FLEXXTECH CORP
Form 10QSB
August 19, 2002

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, 2002
Commission file number 000-25499

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

Nevada	88-0390360
State or other jurisdiction of incorporation or organization	(IRS Employer Identification Number)
1501 W. Shady Grove Rd. Grand Prairie, TX	75050
(Address of principal executive offices)	(Zip Code)

(972) 986-2381
(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, 2002, the issuer had outstanding 28,266,425 shares of its Common Stock, $0.001 par value.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

(A) BALANCE SHEET

(B) STATEMENT OF OPERATIONS

(C) STATEMENT OF CASH FLOWS

FLEXXTECH CORPORATION
CONSOLIDATED BALANCE SHEET
JUNE 30, 2002
(UNAUDITED)

ASSETS

Current Asset:	
Cash and cash equivalents	$ 72,444
Accounts receivable	522,831
Inventory	782,239
Prepaid expenses	32,328
Loan to related party	129,300
Deposits & other current assets	1,576
Total Current Asset	1,540,718
Property & equipment, net	1,358,611
TOTAL ASSETS	$ 2,899,329

LIABILITIES STOCKHOLDERS' DEFICIT

Current Liabilities:	
Accounts payable	$ 1,399,892
Accrued expenses	241,510
Loans payable - Current	1,471,257
Loans payable- Related parties	2,079,046
Total Current Liabilities	5,191,705
Long-term Liabilities:	
Convertible debt	820,000
STOCKHOLDERS' DEFICIT	
Common stock, authorized 100,000,000 shares at $.001 par value, issued and outstanding 28,266,425 shares	26,774
Additional paid in capital	9,332,754
Shares to be issued	14,750
Accumulated deficit	(11,911,154)
Accumulated other comprehensive income:	
Unrealized loss on securities available for sale	(575,500)
Total Stockholders' Deficit	(3,112,376)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 2,899,329

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

FLEXXTECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 2002	2001	SI JUNE 30 2002
Net revenue	$ 771,618	$ 1,633,947	$ 1,698,
Cost of revenue	966,424	1,415,238	2,016,
GROSS PROFIT/(LOSS)	(194,806)	218,709	(318,
General and Administrative expenses	976,132	788,055	1,919,
LOSS FROM OPERATIONS	(1,170,938)	(569,346)	(2,237,
Other income (expenses)			
Realized loss on sale of marketable securities	--	--	
Litigation settlement	(41,743)	--	(41,
Other income (expense)	--	7,786	
Interest expense	(124,372)	(49,426)	(180,
Total other income (expenses)	(166,115)	(41,640)	(222,
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES & EXTRAORDINARY ITEM	(1,337,053)	(610,986)	(2,460,
Provision of Income tax	--	800	1,
LOSS FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEM	(1,337,053)	(611,786)	(2,461,
DISCONTINUED OPERATIONS:			
Loss from operations of discontinued subsidiary (Less applicable income taxes of $800)	--	(111)	
NET LOSS BEFORE EXTRAORDINARY ITEM	(1,337,053)	(611,897)	(2,461,
EXTRAORDINARY ITEM - LOSS ON SETTLEMENT OF DEBTS	(172,444)	--	(172,
NET LOSS	(1,509,497)	(611,897)	(2,634,
OTHER COMPREHENSIVE LOSS:			
Unrealized loss on investments available for sale	--	(32,870)	
COMPREHENSIVE LOSS	$ (1,509,497)	$ (644,767)	$ (2,634,
Basic and diluted loss per share	$ (0.06)	$ (0.06)	$ (0

Basic and diluted weighted average shares outstanding	24,734,250	11,224,816	23,229,

* The basic and diluted net loss per share has been restated to retroactively effect a 2:1 forwar on April 14, 2000, a 1:3 reverse split on April 29, 2000 and a 3:2 forward stock split at March

The accompanying notes are an integral part of these consolidated financial stateme

