

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

BRIDGE TECHNOLOGY INC

Form 10-Q

July 29, 2002

ver. N

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 March 31, 2002

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 _____

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 March 31, 2001

1

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Bridge Technology, Inc. and Subsidiaries Consolidated Balance Sheets

	December 31, 2001 (Audited)	March 31, 2002 (Unaudited)
	-----	-----
Assets (Note 4)		
Current assets:		
Cash	\$ 2,413,295	\$ 1,750,607
Accounts receivable less allowance for doubtful accounts of \$308,106 and \$302,005	11,035,057	7,752,134
Tax refund receivable	500,000	500,000
Other receivables	76,296	40,014
Inventory	21,692,543	30,997,650
Due from related party	22,143	12,787
	-----	-----
Total current assets	35,739,334	41,053,192
Property and equipment, net	2,681,018	2,545,176
Goodwill, net of amortization of \$1,242,917	1,949,417	1,949,417
Investments	198,717	194,149
Other assets	96,213	98,487
	-----	-----
Total assets	\$ 40,664,699	\$ 45,840,421
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	\$ 36,152	\$ 49,260
Line of credit	9,000,000	8,900,000
Current portion of long term debt	46,901	46,901
Accounts payable, net of accrued rebates and credits of \$698,470 and \$981,298	18,019,422	19,589,522
Accrued taxes payable	6,400	107,907
Deferred income tax	4,097	640
Accrued liabilities	1,941,560	2,955,689
Current portion of related party loan	75,118	75,118

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Shareholder loan	2,130,000	4,918,215
	-----	-----
Total current liabilities	31,150,690	36,643,252
Related party loans less current portion	914,861	904,733
Long term debt, less current portion	328,300	316,750
	-----	-----
Total liabilities	32,393,851	37,864,735
	-----	-----
		2
Minority interest	820,378	853,330
Commitments and Contingencies		
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	9,783,013	9,783,013
Related party receivable	(340,000)	(340,000)
Treasury stock, 1,000 shares at cost	(2,000)	(2,000)
Retained earnings (accumulated deficit)	(2,187,679)	(2,406,560)
Accumulated other comprehensive loss	(20,496)	(20,729)
	-----	-----
Total shareholders' equity	7,450,470	7,122,356
	-----	-----
Total liabilities and shareholders' equity	\$ 40,664,699	\$ 45,840,421
	=====	=====

See accompanying summary of accounting policies and notes to consolidated financial statements.

3

Bridge Technology, Inc. and Subsidiaries
Consolidated Statements of Operations

	Three Months Ended Mar. 31,	
	2001	2002
	(Unaudited)	(Unaudited)
	-----	-----
Net sales	\$ 27,790,364	\$ 27,289,867
Cost of sales	25,092,394	25,688,331
	-----	-----
Gross profit	2,697,970	1,601,536
Research and development	206,135	198,258
Selling, general and administrative expense	2,057,646	1,710,739

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Income from operations	434,189	(307,461)
Other income (expense):		
Interest income (expense), net	(147,438)	(193,199)
Other income	68,848	55,064
Gain on sale of investment	-	320,871
Income before income taxes	355,599	(124,725)
Income taxes provision	102,024	61,204
Net income (loss)	253,575	(185,929)
Minority interest	(40,540)	(32,952)
Net income (loss) applicable to common shares	\$ 213,035	\$ (218,881)
Basic weighted average number of common stock outstanding	10,863,186	10,863,186
Basic earnings (loss) per share	\$ 0.02	\$ (0.02)
Diluted weighted average number of common stock outstanding	11,095,427	10,863,186
Diluted earnings per share	\$ 0.02	\$ (0.02)
Comprehensive income (loss) and its components consist of the following:		
Net income (loss)	\$ 213,035	\$ (218,881)
Foreign currency translation adjustment, net of tax	15,716	(233)
Comprehensive income (loss)	\$ 228,751	\$ (219,114)

See accompanying summary of accounting policies and notes to consolidated financial statements.

