

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

BRIDGE TECHNOLOGY INC
Form 10-Q
August 14, 2001

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001

or

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

For the transition period from _____ to _____

Commission file number 000-24767

Bridge Technology, Inc.

(Exact name of registrant as specified in its charter)

Nevada 59-3065437

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

12601 Monarch Street, Garden Grove, California 92841

(Address of principal executive offices) (Zip Code)

(714) 891-6508

(Registrant's telephone number, including area code)

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

Yes No

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

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 Par Value - 10,863,186 shares as of June 30, 2001

2

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

Bridge Technology, Inc. and Subsidiaries Consolidated Balance Sheets

	DEC. 31 2000 (Audited)	JUN. 30 2001 (Unaudited)
	-----	-----
Assets		
Current assets:		
Cash	\$ 4,870,836	\$ 1,273,496
Accounts receivable less allowance for doubtful accounts of \$465,656 and \$456,170	17,666,626	11,471,879
Advances to employees	42,898	33,897
Other receivables	1,057,217	136,196
Inventory, less provision of \$619,504 and \$819,658	16,991,615	29,558,308
Due from related party	21,932	28,894
Other current assets	219,192	284,247
Total current assets	40,870,316	42,786,917
Property and equipment, net	716,384	2,259,183
Goodwill, net of amortization of \$598,210 and \$916,664	2,586,324	2,267,870
Purchased intangibles	190,000	190,000
Deferred income tax	63,201	75,509
Investments	229,862	224,862
Other assets	66,834	127,613
Total assets	\$ 44,722,921	\$ 47,936,954
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ 6,000,000	\$ 8,000,000

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Current portion of long term debt	155,980	69,259
Accounts payable, net of accrued rebates and credits of \$860,580 and \$760,563	23,180,434	24,239,467
Accrued taxes payable	537,241	440,435
Deferred income tax	26,425	-
Accrued liabilities	1,148,870	919,706
Shareholder loan, including interest	2,888,919	4,476,109
	-----	-----
Total current liabilities	33,938,029	38,139,976
Long term debt, less current portion	621,023	600,595
	-----	-----
Total liabilities	34,559,052	38,740,571
	-----	-----

3

Minority interest	667,224	757,613
Shareholders' equity:		
Common stock; par value \$0.01 per share, authorized 100,000,000 shares, 10,863,186 shares outstanding	108,632	108,632
Additional paid-in capital	9,308,139	9,308,139
Related party receivable	(225,000)	(225,000)
Treasury stock	(2,000)	(2,000)
Retained earnings (accumulated deficit)	354,745	(712,112)
Accumulated other comprehensive loss	(47,871)	(38,889)
	-----	-----
Total shareholders' equity	9,496,645	8,438,770
	-----	-----
Total liabilities and shareholders' equity	\$ 44,722,921	\$ 47,936,954
	=====	=====

4

Bridge Technology, Inc. and Subsidiaries
Consolidated Statements of Operations

Three Months Ended		Six Months Ended	
June 30, 2000	June 30, 2001	June 30, 2000	June 30, 2001
-----	-----	-----	-----

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$ 25,503,867	\$ 34,616,027	\$ 47,254,830	\$ 62,406,391
Cost of sales	22,304,818	32,999,988	42,153,043	58,092,382
Gross profit	3,199,049	1,616,039	5,101,787	4,314,009
Research and development	211,861	448,886	403,576	655,021
Selling, general and administrative expense	1,898,116	2,162,538	3,557,574	4,220,184
Income (loss) from operations	1,089,072	(995,385)	1,140,637	(561,196)
Other income (expense):				
Interest expense, net	(106,733)	(217,495)	(158,125)	(364,933)
Other income, net	46,630	37,362	114,442	106,210
Income (loss) before income taxes	1,028,969	(1,175,518)	1,096,954	(819,919)
Income taxes provision	270,210	57,825	341,482	159,849
Net income (loss)	758,759	(1,233,343)	755,472	(979,768)
Minority interest	(157,391)	(46,549)	(218,188)	(87,089)
Net income (loss) applicable to common shares	\$ 601,368	\$ (1,279,892)	\$ 537,284	\$ (1,066,857)
Basic weighted average number of common shares outstanding	10,635,637	10,863,186	10,548,087	10,863,186
Basic earnings per share	\$ 0.06	\$ (0.12)	\$ 0.05	\$ (0.10)
Diluted weighted average number of common shares outstanding	11,047,451		10,959,901	
Diluted income (loss) per share	\$ 0.05		\$ 0.05	

5

Comprehensive income and its components consist of the following:

