

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

BOLLINGER INDUSTRIES INC

Form 10-Q

August 14, 2001

1

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended
June 30, 2001 or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the transition period from
_____ to _____

Commission file number 0-22716

BOLLINGER INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 75-2502577
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

602 FOUNTAIN PARKWAY, GRAND PRAIRIE, TEXAS 75050
(Address of principal executive offices)
(Zip Code)

(972) 343-1000
(Registrant's telephone number, including area code)

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

Yes No

As of August 2, 2001, 4,368,615 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

1

2

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

Page No.

PART I - FINANCIAL INFORMATION

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

Item 1.	Consolidated Financial Statements	
	Consolidated Balance Sheets as of June 30, 2001 (unaudited) and March 31, 2001	3
	Consolidated Statements of Operations for the Quarters Ended June 30, 2001 and 2000 (unaudited)	5
	Consolidated Statements of Cash Flows for the Quarters Ended June 30, 2001 and 2000 (unaudited)	6
	Notes to Consolidated Financial Statements (unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	13

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	14
Item 2.	Changes in Securities and Use of Proceeds	15
Item 3.	Defaults Upon Senior Securities	15
Item 4.	Submission of Matters to a Vote of Security Holders	15
Item 5.	Other Information	15
Item 6.	Exhibits and Reports on Form 8-K	15

SIGNATURES

2

3

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2001 ----- (Unaudited)	MARCH 31, 2001 -----
ASSETS		
CURRENT ASSETS		
Cash	\$ 191,111	\$ 618,788
Accounts receivable-trade, net of allowance for doubtful accounts of \$471,685 and \$465,321, allowance for returns and allowances of \$499,150 and \$614,477, and allowance for advertising of \$438,791 and \$480,476	4,520,496	7,655,118
Escrow deposit for legal settlement	400,000	--
Deposit	500,000	--

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

Prepaid expenses	166,843	240,266
Inventories, net of allowance for obsolescence of \$977,485 and \$782,760	7,939,290	8,172,040
Other current assets	2,288	11,956
	-----	-----
Total current assets	13,720,028	16,698,168
PROPERTY AND EQUIPMENT -- NET	1,143,293	1,295,552
OTHER ASSETS		
Goodwill, net of accumulated amortization of \$977,075 and \$888,250	2,575,925	2,664,750
License rights, net of accumulated amortization of \$196,625 and \$178,750	518,375	536,250
Deferred marketing costs, net of accumulated amortization of \$1,425,333 and \$1,247,167	712,072	890,238
Deferred financing fees, net of accumulated amortization of \$36,415 and \$0	109,243	--
Other	133,931	199,589
	-----	-----
Total other assets	4,049,546	4,290,827
	-----	-----
TOTAL ASSETS	\$18,912,867	\$22,284,547
	=====	=====

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

3

4

Bollinger Industries, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	JUNE 30, 2001	MARCH 31,
	-----	-----
	(Unaudited)	
CURRENT LIABILITIES		
Line of credit	\$ 5,726,586	\$
Current portion of long-term debt	1,860,386	9,595
Current portion of capital lease obligations	338,662	271
Notes payable to officers	200,000	200
Accounts payable-trade	4,647,583	4,612
Taxes payable	49,504	51
Accrued liabilities	689,593	723
Accrued product liability	201,523	219
Contingency for legal settlement	600,000	600
	-----	-----

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

Total current liabilities	14,313,837	16,274
LONG-TERM LIABILITIES		
Long-term debt, less current portion	1,468,486	1,719
Capital lease obligations, less current portion	554,576	641
Other long-term liabilities	--	34
	-----	-----
Total long-term liabilities	2,023,062	2,394
	-----	-----
Total liabilities	16,336,899	18,669
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock - \$0.01 par value; 1,000,000 shares authorized; none issued	--	
Common stock - \$0.01 par value; 20,000,000 shares authorized; 4,400,210 shares issued and 4,368,615 outstanding	44,002	44
Capital in excess of par	15,519,058	15,519
Accumulated deficit	(12,975,145)	(11,935)
Treasury stock, (31,595 shares) at cost	(11,947)	(11)
	-----	-----
Total stockholders' equity	2,575,968	3,615
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 18,912,867	\$ 22,284
	=====	=====

