

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

ASTREX INC

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(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, 2000

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 1-4530

ASTREX, INC.

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

DELAWARE

13-1930803

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

205 EXPRESS STREET, PLAINVIEW, NEW YORK 11803
(Address of principal executive offices)

(516) 433-1700
(Issuer's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report)

Check whether the issuer (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 X NO

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the registrant's classes of
common stock, as of the latest practicable date. As of August 4, 2000 common
shares outstanding were 5,691,777.

ASTREX, INC.

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PART I - FINANCIAL INFORMATION

ASTREX, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2000 (Unaudited)	March 31, 2000
	(000)	Omitted
<S>	<C>	<C>
Current Assets:		
Cash	\$ 2	\$ 57
Accounts receivable (net of allowance for doubtful accounts of \$79 at June 30, 2000 and March 31, 2000)	2,025	2,299
Inventory	4,388	4,437
Prepaid expenses and other current assets	157	46
Total current assets	6,572	6,839
Property, plant and equipment at cost (net of accumulated depreciation of \$557 at June 30, 2000 and \$533 at March 31, 2000)	688	703
Other long-term assets	161	164
TOTAL ASSETS	\$ 7,421	\$ 7,706
Current Liabilities:		
Accounts payable	802	1,172
Accrued liabilities	540	598
Current portion of capital lease obligations	20	32
Total current liabilities	1,362	1,802
Long-term debt	2,250	2,250
Shareholders' Equity:		
Preferred Stock, Series A - issued, none	-	-
Convertible Preferred Stock, Series B - \$.01 par value; authorized, 10,000,000; 1,897,381 shares issued and outstanding on July 17, 2000 (liquidation preference of \$.25 a share)	19	-
Common Stock - par value \$.01 par value; authorized, 15,000,000 shares; issued, 6,605,363 at June 30, 2000 (65,000 shares issued on July 5, 2000) and 6,540,363 at March 31,2000	66	65
Additional paid-in capital	3,927	3,902
Retained earnings(accumulated deficit)	62	(48)
Treasury stock, at cost (913,586 shares)	(265)	(265)
Total shareholders' equity	3,809	3,654
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,421	\$ 7,706

</TABLE>

ASTREX, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)

<TABLE>
 <CAPTION>

	THREE MONTHS ENDED JUNE 30,	
	2000	1999
	(000) Omitted	
<S>	<C>	<C>
Net sales	\$4,514	\$3,853
Cost of sales	3,517	2,972
Gross profit	997	881
Selling, general and administrative expenses	801	759
Income from operations	196	122
Interest expense	43	42
Income before provision for income taxes	153	80
Provision for income taxes	0	9
NET INCOME	\$153	\$71

Per share data for the three months ended June 30, 2000 and 1999 are as follows:

Weighted average common shares and common equivalent shares outstanding:		
Basic	5,626,777	5,526,777
Diluted	5,691,777	5,629,277
Net income per share:		
Basic	\$0.03	\$0.01
Diluted	\$0.03	\$0.01

</TABLE>

See accompanying notes to unaudited consolidated financial statements.

ASTREX, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

<TABLE>
 <CAPTION>

	FOR THE THREE MONTHS ENDED JUNE 30,	
	2000	1999
	(000) Omitted	
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net income/(loss)	\$153	\$71

ADJUSTMENTS TO RECONCILE NET INCOME TO NET		
CASH (USED IN) OPERATING ACTIVITIES:		
Depreciation and amortization	24	22
Amortization of deferred stock compensation	-	1
CHANGES IN ASSETS AND LIABILITIES:		
Decrease in accounts receivable, net	274	150
Increase in prepaid expenses and other current assets	(111)	(82)
Decrease (increase) in inventory	49	281
(Decrease) increase in accounts payable	(370)	(308)
(Decrease) increase in accrued liabilities	(56)	(237)
	-----	-----
NET CASH (USED IN) OPERATING ACTIVITIES	(37)	(102)
	-----	-----
Cash flows used in investing activities:		
Capital expenditures	(9)	(7)
	-----	-----
NET CASH (USED IN) INVESTING ACTIVITIES	(9)	(7)
	-----	-----
Cash flows from financing activities:		
Proceeds from common stock issuance	-	-
Deferred financing costs	3	-
Principal payments under capital lease obligations	(12)	(12)
Payments/proceeds from loans payable, net	-	121
	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(9)	109
	-----	-----
Net change in cash	(55)	-
Cash - beginning of period	57	2
	-----	-----
Cash - end of period	\$2	\$2
	=====	=====

</TABLE>

See accompanying notes to unaudited consolidated financial statements.