4

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

	Three Months Ended Mar. 31,	
	2001	2002
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income (loss)	\$ 213,035	\$ (218,881)

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	214,161	144,725
Provision for doubtful accounts	10,000	5,677
(Gain) loss on sale of investment	-	(320,856)
Provision for slow moving inventory	21,263	-
Deferred taxes	32,194	(3,457)
Minority interest	40,540	32,952
Increase (decrease) from changes in operating assets and liabilities:		
Trade receivables	10,004,246	3,277,246
Inventory	(8,777,099)	(9,305,107)
Other receivables	543,177	27,205
Other assets	(15,000)	6,803
Accounts payable	(3,740,323)	1,570,100
Accrued liabilities	(31,313)	1,014,128
Income taxes payable	(233,296)	101,468
Payable to employee	(35,000)	-
Due from related party	8,682	-
	-----	-----
Net cash provided by (used in) operating activities	(1,744,733)	(3,667,997)
	=====	=====
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,888)	(8,883)
Investment in affiliate	(1,180,907)	-
Repayment from (advance to) shareholder	180,006	-
Due from related party	-	9,356
Proceeds from sale of investment	-	325,424
	-----	-----
Net cash used in investing activities	(1,049,789)	325,897
	=====	=====
Cash flows from financing activities		
Bank overdraft	-	13,108
Repayments on loans payable	(41,680)	(11,550)
Proceeds from shareholder loans	-	2,818,215
Repayments on shareholder loans	(600,000)	(30,000)
Proceeds from line of credit	2,016,136	-
Repayments on line of credit	-	(100,000)
Repayments on related party	-	(10,128)
	-----	-----
Net cash provided by financing activities	1,374,456	2,679,645
	=====	=====
Effect of exchange rate changes on cash	(22,127)	(233)
	=====	=====
Net increase in cash and cash equivalents	(1,442,193)	(662,688)
	-----	-----
Cash and cash equivalents, beginning of period	4,870,836	2,413,295
	-----	-----
Cash and cash equivalents, end of period	\$ 3,428,643	\$ 1,750,607
	=====	=====
Supplemental information:		
Cash paid during the year for:		
Interest	\$ 140,063	\$ 39,391
Income taxes	300,000	2,586
	-----	-----

See accompanying summary of accounting policies and notes to consolidated financial statements.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Bridge Technology, Inc. and Subsidiaries Notes to 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:

	Ownership	
Bridge R&D, Inc.	100%	Established on June 1, 1997
PTI Enclosures, Inc.	100%	Merged on December 14, 1998
Pacific Bridge Net, Inc.	80%	Established on August 16, 1999 and ceased operation in 2000
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 adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2001.

6

Note 2. Reclassification

Certain amounts in the consolidated financial statements for March 31, 2001 have been reclassified to conform to the March 31, 2002 presentation. Such reclassification had no effect on shareholders' equity as previously reported.

Note 3. Earnings Per Share Computation

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

We compute earnings per share in accordance with Statement of Financial Accounting Standards Board's No. 128 which requires presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts, such as stock options and warrants to issue common stock, were exercised or converted into common stock.

The computation of the weighted-average common shares used in the computation of basic and diluted net loss per share is based on 10,863,186 shares for the three months ended March 31, 2002. Potential dilutive securities were not included in the EPS calculation since their effect would be antidilutive. Potential dilutive securities consisted of outstanding stock options and stock warrants. The computations of the weighted average common shares used in the computation of basic and diluted net income per share is based on 10,863,186 and 11,095,427 shares, respectively, for the three months ended March 31, 2001, respectively.

Note 4. Income Taxes

As of December 31, 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 \$157,191, 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.

7

Note 5. Inventory

Inventory consists of:

	December 31, 2001	March 31, 2002
Service parts	\$ 1,633,919	\$ 1,418,807
Work in process	329,730	608,804
Finished goods	20,528,669	29,681,550
Allowance for slow moving items	(799,775)	(671,733)
	-----	-----
	\$ 21,692,543	\$ 31,037,428
	=====	=====

8

Note 6. Goodwill

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

(SFAS 142). Under SFAS 142, Goodwill and indefinite life intangible assets are no longer amortized but will be reviewed annually, or more frequently if impairment indicators arise, for impairment. The Company discontinued the amortization of its goodwill balances effective January 1, 2002. As provided under SFAS 142, the initial testing of goodwill for possible impairment will be completed within the first six months of 2002 and final testing, if possible impairment has been identified, by the end of the year.