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Net income	\$ 601,368	\$ (1,279,892)	\$ 537,284	\$ (1,066,857)
Foreign currency translation adjustment, net of tax	8,566	(6,734)	5,024	(8,982)
Comprehensive income	\$ 609,934	\$ (1,286,626)	\$ 542,308	\$ (1,057,875)

6

Bridge Technology, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents

	Six Months Ended	
	June 30, 2000	June 30, 2001
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income (loss)	\$ 537,284	\$ (1,066,857)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	377,831	428,051
Provision for doubtful accounts	1,845	18,017
Provision for slow moving inventory	-	200,154
Stock in exchange for services	3,666	-
Minority interest	218,188	87,089
Increase (decrease) from changes in operating assets and liabilities:		
Trade receivables	37,110	6,176,730
Inventory	5,260,911	(12,766,847)
Other receivables	(3,431)	921,021
Advances to employees	1,200	9,001
Prepaid and other assets	(113,998)	(65,055)
Related party receivable	25,000	-
Deferred income taxes	-	38,733
Other assets	(44,738)	(60,779)
Accounts payable	(7,618,372)	1,059,033

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Accrued liabilities	(739,410)	(234,164)
Income taxes payable	156,302	(96,806)
Other liabilities	42,464	-
Due from other shareholders of CMS	(1,673,510)	-
Due from related party	(12,366)	(6,962)
	-----	-----
Net cash used in operating activities	(3,544,024)	(5,391,932)
	-----	-----
Cash flows from investing activities		
Purchase of property, plant and equipment	(112,119)	(1,652,397)
Acquisition of CMS, net of cash acquired	(5,293,164)	-
	-----	-----
Net cash used in investing activities	(5,405,283)	(1,652,397)
	-----	-----
Cash flows from financing activities		
Proceeds from loans payable	2,291,500	-
Repayments on loans payable	(386,346)	(107,149)
Proceeds from line of credit	-	2,000,000
Proceeds from exercise of warrants	36,750	-
Proceeds from related party loans	2,900,000	2,341,870
Repayments of related party loans	(100,000)	(800,000)
Stock subscription collected	4,316,645	-
	-----	-----
Net cash provided by financing activities	9,058,549	3,434,721
	-----	-----
Effect of exchange rate changes on cash	1,985	12,268
	-----	-----
Net increase in cash and cash equivalents	111,227	(3,597,340)
Cash and cash equivalents, beginning of period	2,900,029	4,870,836
	-----	-----
Cash and cash equivalents, end of period	\$ 3,011,256	\$ 1,273,496
	=====	=====
Supplemental information		
Cash paid during the period for:		
Interest	\$ 172,776	\$ 371,805
Income taxes	84,821	300,000
	-----	-----

Supplemental disclosure of non-cash activities:

In October 1999, the Company issued 50,000 warrants to a public relations firm in exchange for public relations services starting from November 1, 1999 to April 30, 2000. Accordingly, an expense of \$3,666 on a pro rata basis was recognized and included as a general and administrative expense.

7

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

In May 2000, the Company acquired five patents, including design and tooling from an unrelated entity for \$190,000, in exchange for 40,000 shares of common stock at market price of \$4.75 per share.

In May 2000, the Company exercised an option to acquire the remaining 30% interest in CMS Technology Limited (CMS) in exchange for 360,000 shares of the Company's common stock at market price of \$6.50 per share. The acquisition was effective May 15, 2000. The fair market value of 30% interest of CMS amounted to \$1,824,050. Consequently the Company recognized goodwill of \$515,950, which will be amortized over a five-year period on a straight-line basis.

8

Bridge Technology, Inc. and Subsidiaries Notes to the Consolidated Financial Statements (Unaudited)

Organization and Business

Bridge Technology, Inc. ("The Company") was incorporated under the laws of the State of Nevada on April 15, 1969. Starting from April 1997, the Company registered to do business in the State of California and is primarily engaged in development and distribution of various hardware, software, and peripheral products used in computer systems and sales to value added resellers and system integrators. The Company started to enter into wireless internet business in 1999.

The Company has the following subsidiaries:

Bridge R&D, Inc.	100%	Established on June 1, 1997
Newcorp Technology Limited (in Japan)	100%	Merged on November 1, 1997
PTI Enclosures, Inc.	100%	Merged on December 14, 1998
Newcorp Technologies, Inc. (USA)	100%	Established on March 23, 1999
Pacific Bridge Net	100%	Established on August 16, 1999
Autec Power Systems, Inc.	100%	Merged on December 1, 1999
CMS Technology Limited	90%	Acquired on January 3, 2000 (60%) Acquired on May 15, 2000 (30%)
Bridge Technology Ningbo Co. Ltd.	100%	Established on May 28, 2001

Note 1. - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2000.