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ASTREX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - UNAUDITED FINANCIAL STATEMENTS

The consolidated balance sheet as of June 30, 2000 and the consolidated statements of income and the statement of cash flows for the three months ended June 30, 2000 and 1999, have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normally recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2000 (and for all periods presented) have been made.

Certain information and note disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-KSB for the year ended March 31, 2000 filed by the Company. The results of operations for the periods ended June 30, 2000 and 1999 are not necessarily indicative of the operating results for the respective full years.

NOTE B - EARNINGS PER COMMON SHARE

Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), "Earnings Per Share," replaced the calculation of primary and fully diluted earnings (loss) per share with basic and diluted earnings per share. Pursuant to SFAS No. 128, earnings (loss) per common share is computed by dividing net

income (loss) available to common stockholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. For purposes of determining basic earnings per share, Common Stock issued to certain employees but subject to forfeiture upon eventualities are not counted until fully vested. Prior to vesting such shares are counted in determining the diluted earnings per share.

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The following table sets forth the reconciliation of the weighted average number of common shares:

<TABLE>
<CAPTION>

	Three months ended June 30,	
	2000 (Unaudited)	1999 (Unaudited)
	-----	-----
<S>	<C>	<C>
Basic	5,626,777	5,526,777
Effect of dilutive securities (non-vested restricted stock)	65,000	102,500
	-----	-----
Diluted	5,691,777	5,629,277
	=====	=====

</TABLE>

NOTE C - SHAREHOLDERS' EQUITY

On June 29, 2000 the Board of Directors declared a dividend on the Company's common stock of one share of a new Series B Convertible Preferred Stock ("the Preferred Stock") for every three shares of common stock held as of July 7, 2000. On July 17, 2000, the Company issued 1,897,381 shares of Preferred Stock. The characteristics of the Series B Convertible Preferred Stock ("Preferred Stock") are definitively delineated in the "Astrex, Inc. Certificate Of Designations, Preferences And Rights Of Series B Convertible Preferred Stock" ("Certificate") which should be reviewed for a full and controlling description but in brief summary, the principal terms of the Preferred Stock are as follows:

1. The Preferred Stock is not entitled to any preferential dividends, but is entitled to any dividend declared on the common stock and the common stock will be entitled to any dividend declared on the Preferred Stock.
2. Each share of the Preferred Stock has a liquidation right of twenty-five cents.
3. The Preferred Stock is entitled to vote on all matters that the common stock is entitled to vote on and will have twelve votes per Preferred Stock share.
4. Subsequent to July 30, 2001, the Preferred Stock will be convertible at the option of the holder into common stock on a share for share basis.
5. The Preferred Stock is subject to severe restrictions on transfer by sale or otherwise, as defined. (See Item 5 below)

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Beginning July 31, 2001, holders of these preferred shares will have the option of converting shares of the Preferred Stock for an equal number of shares of Common Stock. The declaration of this dividend did not have any economic impact on the capital structure of the Company, and accordingly, the par value of the Preferred Stock aggregating 18,974 was recorded through a reduction in retained earnings.

On June 29, 2000, the Company granted 40,000 registered, forfeitable shares of the Company's common stock to several employees which were issued on July 5, 2000. Each employee's shares are subject to forfeiture in the event the employee ceases to be employed by the Company, for reasons other than death, prior to June 30, 2002. On the date of grant, the Company recorded deferred compensation aggregating \$16,500 which is based on the unadjusted quoted market price of the Company's common stock at the date of grant. Such deferred compensation will be charged to compensation expense ratably over the two year vesting period.

On June 29, 2000, the Company granted 20,000 shares of the Company's common stock to the President to be issued on July 5, 2000. The issuance of these shares is contingent upon the President satisfying certain requirements. On the date of grant, the Company recorded deferred compensation aggregating \$8,250 which is based on the unadjusted quoted market price of the Company's common stock at the date of grant. This charge will be amortized to compensation expense over the one year vesting period and will be adjusted for increases and decreases in the unadjusted quoted market price of the Company's common stock until such requirements are satisfied.

On June 29, 2000, the Company granted 5,000 shares of the Company's common stock to a non employee. The shares vest immediately at the date of grant. For the three months ended June 30, 2000, the Company recorded a charge to operations of \$2,063 representing the fair market value of these shares on the date of grant.

