or more, or have individual income in excess of \$200,000.00 (or \$300,000.00 joint income with a spouse) in each of the two most recent years and who reasonably expects an income of \$200,000.00 (or \$300,000.00 joint income with a spouse) in the current year.

We are conducting the Offering as a self-underwriting. Shares in the Offering are available only through us. The Offering is being conducted over a three-month period commencing on May 1, 2001. We have the option to extend the Offering up to an additional three months. We are making the Offering on a best efforts basis. This means that we have not established any minimum amount of proceeds that must be generated in the Offering. Accordingly, investors who subscribe for Shares in the earlier stages of the Offering will assume a substantially greater risk than investors who subscribe for Shares later in the Offering.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

Even if we sell all of the Shares covered by the Offering and raise maximum proceeds, such proceeds may be insufficient to implement our business investment plan. There is no guarantee that the funds generated by the Offering will be sufficient to cover the financial requirements for our growth.

We have arbitrarily set the price of the Shares in the Offering. The price of the Shares is based upon the amount of capital that we desire to raise and the percentage of our outstanding capital stock that we are willing to sell at this point in our development. We have established the price of the Shares and the value of our company without an independent appraisal. The price has no relationship to book value per share, current earnings or other generally accepted measurements of value. The Offering may involve immediate and substantial dilution.

On June 27, 2001 a resolution was adopted by the Directors of Flexxtech Holdings, Inc. to focus on its circuit board roll-up, and in particular focus on the North Texas Circuit Board turnaround and divest itself from all other business and issues that do not synergistically fit with the circuit board operations and roll-up. Subsequent to the June 30, 2001 period, the following transactions occurred. Flexxtech Holdings disposed of its interest in OpiTV.com to Mardock, Inc. for 50,000 shares of common stock of the Company. Mardock Inc. was disposed to Mardock.com for 200,000 shares of common stock of the Company. The value of the transaction is \$600,000. Pursuant to the Promissory Note for \$900,000 from VLK Capital, the Company agreed to exchange the note for 450,000 shares of common stock of the Company. Flexx Capital Partners, Inc., a wholly owned subsidiary, was sold to a shareholder for \$1.00. Flexx Capital had no revenue or income to date. 100,000 shares of Easyriders held in the name of Flexxtech Holdings, was exchanged for 25,000 shares of common stock of the Company with a shareholder of the Company.

Item 3. Subsequent Events

Certain shareholders and non-shareholders loaned the Company a total of \$217,500 in the 3 months ended June 30, 2001. The notes bear interest at 10% and are due on demand. From June 29 through July 3, Greg Mardock, President of the Company loaned to the Company \$45,452 at 10% interest due July 5, 2002.

Subsequent to June 30, 2001, the Company's subsidiaries Mardock, Inc. and Opitv.com were sold in share exchanges. Mardock was disposed of in exchange for 200,000 shares of the Company's common stock and Opitv.com was disposed for 50,000 shares of common stock of the Company.

Subsequent to June 30, 2001, the Company exchanged a promissory note receivable amounting \$900,000 for 450,000 shares of its common stock, which was owned by the purchaser of the note.

Item 4. Defaults Upon Senior Securities

Not Applicable.

Item 5. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 6. Other Information.

Edgar Filing: FLEXXTECH CORP - Form 10QSB

Not Applicable.

Item 7. Exhibits and Reports on Form 8-K.

(a) Exhibits filed with this Report

Not Applicable.

(b) Reports on Form 8-K

Not Applicable

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLEXXTECH CORPORATION
(Registrant)

Date: August 20, 2001

By: /s/ Greg Mardock

Greg Mardock

President