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FLEXXTECH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2002 AND 2001
(Unaudited)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(2,634,077)	$ (915,462)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	149,594	205,437
Amortization of goodwill	--	62,839
Issuance of stocks for consulting services & compensation	687,419	246,213
Issuance of stock for settlement of debt	426,514	--
Loss on sale of marketable securities	--	51,958
Loss on settlement of debt	172,444	--
(Increase) / decrease in current assets		
Accounts receivable	58,546	79,110
Inventory	(257,357)	(150,760)
Prepaid expense	(19,048)	--
Deposits & other current assets	6	234,699
Increase /(decrease) in current liabilities		
Accounts payable	(38,323)	50,115
Accrued expenses	5,064	109,649
Customers' deposit and other current liabilities	--	12,865
NET CASH USED IN OPERATING ACTIVITIES	(1,449,218)	(13,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of marketable securities	--	98,443
Acquisition of property & equipment	--	(78,566)
NET CASH PROVIDED BY INVESTING ACTIVITIES	--	19,877
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sales of common stock	824,191	132,716
Proceeds from shares to be issued	--	49,300
(Payments) repayment of notes receivable	(110,300)	123,120
Proceeds from borrowings	496,187	705,363
Payments of loans	(59,200)	(1,274,401)

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,150,878	(263,902)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(298,340)	(257,362)
CASH AND CASH EQUIVALENTS -BEGINNING	370,784	519,865
CASH AND CASH EQUIVALENTS -ENDING	$ 72,444	$ 262,503

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

FLEXXTECH CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. 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, 2001 and 2000 was filed on April 16, 2002 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 three-month and six-month periods ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

BASIC AND DILUTED NET LOSS PER SHARE

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net loss per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

ISSUANCE OF SHARES FOR SERVICE

The Company accounts for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

COST OF GOODS SOLD

For the period ended June 30, 2002, the Company recorded $172,781 of its wages and salaries as general & administrative expenses instead of cost of goods sold, since during the first quarter of 2002, the Company had allocated the time related to these wages and salaries of its work force on improvement of process and procedures, manufacturing improvements, waste treatment project and training of the labor force. For the period ended June 30, 2001, all such wages and salaries were recorded as cost of goods sold.

RECLASSIFICATIONS

For comparative purposes, prior years' consolidated financial statements have been reclassified to conform with report classifications of the current year.

RECENT PRONOUNCEMENTS

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

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations". SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued in August 2001. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business.

The adoption of above pronouncements, did not materially impact the Company's financial position or results of operations.

In May 2002, the Board issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS 145"). SFAS 145 rescinds the automatic treatment of gains or losses from extinguishments of debt as extraordinary unless they meet the criteria for extraordinary items as outlined in APB Opinion No. 30, Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and makes various technical corrections to existing pronouncements. The provisions of SFAS

145 related to the rescission of FASB Statement 4 are effective for fiscal years beginning after May 15, 2002, with early adoption encouraged. All other provisions of SFAS 145 are effective for transactions occurring after May 15, 2002, with early adoption encouraged. The Company does not anticipate that adoption of SFAS 145 will have a material effect on our earnings or financial position.

In June 2002, the FASB issued SFAS No. 146 " Accounting for Costs Associated with exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3 a liability for an exit cost as defined, was recognized at the date of an entity's commitment to an exit plan. This statement will not have a material impact on the Company's financial statements.

2. DESCRIPTION OF BUSINESS AND SEGMENTS

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.

In August of 2000, Flexxtech acquired a majority interest in North Texas Circuit Board Co. (hereafter "NTCB", or "Circuit Board"). NTCB manufactures high quality, quick turn printed circuit boards. Flexxtech made this acquisition through the acquisition of 67% of the common stock of Primavera Corporation, a parent company which owned 100% of the stock of NTCB, in exchange for 130,000 shares of Flexxtech stock, valued at $325,000, plus a contribution of $1,250,000 in cash to NTCB as additional working capital.

In July 2001, Flexxtech acquired the additional 20% of Primavera's Common Stock, and thereby an additional 20% interest in NTCB in consideration for the issuance

of 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.