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ASTREX, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OR PLAN OF OPERATIONS

RESULTS OF OPERATIONS

Net income for the three months ended June 30, 2000 was approximately \$153,000, an increase of \$82,000 or 115% from the same three month period last fiscal year. This increase is principally the result of higher sales volume.

Sales increased by approximately \$661,000 or 17%, for the three months ended June 30, 2000, from the comparable three month period in 1999. This increase is largely due to strong component demand in both export and domestic markets.

The Company's gross margin of approximately 22% decreased slightly from 23% from the comparable three month period in 1999.

Selling, general and administrative expenses increased by approximately \$42,000, or 6%, for the three months ended June 30, 2000 from the comparable previous three month period in 1999.

Interest expense remained constant at approximately \$43,000 for the three months ended June 30, 2000, from the previous comparable three month period in 1999.

The provision for income taxes for the three months ended June 30, 1999 consists principally of state and local taxes. The Company did not record a provision for income tax expense for the three months ended June 30, 2000 based on the recognition of certain tax benefits available to the Company. The Company has and plans to continue utilizing the available net operating loss carryforwards.

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ASTREX, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OR PLAN OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company's available cash decreased because it used \$37,000 to fund its operating activities. At June 30, 2000, the Company had working capital of \$5,210,000 and its stockholders' equity was \$3,809,000. The Company believes that its present working capital, cash generated from operations and amounts available under the loan agreement will be sufficient to meet its cash needs during the next year. The Company's principal credit facility is a line of credit and a term loan from the same bank lender ("Line"). The Line is secured by substantially all of the Company's assets including a mortgage on the 205 Express Street property. The term of the Line runs to April 30, 2002. Borrowings under the line of credit portion of the Line, is based on the Company's inventory and receivables. On June 30, 2000, the Company owed \$2,250,000 on the Line. The Company's relationship with its secured lender is satisfactory and the Company believes that the lending arrangement will be adequate for the foreseeable future.

CAUTIONARY LANGUAGE REGARDING FORWARD LOOKING STATEMENTS

When used herein, the words "believe," "anticipate," "think," "intend," "will be," "expect" and similar expressions identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not guarantees of future performance and involve certain risks and uncertainties discussed herein, which could cause actual results to differ materially from those in the forward-looking statements. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date hereof. Readers are also urged carefully to review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including, without limitation, the disclosures made in the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2000 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation."

PART II - OTHER INFORMATION

Item 2. Changes in Securities.

(a), (b) On July 17, 2000, the Company issued as a dividend one share of a new series B Convertible Preferred Stock "Preferred Stock" for every three shares of Common Stock held as of 5:00 p.m. EDT July 7, 2000.

The new outstanding Preferred Stock carries 12 votes per share, is entitled to to vote on all matters to which the Common Stock may vote, and collectively constitutes a majority of the total votes represented by the outstanding Common Stock and Preferred Stock.

Prior to the issuance of the dividend of Preferred Stock, the Common Stock was the only voting stock of the Company and consequently a majority of the votes represented by the Common Stock controlled.

(c) On June 29, 2000, the Company granted 40,000 registered, forfeitable shares of the Company's common stock to several employees which were issued on July 5, 2000. Each employee's shares are subject to forfeiture in the event the employee ceases to be employed by the Company, for reasons other than death, prior to June 30, 2002. On the date of grant, the Company recorded deferred compensation aggregating \$16,500 which is based on the unadjusted quoted market price of the Company's common stock at the date of grant. Such deferred compensation will be charged to compensation expense ratably over the two year vesting period.

On June 29, 2000, the Company granted 20,000 shares of the Company's common stock to the President to be issued on July 5, 2000. The issuance of these shares is contingent upon the President satisfying certain requirements. On the date of grant, the Company recorded deferred compensation aggregating \$8,250 which is based on the unadjusted quoted market price of the Company's common stock at the date of grant. This charge will be amortized to compensation expense over the one year vesting period and will be adjusted for increases and decreases in the unadjusted quoted market price of the Company's common stock until such requirements are satisfied.

On June 29, 2000, the Company granted 5,000 shares of the Company's common stock to a non employee. The shares vest immediately at the date of grant. For the three months ended June 30, 2000, the Company recorded a charge to operations of \$2,063 representing the fair market value of these shares on the date of grant.

The grant of common stock mentioned above, has not been registered with the Securities and Exchange Commission pursuant to 4(2) of the Securities and Exchange Act of 1933.