Note 2. - Income Taxes

As of December 31, 2000 and June 30, 2001, a valuation allowance has been provided for that portion of the net deferred tax asset which management cannot determine, with reasonable certainty, that the benefit will be realized.

One of the subsidiaries of the Company has net operating loss carryforwards which are separate return year losses in the amount of approximately \$16,000, and will begin to expire in 2008. On December 14, 1998, the subsidiary had a change in ownership as defined under Internal Revenue Code Section 382. The net operating loss carryforward is subject to an annual limitation.

9

Note 3. - Shareholders' Equity

In February 2001, the Company issued 150,000 warrants, with an exercise price ranging from \$3.00 to \$5.00 per share and vesting immediately, to outside consultants in exchange for their services to be provided.

In April 2001, the Company issued 15,000 warrants, at an exercise price of \$3.00 and vesting immediately, to an Advisory Board member.

Note 4. - Inventory

Inventory consists of:

	December 31, 2000	June 30, 2001
Service parts	\$ 1,505,715	\$ 1,605,078
Work in process	558,406	1,110,853
Finished goods	15,546,998	27,662,035
Allowance for slow moving items	(619,504)	(819,658)
	-----	-----
	\$ 16,991,615	\$ 29,558,308
	=====	=====

Note 5. - Relationship With Worldwide Wireless Networks, Inc.

In February 2001, the Company confirmed, through a news release, that it unilaterally severed the relationship with Worldwide Wireless Networks, Inc. (WWN). During the second quarter of 2001, the Company entered into a verbal settlement with WWN to cancel all agreements, including the exchange of shares

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

of common stock, between the two companies. In May 2001, this settlement agreement was reduced to writing by Worldwide Wireless Networks, Inc. and signed by the Company's President. As of June 30, 2001, Worldwide Wireless Networks, Inc. has not signed, nor complied with the settlement agreement.

Note 6. - Financing Agreement With A Lender

The Company on May 14, 2001 entered into a \$27 million comprehensive credit facility with IBM Global Credit with the interest rate fixed at the prime rate. The credit facility is specific in that it provides for asset based revolving line of credit up to \$9 million for the Company's all U.S. based operating units with the balance of \$18 million set aside for the Company's Asian unit. With the maximum line at \$27 million when the Asian unit exceed \$18 million, the effect is to reduce the funds that may be available for the U.S. operating entities. As of June 30, 2001, the Company's U.S. operating entities have not drawn funds from this line of credit.

IBM has completed their prefunding due diligence and has verbally extended the credit facilities commitment date. IBM has under advisement to extend the \$27 million facility to \$30 million with no commitment as of 8/15/2001.

Note 7. - Newly Established Subsidiary in China

The Company established a wholly owned subsidiary, Bridge Technology Ningbo Co. Ltd. (Ningbo), in City of Ningbo, Zhejiang Province of China and started its trial production on May 28, 2001. The total registered capital committed by the Company is US\$10 million. The Company has infused approximately \$1.8 million of capital as of June 30, 2001 and will continue to inject the remaining \$8.2 million of capital before December 31, 2001. It is estimated that the second phase of production facility will be finished in December 2001.

10

In connection with the start-up of operation, Ningbo leases approximately 110,000 square feet of manufacturing facility. The lease is accounted for as operating lease with a monthly payment of \$12,513 commencing April 2001 through December 2005.

During May and June 2001, Ningbo incurred approximately \$270,225 net loss including the start-up cost of approximately \$189,000.

Note 8. - Subsequent Events

In July 2001, the Company agreed to distribute to shareholders two "rights" for every 10 shares held. Each "right" entitles the shareholder to buy one "unit" at a price yet to be determined. Each "unit" consists of one share of common stock and one common stock purchase warrant. The warrants will be exercisable for three years after the closing date, unless redeemed by the Company earlier, at an exercise price of 125% of the "unit" price. The total dollar amount of the offering is expected to be \$5,000,000.

Note 9. - Violation of Loan Covenant

As of June 30, 2001, the Company's US-based operation was not in compliance with one of debt covenants prescribed by one commercial bank that provided the

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Company with a revolving line of credit. The Company is contacting with its bank officer to obtain a waiver.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Except for historical information contained herein, the matters set forth in this report are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. The Company disclaims any obligations to update these forward-looking statements.