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 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.

3. PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include the accounts of Flexxtech Corporation (the "Parent"), and its 100% owned subsidiary, Flexxtech Holdings, Inc., collectively referred to as the "Company". Flexxtech Holdings, Inc.'s 100% owned subsidiary, Primavera Corporation, wholly owns North Texas Circuit Board Co., Inc. (a Texas corporation). All significant inter-company accounts and transactions have been eliminated in consolidation.

4. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Company as a going concern. However, the Company has accumulated deficit of $11,911,154 including a net loss of $2,634,077 for the period ended June 30, 2002. 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, 2002, towards (i) obtaining additional equity financing through various private placements (ii) reduction of salaries and general and administrative expenses (iii) disposal of some of the non-profitable subsidiaries and (iv) evaluation of its distribution and marketing methods.

In that regard, the Company sold 5,810,964 shares for cash in the amount of $824,191 during the period ended June 30, 2002. The company also issued convertible debentures amounting $720,000 in the year ended December 31, 2001, due in August 2003 and issued convertible promissory notes of $100,000 due on April 1, 2004. The Company also disposed off three of its non-profitable subsidiaries, Mardock, Inc., OpiTV, Inc. and Flexxtech Capital Partners, during the year 2001. The Company also settled debts amounting $254,070 by issuing 1,216,284 shares of common stock valued at $426,514.

5. INCOME TAXES

No provision was made for Federal income tax since the Company has significant net operating loss carryforwards. Through June 30, 2002, the Company incurred net operating losses for tax purposes of approximately $11,900,000. The net operating loss carryforwards may be used to reduce taxable income through the year 2017. Net operating loss for carryforwards for the State of California are generally available to reduce taxable income through the year 2007. The availability of the Company's net operating loss carryforwards are subject to

limitation if there is a 50% or more positive change in the ownership of the Company's stock. The provision for income taxes consists of the state minimum tax imposed on corporations.

Temporary differences which give rise to deferred tax assets and liabilities at June 30, 2002 comprised of depreciation and amortization and net operating loss carry forward. The gross deferred tax asset balance as of December 31, 2001 was approximately $4,720,000. A 100% valuation allowance has been established against the deferred tax assets, as the utilization of the loss carryforwards cannot reasonably be assured.

The following is a reconciliation of the provision for income taxes at the U.S. federal income tax rate to the income taxes reflected in the Consolidated Statements of Operations:

	June 30, 2002	June 30, 2001
Tax expense (credit) at statutory rate-federal	(34)%	(34)%
State tax expense net of federal tax	(6)	(6)
Permanent differences	1	1
Changes in valuation allowance	(39)	(39)
Tax expense at actual rate	--	--

6. STOCKHOLDERS' EQUITY

STOCK SPLIT

On December 29, 2000, 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 26 million to 100 million. On April 14, 2000, the Company effected a 2-for-1 forward stock split of its common stock. On April 29, 2000, the Company effected a reverse stock split of 1:3 and on March 26, 2001, the Company effected a 3:2 forward stock split. The financial statements have been retroactively restated for the effects of stock splits.

COMMON STOCK:

During the three month period ended March 31, 2002, the Company sold 2,135,749 shares for cash in the amount of $343,358. Through June 30, 2002, the Company has received subscription of $14,750 for 31,000 shares of common stock to be issued. The Company issued 226,670 shares of common stock for consulting services amounting $113,000 to related parties. The Company issued 210,000 shares of common stock for compensation amounting $92,400.

During the three month period ended March 31, 2002, the Company issued 850,000 shares of common stock to a related party, related by common major shareholders, as a collateral against a debt of $283,700. The Company has not recorded any value for such shares since the shares are issued as collateral and are returnable.