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Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

On June 29, 2000, the Board of Directors declared a dividend on the Company's common stock of one share of a new Series B Convertible Preferred Stock for every three shares of common stock held as of 5:00 p.m. EDT July 7, 2000 ("Record Date"). The ex dividend date was July 5, 2000. The dividend shares were mailed on July 17, 2000 to holders of record as of the Record Date. Fractional Preferred Stock shares were not issued, rather to the extent a holder would otherwise be entitled to a fractional share, that fractional share was rounded up to a whole share.

In declaring the dividend the Board took into account not only the Company's strong performance of the fiscal year ended March 31, 2000 but also the Company's need to preserve capital for future growth, the relatively low Common Stock 'float', the desire to better protect the Company's net operating loss federal tax loss carry forwards, and the goal of better allowing any future 'acquisition for stock' and capital raising opportunities to be free from management stability issues. For these reasons, a dividend of a newly defined Series B Convertible Preferred Stock with special characteristics was decided upon.

The characteristics of the Series B Convertible Preferred Stock ("Preferred Stock") are definitively delineated in the "Astrex, Inc. Certificate Of Designations, Preferences And Rights Of Series B Convertible Preferred Stock" ("Certificate") which should be reviewed for a full and controlling description but in summary, the principal characteristics are:

1. The Preferred Stock will not be entitled to any preferential dividends, but will be entitled to any dividend declared on the Common Stock, and the Common Stock will be entitled to any dividend declared on the Preferred Stock.
2. Each share of the Preferred Stock will have a liquidation right of twenty five cents.
3. The Preferred Stock will be entitled to vote on all matters that the Common Stock is entitled to vote on and will have twelve votes per Preferred Stock share.
4. Beginning on July 31, 2001 and essentially at all times thereafter, the Preferred Stock will be convertible at the option of the holder into Common Stock on a share for share basis.
5. The Preferred Stock is subject to significant and very limiting restrictions on transfer by sale or otherwise. The restrictions are set fourth in detail in the Certificate but in

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essence the Preferred Stock is (i) only transferable to a person or entity who upon transfer will be the bona fide beneficial owner, or trustee for the beneficial owner (as opposed to a 'nominee' or 'street name' holder) of the shares, and further (ii) the transferee must be

closely related (as defined in the Certificate) to the transferor. Additionally, prior to July 31, 2001 any such transfers will also be at the sole discretion of the Company and will only be allowed to the extent, in the sole opinion of the Company, the transfer will not impair or make it more difficult to preserve any tax attributes of the Company (including without limitation, net operating losses, or the rate of use of the same under the United States Income Tax laws). (Preferred Stock shares initially dividended to a holder who is not the beneficial owner, upon application to the Company may be transferred to the person or entity who was the beneficial owner on the dividend record date).

The foregoing is only a brief summary of some of the terms of the Certificate and in all matters the Certificate and not this summary controls. The Certificate is available from the Company without charge upon request and is also on public file with the Secretary of State of the State of Delaware.

With this dividend there are presently 5,691,777 shares of common stock and 1,897,381 shares of Series B Convertible Preferred Stock outstanding. These are the only securities of the Company of any sort outstanding. Since the dividend has been made equally to all holders (with some slight variations as a nominal consequence of rounding) there has been no change in the economic or voting interest of any holder. However, because the Preferred Stock shares have multiple votes, the holders of those shares collectively have voting control of the Company and to the extent a holder converts Preferred Stock shares to common stock they will lose those multiple votes (but gain freely transferable shares). Prior to the dividend, present management of the Company held more than a majority of the Common Stock and the dividend does not change that control. In the future, the Preferred Stock may make it easier or more difficult for non management stock holders to effect a 'hostile take over' depending upon to what extent present management converts or holds that stock. Since the Preferred Stock has only very limited transferability a 'market' for those shares will not develop, effectively making conversion of those shares to common stock after July 31, 2001 the only alternative for those holders who do not wish to continue to hold the Preferred Stock or transfer the same to closely related persons or entities.

Item 6. Exhibits and Reports on Form 8-K.

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(A) EXHIBITS

<TABLE>
<CAPTION>

Exhibit <S>	Description <C>	Previously Filed and Incorporated by reference or Filed Herewith <C>
3 (a)	Certificate of Incorporation of Astrex, Inc., as amended (a Delaware corporation)	Filed as Exhibit 3(a) to the Form 10-QSB of the Company for the quarter ended September 30, 1997
3 (b)	By-Laws of Astrex, Inc., as amended	Filed as Exhibit 3(b) to the Form 10-QSB of the Company for the quarter ended September 30, 1996
4	Astrex, Inc. Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock	Filed herewith
27	Financial Data Schedule	Filed herewith

</TABLE>

(B) Reports on Form 8-K:

None

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SIGNATURES

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

ASTREX, INC.