Results of Operations for the Three Months Ended June 30, 2001 as Compared to the Three Months Ended June 30, 2000

Net sales of \$34,616,027 for the three months ended June 30, 2001 increased by \$9,112,160 (35.7%) over net sales of \$25,503,867 for the same period of 2000. The increase was due primarily to the inclusion of CMS Technologies Limited revenue for the period ended June 30, 2001 less a decrease in revenues in the Company's subsidiary, Autec Power Systems, Inc.

Gross profit for the three months ended June 30, 2001 was \$1,616,039, a 49.5% decrease when compared to \$3,199,049 for the three months ended June 30, 2000, reflecting higher volume of revenue attributed to the inclusion of CMS Technology Limited for the period ended June 30, 2001. Gross profit as a percentage of net sales declined from 12.5% for the three months ended June 30, 2000 to 4.7% for the three months ended June 30, 2001. The decrease is principally due to the decrease of revenue with higher gross margin incurred in the Company's power supplies manufacturing subsidiary, Autec Power Systems, Inc.

11

Research and development expenses increased by \$237,025 to \$448,886 in the three months ended June 30, 2001, compared to \$211,861 for the three months ended June 30, 2000. This represents a 111.9% increase and is due to Autec investing extra resources to develop designs for the next generation of power supplies products.

Selling, general and administrative expenses increased by \$264,422 to \$2,162,538 in the three months ended June 30, 2001 compared to \$1,898,116 for the three months ended June 30, 2000. Part of the increase can be attributed to a goodwill amortization charge of \$146,328 included in selling, general and administrative expenses in the three months ended June 30, 2000 as a result of the acquisition of CMS Technology Limited. As a percentage of revenue, these expenses decreased from 7.4% in the three months ended June 30, 2000 to 6.2% in the three months ended June 30, 2001. The decline is largely due to the inclusion of CMS Technology Limited for the three months ended June 30, 2001 and lower selling, general and administrative expenses on a percentage of sales basis relative to revenue for the three months ended June 30, 2001

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

compared to the same period in 2000.

Operating results decreased from income of \$1,089,072 in the three months ended June 30, 2000 to loss of \$995,385 in the three months ended June 30, 2001. The decrease principally reflects losses from the Company's subsidiary, Autec Power Supplies, Inc. Income from operations as a percentage of revenue decreased from income of 4.3% in the three months ended June 30, 2000 to loss of 2.9% in the three months ended June 30, 2001.

Net interest increased \$110,762 from expense of \$106,733 in the three months ended June 30, 2000 compared to the expense of \$217,495 in the three months ended June 30, 2001. Other income decreased from \$46,630 in the three months ended June 30, 2000, compared to the \$37,362 in the three months ended June 30, 2001.

Net income decreased from \$601,368 or \$0.06 per share for the three months ended June 30, 2000 compared to loss of \$1,279,892 or \$0.12 per share on a higher number of shares outstanding for the three months ended June 30, 2001.

Results of Operations for the Six Months Ended June 30, 2001 as Compared to the Six Months Ended June 30, 2000

Net sales of \$62,406,391 for the six months ended June 30, 2001 increased by \$15,151,561 (32.1%) over net sales of \$47,254,830 for the same period of 2000. The increase was due primarily to the inclusion of CMS Technologies Limited revenue for the period ended June 30, 2001.

Gross profit for the six months ended June 30, 2001 was \$4,314,009, a 15.4% decrease when compared to \$5,101,787 for the six months ended June 30, 2000, reflecting losses from the Company's subsidiary, Autec Power Supplies, Inc. Gross profit as a percentage of net sales declined from 10.8% for the six months ended June 30, 2000 to 6.9% for the six months ended June 30, 2001. The decrease is principally due to lower margin of CMS Technology Limited.

Research and development expenses increased by \$251,445 to \$655,021 in the six months ended June 30, 2001, compared to \$403,576 for the six months ended June 30, 2000. This represents a 62.3% increase and is due to Autec investing extra resources to develop improved product designs for the year 2002.

12

Selling, general and administrative expenses increased by \$662,610 to \$4,220,184 in the six months ended June 30, 2001 compared to \$3,557,574 for the six months ended June 30, 2000. Part of the increase can be attributed to a goodwill amortization charge of \$279,757 included in selling, general and administrative expenses in the six months ended June 30, 2000 as a result of the acquisition of CMS Technology Limited. As a percentage of revenue, these expenses decreased from 7.5% in the six months ended June 30, 2000 to 6.8% in the six months ended June 30, 2001. The decline is largely due to the inclusion of CMS Technology Limited for the six months ended June 30, 2001 and lower selling, general and administrative expenses relative to revenue for the six months ended June 30, 2001 compared to the same period in 2000.