During the second quarter ended June 30, 2002, the Company sold 3,675,215 shares for cash in the amount of $480,833. The Company issued 2,082,654 shares of common stock for consulting services amounting $$482,019. The Company also settled debts amounting $254,070 by issuing 1,216,284 shares of common stock valued at $426,514, thereby recording an extraordinary loss on settlement of $172,444. Included in debt settled was an amount due to a related party of $200,000. The Company issued 1,000,000 shares of common stock to the related party in exchange of debt. The shares were valued at the market rate prevailing at the time of issuance of shares for $380,900.

CONVERTIBLE DEBENTURES:

In the year ended December 31, 2001, the company issued debentures amounting $720,000, carrying an interest rate of 6% per annum, due in August 2003. The holders are entitled to, at any time or from time to time, convert the conversion amount into shares of common stock of the Company, par value $.001

per share at a conversion price for each share of common stock equal to the lower of (a) 120% of the losing bid price per share (as reported by Bloomberg, LP) on the closing date, and (b) 80% of the lowest closing bid price per share (as reported by Bloomberg, LP) of the Company's common stock for the five trading days immediately preceding the date of conversion.

CONVERTIBLE PROMISSORY NOTES PAYABLE

In the year ended December 31, 2001, the Company issued convertible promissory notes of $59,200 due on March 1, 2004 and $100,000 due on April 1, 2004, carrying an interest rate of 10% per annum. The note of $59,200 was settled by issuance of 216,284 shares of common stock. The holder of $100,000 promissory notes is entitled to convert the conversion amount into shares of common stock of the Company, par value $.001, at any time, per share at a conversion price for each share of common stock equal $7.00 per share of common stock. The note is secured and collateralized by shares of common stock of the Company at one share per every five dollars ($5.00) of the principal.

STOCK OPTION PLAN

The Company has adopted a Stock option plan for the granting of options to employees, consultants and other providers of goods and services to the Company. The Company has set aside 1,000,000 shares of common stock under the plan. No option has been granted under the plan through June 30, 2002.

7. LITIGATION

In April 2001, a suit was brought against the Company and certain officers and directors for alleged breach of contract. The Company has denied all the claims and believes it is a frivolous suit. The Company settled the litigation by agreeing to pay the plaintiffs a sum of $8,000, 82,500 shares of restricted common stock and 90,000 options to purchase common stock of the Company at $1.66 per share, with an expiration date of January 1, 2004. Management does not believe implication of this litigation will have any other material impact on the Company's financial statements.

In June 2002, a suit was brought against the Company for alleged breach of contract. The suit was brought by a Note Holder for the return of principal and interest of $100,000 plus 10% interest. The loan was made on April 11, 2001. The Company has not responded to the suit and is in negotiation with the Note Holder. The Company believe it is a frivolous suit and settlement will not have a material impact on the Company's financial statements.

8. COMMITMENT

Lease - NTCB leases its office and business facilities in Grand Prairie, Texas under a lease agreement for two years beginning May 2000 for $10,000 per month, with an option to renew the lease for three additional years at a rental rate of $12,500 per month. The Company shall have an option to purchase the property for $690,000 during the initial two-year rental term and for $750,000 during the 3-year renewal period.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Company prepares its statements of cash flows using the indirect method as defined under the Financial Accounting Standard No. 95.

The Company paid income taxes of $-0- and interest of $26,500 during the six month period ended June 30, 2002. The Company paid income taxes of $-0- and interest of $74,088 during the six month period ended June 30, 2001.

The statement of cash flows does not include effect of non-cash transaction of issuance of shares (note 6) for consulting services and compensation.

10. NOTES PAYABLE

In June 2002, the Company signed an agreement with a non-related party to borrow money on various promissory notes, payable in sixty days after the signing of the notes and bearing an interest rate of 7% per annum. The Notes are secured by the properties of North Texas Circuit Boards in Texas, a 100% owned subsidiary of Primavera Corporation, which is owned by the Company. Total outstanding amount on such promissory notes amounted to $576,000 at June 30, 2002.