Date: August 11, 2000

By: /s/ Michael McGuire

Michael McGuire
Director, President and
Chief Executive Officer

CHIEF FINANCIAL OFFICER
OF ASTREX, INC.

Date: August 11, 2000

By: /s/ Lori A. Sarnataro

Lori A. Sarnataro
Chief Financial Officer, Executive Vice
President, Treasurer, and Secretary

ASTREX, INC.
CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS
OF SERIES B CONVERTIBLE PREFERRED STOCK

Pursuant to Section 151 of the Delaware
General Corporation Law

The undersigned, President and Secretary, respectively, of Astrex, Inc., a Delaware corporation (the "Company"), certify that pursuant to the authority granted to and vested in the Board of Directors of the Company by the provisions of the Certificate of Incorporation of the Company, the Board of Directors has duly adopted the following resolutions stating the Certificate of Designations, Preferences and Rights of Preferred Stock for the series of Preferred Stock of the Company designated as the Series B Convertible Preferred Stock:

WHEREAS, the Article Fourth of the Certificate of Incorporation of Astrex, Inc., a Delaware corporation (the "Company") authorizes ten million (10,000,000) shares of Series B Convertible Preferred Stock, one cent (\$0.01) par value (sometimes referred to hereinafter as "this Series" or "Series B" or "Series B Convertible Preferred Stock");

WHEREAS, said Article Fourth of the Certificate of Incorporation of the Company further provides that the specific powers, rights, preferences, designations, qualifications, restrictions and other characteristics of each series of preferred shares shall be as determined by due resolution of the board of directors;

NOW THEREFORE BE IT RESOLVED, by the Board of Directors of Astrex, Inc., a Delaware corporation, that pursuant to authority expressly granted to and vested in the Board of Directors by the provisions of the Certificate of Incorporation of the Company, the Board of Directors hereby states the designations, preferences and rights of the Company's authorized Series B Convertible Preferred Stock, as follows:

1. DESIGNATION AND AMOUNT. The shares of the Series B Convertible Preferred Stock, one cent (\$0.01) par value, shall be designated "Series B Convertible Preferred Stock" (sometimes referred to hereinafter as "this Series" or "Series B" or "Series B Convertible Preferred Stock"). The number of shares constituting this Series shall be ten million (10,000,000) shares and the par value of each such share shall be one cent. Notwithstanding that ten million (10,000,000) shares of Series B Convertible Preferred Stock are authorized by the Certificate of Incorporation of the Company and herein, the Company will not issue (i) more than two million (2,000,000) shares of Series B Convertible Preferred Stock prior to July 31, 2001, and (ii) any shares of Series B Convertible Preferred Stock whatsoever after July 31, 2001 without in

either case the express approval of the holders of a majority of shares of the then outstanding Series B Convertible Preferred Stock.

2. NO PREFERENTIAL DIVIDENDS. Shares of this Series shall not be entitled to any dividends whatsoever in preference to the Company's Common Stock. In the event the Company makes a cash or non-cash dividend of any kind on its (i) Common Stock, each share of this Series B Convertible Preferred Stock shall simultaneously receive a like dividend exactly equivalent to that issued for a share of the Company's Common Stock, or (ii) Series B Convertible Preferred Stock, each share of the Company's Common Stock shall

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simultaneously receive a like dividend exactly equivalent to that issued for a share of the Series B Convertible Preferred Stock.

3. LIQUIDATION RIGHTS. In the event of any liquidation, dissolution, or winding up of the affairs of the Company ("Liquidation") whether voluntary or otherwise, the holders of this Series shall be entitled to receive an amount in cash for each share of this Series equal to twenty five cents (\$0.25) per share, before any distribution shall be made to the holders of any of the Common Stock (or any series thereof) of the Company or of any other securities of the Company ranking junior to this Series B Convertible Preferred Stock. If upon Liquidation the assets distributable among the holders of this Series shall be insufficient to permit the payment in full to all of the holders of the outstanding shares of this Series and of any outstanding other securities of the Company ranking on a parity with this Series then the remaining assets of the Company thus distributable shall be distributed ratably among such holders in proportion to the respective amounts that would be payable per share if such assets were sufficient to permit payment in full. A consolidation or merger of the Company with or into one or more corporations or the sale or transfer of all or substantially all of the assets of the Company shall not be deemed to be a liquidation.