In accordance with SFAS 142, prior period amounts were not restated. A reconciliation of reported net income to net income adjusted for the exclusion of amortization of goodwill and indefinite life intangible assets follows:

	March 31,	
	2001	2002
Reported net income (loss)	\$ 213,035	\$ (218,881)
Add back: Goodwill amortization	159,227	-
Adjusted net income (loss)	372,262	(218,881)
Basic weighted average number of common shares outstanding	10,863,186	10,863,186
Basic earnings (loss) per share	0.02	(0.02)
Adjusted earnings (loss) per share	0.03	(0.02)
Diluted weighted average number of common shares outstanding	11,095,427	10,863,186
Diluted earnings (loss) per share	0.02	(0.02)
Adjusted diluted earnings (loss) per share	0.03	(0.02)

Note 7. Subsequent Events

On July 24, 2002 the Company entered into a loan modification and extensions agreement with a commercial bank for its outstanding balance of \$4 million at December 31, 2001, which was reduced by \$100,000 payment made in 2002. Pursuant to the terms of the new agreement, monthly interest only payments are to be made through maturity, \$50,000 is due by September 15, 2002 and no less than \$1,000,000 is due on November 30, 2002. The Company owns 90% of all issued and outstanding shares in CMS and pledged 65% of all issued and outstanding shares in CMS against this outstanding balance and the maturity date of the note has been extended until November 30, 2002. However, if the Company makes all of the foregoing payments on a timely basis and has not otherwise defaulted on the loan, the maturity date for the remaining unpaid balance will be extended until June 30, 2003.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

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 March 31, 2002 as Compared to the Three Months Ended March 31, 2001

Net sales of \$27,289,867 for the three months ended March 31, 2002 decreased by \$500,497, representing approximately a 2% decrease, over net sales of \$27,790,364 for the same period of 2001. The decrease was due primarily to the decrease in Autec Power Systems, Inc. ("Autec") sales for the quarter ended March 31, 2002. Autec sales decreased by approximately \$2.6 million due to a weak overall economy and soft customer demand as a result of customers overstocking in previous quarters. The decrease in Autec sales was partially offset by increases in sales relating to the Company's distribution business in Asia.

Asia revenues for the three months ended March 31, 2002 were \$21,538,901 compared to \$19,802,160 for the three months ended March 31, 2001, an increase of \$1,736,741 or 8.8%. Increases relate primarily to increased sales volume at CMS Technology Limited.

United States revenues for the three months ended March 31, 2002 were \$5,750,966 compared to \$7,988,204 for the three months ended March 31, 2001, a decrease of \$2,237,238 or 28.0%. Decreases relate primarily to decreased sales at Autec.

Revenues for the Company's distribution businesses were \$25,182,908 for the three months ended March 31, 2002 compared to \$22,787,935 for the three months ended March 31, 2001, an increase of \$2,394,973 or 10.5%. Increases relate primarily to increased sales volume at CMS Technology Limited. Also, Bridge R&D, Inc. sales increased due to a large sales to distributors during the three months ended March 31, 2002.

Revenues for the Company's manufacturing businesses were \$2,106,959 for the three months ended March 31, 2002 compared to \$5,002,429 for the three months ended March 31, 2001, a decrease of \$2,895,470 or 57.9%. The decrease relates primarily to decreased sales at Autec.

Gross profit for the three months ended March 31, 2002 was \$1,601,536, decreasing by \$1,096,434 and representing approximately a 41% decrease, compared to \$2,619,514 for the same period of 2001. The reason for this decrease is due mainly to the decrease in sales of Autec for the quarter ended March 31, 2002. Gross profit as a percentage of net sales declined from 9.7% for the three months ended March 31, 2001 to 5.9% for the three months ended March 31, 2002. The decrease is principally due to the lower margin generated through the sales of Autec. Autec's product mix has changed to lower profit products.