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 three months ended June 30, 2002 and June 30, 2001. 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:

Flexxtech changed its business focus in 2001. Flexxtech's focus was previously based on operating its three wholly or partially owned subsidiaries through May of 2001. In June 2001, management decided to concentrate management efforts and Flexxtech's resources on Flexxtech's wholly-owned subsidiary, North Texas Circuit Board, Co. ("NTCB"). Management further decided to divest itself from its two other operating companies, Mardock, Inc. and OpiTV.com, that in management's view, were not performing. As a result, in July 2001, Flexxtech sold both Mardock, Inc. and OpiTV.com.

We continue to raise money for our operations and those of NTCB. Funds are being raised on private placements pursuant to Regulation D, Rule 506, as amended and Regulation S, as amended. During the three month period ended June 30, 2002, the Company sold 3,523,563 shares for cash in the amount of $469,988.61. Through June 30, 2002, the Company has received subscription of 132,700 shares of common stock, which was issued but has not yet received the cash of $14,400. The Company issued 800,200 shares of common stock for consulting services amounting $326,582 to related parties. The Company issued 82,500 shares of common stock for as part of settlement payment for litigation suit previously mentioned. The Company issued 189,474 shares of common stock to National Financial Communications Corp for outstanding invoices totaling $72,000, and 1,010,480 shares of common stock to Pollet, Richardson & Patel for outstanding invoices for legal services totaling $50,244. In the three months ending June 30, 2002, the Company issued 1,000,000 shares to Western Cottonwood Corporation in lieu of interest payments of $200,000 for Notes.

During the three month period ended June 30, 2002, the Company converted a note for $50,000 previously held by an investor. Stock was converted at 25 cents per share and with an interest rate of 10%. Investor received a total of 216,284 shares amounting to $54,071.00.

While there is no assurance that we will be successful in raising additional capital, we are actively seeking private equity financing to assure that we will be capable of financing the continuation of our business. Any additional capital raised above and beyond what we need as our monthly expenditure would be used in increasing marketing and sales efforts and future investments and acquisitions. Should we fail to raise additional funding, we will be forced to curtail our growth, both through internal development and through investments and acquisitions. As only a holding company to date, we do not generate our own revenues, but we rely on additional financing to pay our operating expenses.

THREE MONTHS ENDED JUNE 30, 2002 AS COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

Results of Operations

We have generated consolidated revenues of $771,618 for the three months ended June 30, 2002 as compared to $1,633,947 for the three months ended June 30, 2001. We have generated consolidated revenues of $1,698,298 for the six months ended June 30, 2002 as compared to $3,612,414 for the six months ended June 30, 2001. Currently, our cash needs include, but are at no means limited to, rent, salaries and wages, cash raising expenses and to fund operation of our subsidiary, and for future acquisitions. All of our revenues are attributed from the Company's subsidiary, North Texas Circuit Board Company (NTCB). If we are unable to continue to raise additional funds in the immediate future to fund North Texas Circuit Board, it is unlikely that NTCB will remain as a going concern.

Net Revenues

We had net revenues of $771,618 for the quarter ended June 30, 2002 as compared to $1,633,947 for the quarter ended June 30, 2001.Are net revenues for six months ended June 30, 2002 were $1,698,298 as compared to $3,612,414 for the six months ended June 30, 2001.

Cost of Revenue

We incurred Cost of Revenue of $966,424 for the quarter ended June 30, 2002 as compared to $1,415,2398 for the quarter ended June 30, 2001. We incurred Cost of Revenue of $2,016,578 for the six months ended June 30, 2002 as compared to $ 3,122,658 for the six months ended June 30, 2001.

General, Administrative and Selling Expenses

We incurred costs of $976,132 for the quarter ended June 30, 2002 as compared to $788,055 for the quarter ended June 30, 2001. We incurred costs of $1,919,457 for the six months ended June 30, 2002 as compared to $1,227,247 for the six months ended June 30, 2001.

Net loss before income taxes and loss on discontinued segments

We had a loss before taxes and discontinued segments of $1,170,938 for the quarter ended June 30, 2002 as compared to a loss of $569,346 for the quarter ended June 30, 2001. We had a loss before taxes and discontinued segments of $2,237,737 for the six months ended June 30, 2002 as compared to a loss of $737,491 for the six months ended June 30, 2001. Much of the loss came from the issuance of common stock for services.