4. VOTING RIGHTS: Holders of the Series B Convertible Preferred Stock shall be entitled (i) to notice of and to attend each and every meeting of or including (or occasion for voting by) stockholders of the Company's Common Stock, any class thereof, or this Series B Convertible Preferred Stock ("Meetings"), and (ii) to vote on any and all matters coming before such Meetings, including without limitation election of any and all directors. At such Meetings (or on any other occasion for voting) holders of Series B Convertible Preferred Stock shall be entitled (subject to the terms of Section 7 hereafter) to twelve (12) votes in person or by proxy for each share of Series B Convertible Preferred Stock outstanding in that holder's name on the transfer books of the Company.

Except as may be otherwise required by law the holders of the Common

Stock and the Series B Convertible Preferred Stock shall vote together as a single class on all matters upon which both classes of holders cast votes, with holders of the Common Stock having one (1) vote per share of Common Stock and holders of the Series B Convertible Preferred Stock having twelve (12) votes per share of Series B Convertible Preferred Stock.

So long as thirty three percent (33%) or more of the shares of Series B Convertible Preferred Stock ever issued remain outstanding, absent the express approval by the holders of a majority of shares of Series B Convertible Preferred Stock then outstanding, the Company shall not (i) issue any voting securities (common stock, preferred stock or otherwise) having more than one vote per share other than this Series B Convertible Preferred Stock, (ii) issue by way of dividend after July 31, 2001 voting securities (common stock, preferred stock or otherwise) collectively and cumulatively having more votes than the votes held by the then outstanding common stock immediately prior to the issuance (including any and all classes thereof) times one hundred thirty five percent (135%), or (iii) issue any voting securities (common stock, preferred stock or otherwise) the effect of which would be to dilute the votes held by the holders of the outstanding Series B Convertible Preferred Stock to less than a majority of the total votes entitled to be cast by all security holders at an election of Company directors.

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5. **CONVERSION RIGHT:** On July 31, 2001 (or such earlier time as the Company's Board of Directors by due resolution may hereafter declare) and at all times thereafter, at the option of the respective holders, each share of Series B Convertible Preferred Stock then or later outstanding shall be convertible into the Common Stock of the Company on the basis of one (1) fully paid and nonassessable share of Common Stock for each share of Series B Convertible Preferred Stock.

In order to convert shares of Series B Convertible Preferred Stock into Common Stock the holder shall surrender the certificate or certificates for such Series B Convertible Preferred Stock at the office of the transfer agent for the Company's Common Stock (or other place as the Company may provide), which certificate or certificates, shall be duly endorsed to the Company or in blank or accompanied by proper instruments of transfer to the Company or in blank (such endorsements or instruments of transfer to be in a form satisfactory to the Company with signature guaranteed), and shall give written notice to the Company at said office that he elects so to convert said stock in accordance with the terms of this Certificate of Designations, Preferences, and Rights, and shall state in writing therein the name or names in which he wishes the certificate or certificates for the Common Stock to be issued. Every such notice of election to convert shall constitute a contract between the holder and the Company, whereby the holder shall be deemed to subscribe for the amount of Common Stock which

that holder shall be entitled to receive upon such conversion, and in satisfaction of such subscription, to surrender the Series B Convertible Preferred Stock to be converted, and to release the Company from all liability there under, and thereby the Company shall be deemed to agree that the surrender of the certificate or certificates therefore and the extinguishments of liability thereon shall constitute full payment of such subscription for the Common Stock to be issued upon such conversion. The Company will as soon as practicable after such surrender of a certificate or certificates for Series B Convertible Preferred Stock, accompanied by the written notice and statement above prescribed, issue and deliver at the office of said transfer agent (or other place as provided above) to the former holder for whose account such stock was so surrendered, or that former holder's nominee or nominees, a certificate or certificates for the number of shares of Common Stock to which that former holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made as of the date of such surrender of the Series B Preferred Stock to be converted; and the person, persons, entity or entities entitled to receive the Common Stock issuable upon conversion of such stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

The issuance of certificates for shares of Common Stock upon conversion of shares of Series B Convertible Preferred Stock shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such certificate is to be issued in a name other than that of the former Series B Convertible Preferred Stock holder, the person, persons, entity or entities requesting the issuance thereof shall pay to the Company the amount of any tax which may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Company that such tax has been paid.