Asia gross profit as a percentage of sales for the three months ended March 31, 2002 was 3.6% compared to 5.0% for the three months ended March 31, 2001.

United States gross profit as a percentage of sales for the three months ended March 31, 2002 was 14.3% compared to 21.3% for the three months ended March 31, 2001. The decrease is primarily attributable to decreased gross margins at Autec.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Gross profits for the Company's distribution businesses as a percentage of sales for the three months ended March 31, 2002 was 5.1% compared to 4.7% for the three months ended March 31, 2001.

10

Gross profits for the Company's manufacturing businesses as a percentage of sales for the three months ended March 31, 2002 was 14.9% compared to 32.6% for the three months ended March 31, 2001. The decrease is primarily attributable to decreased gross margins at Autec.

Research and development expenses decreased by \$7,877 to \$198,258 in the three months ended March 31, 2002, compared to \$206,135 for the three months ended March 31, 2001. This represents approximately a 4% decrease.

Selling, general and administrative expenses decreased by \$346,907 to \$1,710,739 in the three months ended March 31, 2002 compared to \$2,057,646 for the three months ended March 31, 2001. As a percentage of revenue, these expenses decreased from 7.4% in the three months ended March 31, 2001 to 6.3% in the three months ended March 31, 2002. The decline is due to the cost saving effort implemented by management for the quarter ended March 31, 2002. Cost saving efforts included significant layoffs at Autec as well as less cutbacks in operating expenses such as travel expense and purchases of supplies.

Income from operation decreased from income of \$434,189 for the three months ended March 31, 2001 to loss of \$307,461 in the three months ended March 31, 2002. The decrease primarily reflects the decline in profitability at Autec. Income from operations as a percentage of revenue decreased from 1.6% for the three months ended March 31, 2001 to a loss from operations as a percentage of revenue to 1.1% for the three months ended March 31, 2002.

Net interest expense increased by \$45,761 from \$147,438 for the three months ended March 31, 2001 to net interest expense of \$193,199 for the three months ended March 31, 2002. The increase is mainly the result of increased borrowings from shareholders during the three months ended March 31, 2002.

Other income decreased by \$13,784 from \$68,848 for the three months ended March 31, 2001 to \$55,064 for the three months ended March 31, 2002.

Net income decreased by \$431,916 from net income of \$213,035 for the three months ended March 31, 2001 to net loss of \$218,881 for the three months ended March 31, 2002. These results reflect an income of \$0.02 per share for the three months ended March 31, 2001 to a loss of \$0.02 per share for the three months ended March 31, 2002.

11

Capital Resources and Liquidity

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 March 31, 2002, the Company had working capital approximately \$4.4 million and cash of \$1.8 million

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

compared to a working capital of approximately \$4.6 million and cash of \$2.4 million at December 31, 2001.

Net cash used in operating activities for the three months ended March 31, 2002 was \$3,667,997 as compared to \$1,744,733 used in operating activities for the three months ended March 31, 2001. The difference is mainly due to decrease in accounts payable and increase in inventory.

Net cash provided in investing activities for the three months ended March 31, 2002 was \$325,897 mainly from the proceeds from sale of investment, as compared to \$1,049,789 net cash used in investing activities for the three months ended March 31, 2001 for the investment in China and other affiliates.

Net cash provided by financing activities for the three months ended March 31, 2002 was \$2,679,645 as compared to \$1,374,456 in the three months ended March 31, 2001. The significant change is attributable to proceeds from shareholder loans.

Management believes that the Company does have the economic wherewithal to maintain its operations for the foreseeable future. In July, 2002 the Company entered into a loan modification and extension agreement with a commercial bank for its outstanding balance of \$4 million at December 31, 2001, which was reduced by \$100,000 payment made in 2002. Pursuant to the terms of the new agreement, monthly interest only payments are to be made through maturity, \$50,000 is due by September 15, 2002 and no less than \$1,000,000 is due on November 30, 2002. The Company owns 90% of all issued and outstanding shares in CMS and pledged 65% of all issued and outstanding shares in CMS against this outstanding balance and the maturity date of the note has been extended until November 30, 2002. However, if the Company makes all of the foregoing payments on a timely basis and has not otherwise defaulted on the loan, the maturity date for the remaining unpaid principal balance will be extended until June 30, 2003. In addition, management is negotiating with the Company's major shareholders to convert a portion of the Company's indebtedness to them into equity in order to improve the Company's working capital position. Operationally, management's plans include continuing actions to cut or curb non-essential expenses and focusing on improving the sales of Autec. No assurance can be given that the Company will be successful in extending or modifying its line of credit beyond June 30, 2003 or that the Company will be able to return to profitable operations. Looking for alternatives, the Company is currently seeking global financing agreement with a major international bank to replace existing credit lines in U.S. and Hong Kong. No assurance can be given that the alternative funding source will be available.