Net loss

We had a net loss of $1,509,497 for the quarter ended June 30, 2002 as compared to a net loss of $611,897 for the quarter ended June 30, 2001. We had a loss before taxes and discontinued segments of $2,634,077 for the six months ended June 30, 2002 as compared to a loss of $915,462 for the six months ended June 30, 2001.

Comprehensive Loss.

We had a Comprehensive Loss of $1,509,497 for the quarter-end June 30, 2002 as compared to a Comprehensive Loss of $644,767 for the quarter-end June 30, 2001. We had a Comprehensive Loss of $2,634,077 for the six months ended June 30, 2002 as compared to a Comprehensive Loss of $1,063,462 for the six months ended June 30, 2001.

Basic and diluted loss per share

Our basic and diluted loss per share for the three month period ended June 30, 2002 was $.06 as compared to $.06 for the three month period ended June 30, 2001. Our basic and diluted loss per share for the six month period ended June 30, 2002 was $.11 as compared to $.10 for the three month period ended June 30, 2001.

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Litigation

In April 2001, a suit was brought against the Company and certain 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. In 2002, the Company settled the litigation by agreeing to pay the plaintiffs a sum of $8,000, 82,500 shares of restricted common stock and 90,000 options to purchase common stock of the Company at $1.66 per share, with an expiration date of January 1, 2004.

In June 2002, a suit was brought against the Company for alleged breach of contract. The suit was brought by a Note Holder for the return of principal and interest of $100,000 plus 10% interest. The loan was made on April 11, 2001. The Company has not responded to the suit and is in negotiation with the Note Holder. The Company believes it is a frivolous suit and settlement will not have a material impact on the Company's financial statements.

During day-to-day operations, the Company may be involved in litigation matters that are immaterial from time to time.

Change in Securities

We have sold shares of common stock of the Company periodically pursuant to Regulation D, Rule 506, as amended, and Regulation S, as amended. In the three months ended June 30, 2002, pursuant to Regulation D, we sold 21,167 shares at $0.15 per share for proceeds of $3,175. We sold 20,000 shares at $0.20 for a net amount of $4,000. We also issued 132,700 shares at $0.11 for a total of $14,400 for which we have yet to collect such money. We issued 667 shares at $0.75 for shares paid for prior to December 31, 2001. We also issued 18,825 shares at $0.65 for shares paid for in the 1st Qtr. 2002.

Pursuant to Regulation D, in exchange for Public Relations and consulting services, the Company issued 250,000 shares at $0.44, 100 shares at $0.41, and 450,000 shares at $0.39. No actual cash was received for these shares. 1,199,954 shares were issued in the three months ending June 30, 2002 in exchange for $322,244 of outstanding invoices of which 189,474 shares were issued to National Financial Communications for invoices amounting to $72,000 for Public Relations, and 1,010,480 shares were issued to Pollet, Richardson & Patel for invoices amounting to $50,244 for legal services. 1,000,000 shares were issued in lieu of Interest Payments on Notes of $200,000, and 82,500 shares were issued to satisfy the settlement agreement of the litigation mentioned above. During the 3 months ending June 30, 2002, a previously held $50,000 Note was converted into 216,284 shares, pursuant to Regulation D.

In the three months ended June 30, 2002, pursuant to Regulation S, we sold 1,149,062 shares at 0.0982 cents per share for proceeds of $112,813.61 and 2,333,334 shares at $0.15 for proceeds of $350,000. In exchange for Public Relations and consulting services, the Company issued 100,100 shares at $0.41, No actual cash was received for these shares.

In the three months ended June 30, 2002, we sold a total of 41,167 shares pursuant to the exemptions afforded by Regulation D resulting in gross proceeds of $7,175. In the three months ended June 30, 2002, we sold a total of 3,482,396 shares pursuant to the provisions of Regulation S resulting in gross proceeds of $462,813.61. $14,400 has yet to be received for 132,700 shares already issued during the three months ended June 30, 2002.