Notwithstanding anything in the foregoing to the contrary, while the stock transfer books of the Company are closed for any purpose the Company shall not be required to convert Series B Convertible Preferred Stock, and no surrender of Series B Convertible Preferred Stock shall be effective for that purpose, but the surrender of Series B Convertible Preferred Stock for conversion during any such period shall become effective for conversion immediately

upon the reopening of such books, as if the conversion had been made on the date such stock was surrendered.

The Company will at all times reserve and keep available, solely for the purpose of issue upon conversion of the outstanding shares of Series B Convertible Preferred Stock, such number of shares of Common Stock as shall be issuable upon the conversion of all such outstanding shares, provided

that nothing contained herein shall be construed to preclude the Company from satisfying its obligations in respect of the conversion of the outstanding shares of Series B Convertible Preferred Stock by delivery of shares of Common Stock which are held in the treasury of the Company. If any shares of Common Stock required to be reserved for purposes of conversion hereunder, require registration or approval of any governmental authority under any federal or state law before such shares of Common Stock may be issued upon conversion, the Company will use reasonable efforts to cause such shares to be duly registered or approved within a reasonable period of time after the holder of the Series B Convertible Preferred Stock shares elects to convert, as the case may be. The holder of the Series B Convertible Preferred Stock shares electing to convert shall cooperate with the Company, as the Company in its sole opinion deems reasonably necessary or appropriate, to secure any such registration or approval, including without limitation, providing the Company with such information concerning the holder as may be requested by the Company. The shares of Common Stock which shall be issued upon conversion of the shares of Series B Convertible Preferred Stock will, upon issuance, be fully paid and nonassessable and not entitled to any preemptive rights.

6. RESTRICTED TRANSFERABILITY: Series B Convertible Preferred Stock is not transferable whether by sale, assignment, gift, bequest, appointment, pledge or otherwise except:
- (a) Prior to July 31, 2001: Prior to July 31, 2001 shares of Series B Convertible Preferred Stock may be transferred in the absolute and sole discretion of the Company only if (i) the transfer would be allowable under subparagraph (b) immediately below but for the date of transfer, and (ii) in each such case, in the sole opinion of the Company a transfer of shares may be made without impairing or making it more difficult to preserve any tax attributes of the Company (including without limitation net operating losses, or the rate of use of the same, under the United States Income Tax laws). Under no other circumstances will shares of Series B Convertible Preferred Stock be transferable either on the Company's books or otherwise prior to July 31, 2001.
 - (b) On and after July 31, 2001: On and after July 31, 2001 shares of Series B Convertible Preferred Stock may be transferred only as follows:
 - (i) Shares beneficially owned by a natural person may be transferred to (W) that person's spouse, or the natural or legally adopted children, brothers or sisters of either of them, or the natural or legally adopted children of any of said children, brothers, or sisters ("Family Members"), (X) in the event of death or legal incapacity, to his or her estate, (Y) to a trust for his or her principal benefit and/or for the principal benefit of one or more of his or her Family Members, or (Z) to an entity, the equity of which is seventy five percent (75%) or more owned by him or her and/or by one or more of his or her Family Members.
 - (ii) Shares held by an estate for a deceased or legally incapacitated

shareholder may be transferred to any of his or her Family Members, or to a trust for the benefit of any

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of his or her Family Members (if the shareholder is legally incapacitated, the trust may be for his or her benefit and/or for his or her Family Members).

- (iii) Shares held by a trustee may be transferred to a co or successor trustee for the same trust or the beneficiaries of the trust or the Family Members of the beneficiaries of the trust.
 - (iv) Shares beneficially owned by an entity may be transferred (X) to another entity, provided either the transferee or the transferor beneficially owns at least seventy five percent (75%) of the total equity (including all the net assets) of the other or alternatively the transferee and the transferor share at least seventy five percent (75%) of the same beneficial equity (including all the net assets) owners, or (Y) to a person or to a trust, provided that the person or trust beneficially owns at least fifty percent (50%) of the equity (including all the net assets) of the transferor entity.
 - (v) A holder may give a creditor or lender the right to tender in the holder's name Series B Convertible Preferred Stock shares for conversion to the Company's Common Stock to be issued in the name of that creditor or lender, provided that in so doing the holder and creditor or lender, as the case may be, shall each be deemed to acknowledge that no transfer of the Series B Convertible Preferred Stock shares themselves has or will occur.
 - (vi) Under no other circumstance will shares of the Series B Convertible Preferred Stock be transferred either on the Company's books or otherwise on or after July 31, 2001.
- (c) At all times, for purposes of this Section 6:
- (i) Each joint owner of Series B Convertible Preferred Stock shares shall be considered a holder of such shares.
 - (ii) A minor for whom Series B Convertible Preferred Stock shares are held pursuant to a Uniform Gift to Minors Act or similar law shall be considered a holder of such shares.
 - (iii) Shares may only be transferred to a person or entity who, upon transfer, will be the bona fide beneficial owner of the shares or a trustee for such bona fide beneficial owner, accordingly transfers to 'nominees' or 'street name' are not permitted.
 - (iv) Submissions of shares for transfer in accordance with the provisions of this Section 6 shall be accompanied by an affidavit in form and content satisfactory to the Company in its sole discretion, with transferor's signature guaranteed, evidencing that the requested transfer is pursuant to the provisions of this Section 6 together with such other supporting evidence as the