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 in U.S. dollars, thus eliminating the possible effect of currency fluctuations. However, there is continuous risk in market demand fluctuations with CMS Technology's operations in China. To date the risk has been minimal.

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Bridge Technology, Inc. develops and procures products in the United States, Japan and Hong Kong, and the Company 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 the 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.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On November 14, 2001, a complaint was filed by Oppenheimer Wolff & Donnelly LLP in the Orange County Superior Court, Santa Ana, California against the Company for fees allegedly owed by the Company. The Company intends to vigorously defend this claim because the amount invoiced was deemed excessive comparing to the quality of services rendered. The estimated liability including interest, costs and statutory attorney's fees was approximately \$100,000. At December 31, 2001 the Company has recorded liabilities for this amount. In 2002, a non-binding arbitration was initiated and the Company is waiting for the final decision from the arbitrators.

On April 16, 2002, a complaint was filed by Danton Mak Esq. in the Superior Court of Los Angeles against Autec Power Systems, Inc. for fees allegedly owed by Autec. The matter has been submitted to binding arbitration schedule for hearing in April 2002. An estimated liability of \$136,000 has been recorded at December 31, 2001. In July 2002 this matter has been settled by the stipulation of four equal payments of \$27,500 due on June 1, July 1, August 1 and September 1, 2002.

On April 24, 2002 a complaint was filed against the Company in the Orange County Superior Court, Santa Ana, California by Mason Tarkeshian for fees alleged to be due on an acquisition which was not consummated. The complaint seeks for damage of approximately \$2 million where as the Company believes that the complaint is without merit and will be resolved in favor of the Company. The Company tendered this case to the insurance carrier for settlement and has not accrued any liabilities for this matter as of December 31, 2001. In 2002, this complaint was settled by the Company's insurance carrier and the Company. The Company's portion of contribution to the settlement was to issue a warrant to purchase 25,000 shares of common stock of Bridge at \$0.55 per share. The Company issued that warrant in 2002 and is awaiting the receipt of a specific and general release.

13

On October 1, 2001 a complaint was filed by a trustee in U.S. Bankruptcy Court against the Company for alleged transfer of assets, technology, trade secrets, confidential information, business opportunities from Allied Web, Inc, a corporation owned by the Company's former President, which filed for liquidation under Federal Bankruptcy laws on April 6, 2000. At December 31, 2001, management of the Company was unable to assess the possibility of incurring future liability and estimate the reasonable amount of the contingent liability. Therefore, the Company did not record any accrued liability for this matter. In July 2002, this case was settled by the

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Company's insurance carrier and the Company in principal.
The Company is awaiting for the finalized documents to be signed soon.

On December 12, 2001, a former shareholder of Autec Power Systems has filed a complaint in Ventura County Superior Court against the controlling shareholder of Autec, Mr. Winston Gu and Bridge Technology, Inc. alleging that the complaint did not receive sufficient exchange of shares in this acquisition by Bridge Technology, Inc. The Company believes that the complaint without merit and will defend it vigorously. At December 31, 2001, management of the Company was unable to assess the possibility of incurring future liability and estimate the reasonable amount of contingent liability. Therefore, the Company did not record any accrued liability for this matter at December 31, 2001. As of July 24, 2002, the Company is unable to predict any consequence about this matter.

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.

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)

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Date: July 24, 2002

Winston Gu, Chairman

Date: July 24, 2002

James Djen, CEO and President

Date: July 24, 2002

John T. Gauthier, CFO