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 $70,498.29 or %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.

The Offering is being conducted by us as a self underwriting. Shares in the Offering are available only through us. 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.

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.

Liquidity and Capital Resources

The Company must continue to raise capital to fulfill its plan of acquiring 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, 2002, the Company had total Current Assets of $1,540,718 and Current Liabilities of $5,191,705 Cash and cash equivalents were $72,444. Stockholder's Deficit was $3,112,376. In its acquisition of North Texas Circuit Board, Management continues to make 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. The Company will continue to raise capital for North Texas Circuit Board and its acquisitions. Should the company be unable to raise immediate funding for North Texas Circuit Board it is unlikely the company will continue as a going concern.

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Subsidiaries

Flexxtech Holdings, Inc. is a wholly-owned subsidiary of our Company. At June, 2002, the only major holding for Flexxtech was Primavera Corporation, the parent company of North Texas circuit Board.

Listed below are the subsidiaries of Flexxtech Holdings, Inc. Various smaller investments are not listed because they represent in total less than five percent (5%) of the total portfolio assets and management may change them from time to time.

PRIMAVERA CORPORATION

On August 15, 2000 we, through our wholly-owned subsidiary Flexxtech Holdings, Inc. acquired 67% of Primavera Corporation, the parent company of North Texas Circuit Board Company. Flexxtech Holdings was issued 203 newly issued shares of Primavera Corporation in consideration of $1,575,000. On October 31, 2000, the ownership was increased to 80% of Primavera Corporation. The consideration was payable in cash in the amount of $1,250,000 by installments through January 15, 2001 and in the form of 130,000 shares of our common stock valued for purposes of the transaction at $2.50 per share. As of December 31, 2001, the 130,000 shares were issued to Primavera shareholders. We have delivered $1,250,000 to Primavera and North Texas Circuit Board for working capital. All terms of the Primavera acquisition have been satisfied.

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 manufacturers printed circuit boards on a quick-turn basis. On May 11, 2000, Primavera acquired 100% of the common stock of NTCB.

Plans to Raise Capital

We currently need to raise additional capital to stay in business. Proceeds from any such capital raising transactions for general corporate purposes, including working capital. Should we not raise capital, most likely our subsidiary, North Texas Circuit Board Co. will go out of business or will have to be sold.

Substantial Indebtedness

We have a substantial amount of indebtedness. As a result of our level of debt and the terms of our debt instruments:

- our vulnerability to adverse general economic conditions is heightened;
- we will be required to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;
- we are and will continue to be limited by financial and other restrictive covenants in our ability to borrow additional funds, consummate asset sales, enter into transactions with affiliates or conduct mergers and acquisitions;
- our flexibility in planning for, or reacting to, changes in its business and industry will be limited; o we are sensitive

to fluctuations in interest rates because some of our debt obligations are subject to variable interest rates; and

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired.

Our ability to pay principal and interest on our indebtedness and to satisfy our other debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. If we are unable to service our indebtedness, we will be forced to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital. There is no assurance that we can effect any of these remedies on satisfactory terms, or at all.

Item 3. Subsequent Events

On May 21, 2002 the Company entered into a Stock Purchase Agreement with Sonic Jet Performance, Inc. whereas the Company would purchase 5,000,000 shares of common stock of Sonic Jet for $600,000 on a Convertible Promissory Note and a warrant to purchase 5,000,000 shares of Sonic Jet at $.125 per share. On August 15, 2002 the Company and Sonic Jet agreed to rescind the transaction because it was determined that it is unlikely that the parties will be able to fulfill their respective commitments pursuant to the terms and conditions of the Agreement. No shares of Sonic Jet were issued to the Company and the Convertible Note was returned.

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.

Not Applicable.

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

(a) Exhibits filed with this Report

None

(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 19, 2002

By: /s/ Greg Mardock

Greg Mardock
President