Company in its sole discretion deems appropriate.

- (v) Notwithstanding anything in the foregoing, if the shares were originally issued by the Company as a dividend on its Common Stock to a person or entity who is neither the beneficial owner of the shares nor a trustee for such beneficial owner (a "Nominee Holder"), then the share certificate will be reissued by the Company to the person or entity who was the beneficial owner or trustee for the beneficial owner of the shares on the date the dividend shares were originally issued (in the event there are intervening 'sub nominee holders' on the date the dividend was issued, the chain of nominee ownerships will be followed to the person or entity who was the beneficial owner or trustee for the beneficial owner on, in either case, the date the dividend shares were originally issued).

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- (vi) The Company shall note on Series B Convertible Preferred Stock certificates a warning of the restrictions on transfer and registration of transfer imposed by this Section 6.
- (vii) Any attempted or purported transfer of Series B Convertible Preferred Stock shares, whether the same is registered by the Company or not, not in accord with the provisions of this Section 6 without further act shall be deemed null and void from the inception and without any effect whatsoever.
- (viii) Nothing in this Section 6 is intended to limit the ability to transfer any shares of Common Stock issuable upon conversion of shares of Series B Convertible Preferred Stock.

- 7. COMMON STOCK CHANGES: Notwithstanding any provision in the foregoing to the contrary in the event of any combination, split, reverse split or reclassification (hereafter "Combination") of the Company's Common Stock, the Series B Convertible Preferred Stock shall be simultaneously combined, split, reverse split, reclassified and/or adjusted (hereafter "Adjustments") so that immediately following the Combination of the Company's Common Stock the holders of the Series B Convertible Preferred Stock and holders of the Company's Common Stock stand in the same relationship as existed immediately prior to the Combination, with the relative rights and powers of the respective holders, including without limitation, voting, stock conversion and liquidation rights, unchanged. Adjustments for this purpose may include, without limitation, revisions to the number of votes per share of Series B Convertible Preferred Stock provided for in Section 4 above, the conversion rate provided for in Section 5 above; and the per Series B Convertible Preferred Stock share liquidation value provided for in Section 3 above. In the event the Combination is effected through a dividend to both holders of the Common Stock and holders of the Series B Convertible Preferred Stock, the dividend received by holders of the Series B Convertible Preferred Stock on account

of that stock shall be considered in determining whether an Adjustment is necessary and if so, in the calculation of that Adjustment.

8. AMENDMENTS: The holders of a majority of the then outstanding Series B Convertible Preferred Stock, together with the Company, to the extent permitted by law and subject to any restrictions of any securities of the Company senior to the Series B Convertible Preferred Stock, may amend, modify, add or eliminate any provision of this Certificate of Designations, Preferences and Rights (or as it may be amended in the future), including without limitation dividend, liquidation, transfer and conversion rights, provided that no such amendment, modification, addition or elimination shall be effective and binding until the same has been specifically and affirmatively approved and adopted by the Company's Board of Directors and provided further that nothing herein shall preclude the Company's Board of Directors by due resolution from independently (i) modifying or eliminating transferability restrictions, for all or a limited period of time, if the effect is to increase transferability; (ii) offer to convert or buy Series B Convertible Preferred Stock prior to July 31, 2001 or for all or a limited period of time, for more than one (1) share of Common Stock or for all or a limited period of time, offer other securities or consideration as an alternative to one (1) share of Common Stock; or (iii) making any Adjustments necessary to conform with Section 7 above.

IN WITNESS WHEREOF, this Certificate has been made under the seal of the Company and the hands of the undersigned on JUNE 29, 2000.

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Michael McGuire
Michael McGuire,
President

ATTEST:

Lori Sarnataro

Lori Sarnataro,
Secretary

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2000 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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