Operating results decreased from income of \$1,140,637 in the six months ended

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

June 30, 2000 to loss of \$561,196 in the six months ended June 30, 2001. The decrease principally reflects losses incurred by the Company's subsidiary, Autec Power Supplies, Inc. Income from operations as a percentage of revenue decreased from 2.4% in the six months ended June 30, 2000 to loss of 0.9% in the six months ended June 30, 2001.

Net interest increased \$206,808 from expense of \$158,125 in the six months ended June 30, 2000 compared to the expense of \$364,933 in the six months ended June 30, 2001. Other income decreased from \$114,442 in the six months ended June 30, 2000, compared to the \$106,210 in the six months ended June 30, 2001.

Net income decreased from \$537,284 or \$0.05 per share for the six months ended June 30, 2000 compared to loss of \$1,066,857 or \$0.10 per share on a higher number of shares outstanding for the six months ended June 30, 2001.

Liquidity and Capital Resources

Since current management acquired control of the Company in early 1997, the Company has financed its operations with internally generated cash and with the private placement of its securities totaling in excess of \$2,600,000 to a limited number of accredited investors with knowledge of the Company's operations and plans to expand.

The Company's capital requirements have been and will continue to be significant and its cash and cash equivalents have been sufficient to cover its cash flow from operations. At June 30, 2001, the Company had working capital of \$4,646,941 and cash of \$1,273,496 compared to a working capital of \$6,932,287 and cash of \$4,870,836 at December 31, 2000. This decrease in working capital is significant in as much as the Company has made capital expenditure of \$1,652,397 related to the new 110,000 square feet manufacturing facility in Ningbo China. Substantial additional advances continue to be made which has a serious effect on available working capital for domestic operations.

The Company expects to file with the SEC within 30 days a stock rights offering to current shareholders, the terms of which have not been announced. Present management expects to commit to the exercising of its stock rights.

Net cash used in operating activities in the six months ended June 30, 2001 was \$5,391,932 as compared to \$3,544,024 used in operating activities in the six months ended June 30, 2000, the increase in cash used is mainly due to increase in inventory.

13

Net cash used in investing activities in the six months ended June 30, 2000 included \$112,119 for the purchase of fixed assets and intangible assets in Japan, as compared to \$1,652,397 for the purchase of fixed assets in the six months ended June 30, 2001. The increase in cash used relates to the start up of the new manufacturing facility in Ningbo, China.

Net cash provided by financing activities in the six months ended June 30, 2000 was \$9,058,549 as compared to \$3,434,721 in the six months ended June 30,

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

2001. The change is attributable to the fact that in the first six months of 2000 there was collection of a \$4,316,645 stock subscription and \$2,291,000 loan proceeds.

The Company believes that it can fund the growth of its core business with internally generated cash flow in addition to substantial cash receipts from the proposed stock rights issue.

Effects of Inflation

The Company believes that inflation has not had a material effect on its net sales and results of operations.

Effects of Fluctuation in Foreign Exchange Rates

The Company continues to buy products and services from foreign suppliers. The Company contracts for such products and services denominated by U.S. dollars, thus eliminating the possible effect of currency fluctuations. The Company's wholly-owned subsidiary, Newcorp Technology (Japan), was subject to such currency fluctuations and subsequently suffered losses due mainly to the decline of Japanese yen from 120.39 Yen/dollar at October 30, 1997 to present rate of 125.54 Yen/dollar at December 31, 2000.

Recently Issued Pronouncements

In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, Business Combinations (SFAS 141), and No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS 142, that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS 142 requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

The Company has not yet determined the impact that the adoption of SFAS 141 or SFAS 142 will have on the financial position, results of operations, or cash flows of the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Bridge Technology, Inc. develops products in the United States and Japan and sells primarily in North America, Asia and Europe. As a result, financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. Since our Company's products are generally initially priced in U.S. Dollars and translated to local currency amounts, a strengthening of the dollar could make our Company's products less competitive in foreign markets.

15

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A complaint has been filed against the Company for fees alleged to be due on an acquisition that was not consumated. The complaint seeks damages of approximately \$2,000,000. The Company has tendered this matter to its insurance carriers. The Company believes the complaint is without merit and will be resolved in favor of the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There are no defaults upon senior securities.

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

There are no matters submitted to a vote of security holders.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

There are no exhibits and reports on Form 8-K.

16

SIGNATURES

Pursuant to 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.

Bridge Technology, Inc.

(Registrant)

Date: August 14, 2001

Winston Gu

Winston Gu, CEO

Date: August 14, 2001

John T. Gauthier

John T. Gauthier, CFO

Date: August 14, 2001

John Harwer

John Harwer, President

Date: August 14, 2001

James Djen

James Djen, Managing Director