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

4

5

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	QUARTER ENDED JUNE 30,	
	2001	2000
	-----	-----
Net sales	\$ 7,390,948	\$ 8,989,403
Cost of goods sold	5,183,963	6,225,100
	-----	-----
Gross profit	2,206,985	2,764,303
Selling expenses	819,633	1,062,303

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

Distribution, general and administrative expenses	2,102,278	2,154,150
	-----	-----
	2,921,911	3,216,453
	-----	-----
Operating loss	(714,926)	(452,150)
Other expense (income)		
Interest expense	334,346	364,299
Gain on sale of assets	(9,868)	--
Other	--	28
	-----	-----
	324,478	364,327
	-----	-----
Loss before income tax expense	(1,039,404)	(816,477)
Income tax expense	--	--
	-----	-----
Net loss	\$ (1,039,404)	\$ (816,477)
	=====	=====
Per share data (basic and diluted):		
Basic loss per share	\$ (0.24)	\$ (0.19)
	=====	=====
Diluted loss per share	\$ (0.24)	\$ (0.19)
	=====	=====
Shares used in the calculation of per share amounts:		
Basic common shares	4,368,615	4,400,210
Dilutive impact of stock options	--	--
	-----	-----
Diluted common shares	4,368,615	4,400,210
	=====	=====

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

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

	2001 -----	2000 -----
Cash flows from operating activities		
Net loss	\$ (1,039,404)	\$ (816,477)
Adjustments to reconcile net loss to net cash provided by operating activities		
Gain on sale of assets	(9,868)	--
Depreciation and amortization	517,578	488,574
Provision for returns and allowances	454,066	369,942
Provision for doubtful accounts	7,889	18,807
Provision for advertising	140,560	326,153
Provision for obsolete inventory	217,136	176,556
Changes in operating assets and liabilities		
Accounts receivable-trade	2,532,107	(98,957)
Other current assets	9,668	30,697
Inventories	15,614	(1,110,020)
Prepaid expenses	73,423	18,378
Other assets	64,961	572
Accounts payable-trade	44,910	728,175
Taxes payable	(1,800)	(1,800)
Accrued liabilities	(33,716)	194,132
Escrow deposit for legal settlement	(400,000)	--
Contingency for legal settlement	--	(30,000)
Accrued product liability	(18,254)	26,114
Other long-term liabilities	(34,085)	--
	-----	-----
Net cash provided by operating activities	2,540,785	320,846
Cash flows from investing activities		
Purchases of property and equipment	(43,473)	(86,064)
Deposit with equipment lessor	(500,000)	--
	-----	-----
Net cash used in investing activities	(543,473)	(86,064)
Cash flows from financing activities		
Net proceeds on a line of credit	5,726,586	--
Net payments on long-term debt	(7,985,827)	(1,031,935)
Payments on capital lease obligations	(20,090)	(25,050)
Purchase of treasury stock	--	(11,947)
Financing fees	(145,658)	--
	-----	-----
Net cash used in financing activities	(2,424,989)	(1,068,932)
	-----	-----
Net decrease in cash	(427,677)	(834,150)
Cash at beginning of period	618,788	959,242
	-----	-----
Cash at end of period	\$ 191,111	\$ 125,092
	=====	=====

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

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A - GENERAL

The consolidated interim financial statements include the accounts of Bollinger Industries, Inc., its wholly owned subsidiaries, and Bollinger Industries, L.P., a partnership wholly-owned by Bollinger's subsidiaries (collectively the "Company").

The consolidated interim financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the consolidated financial statements and notes for the fiscal year ended March 31, 2001 contained in the Company's Annual Report on Form 10-K.

In the opinion of management, the unaudited interim consolidated financial statements of the Company contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly the Company's financial position and the results of its operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates.

Reclassifications

When necessary, certain prior year amounts have been reclassified to conform to the current year presentation.

Revenue Recognition and Provisions for Chargebacks

The Company recognizes sales revenue at the time the products are shipped to its customers. Provision is made currently for estimated product returns and deductions which may occur. These returns are generally for products that are salable with minor reworking of packaging or replacement of missing components. The term "Chargebacks" refers to the action taken by the customer to withhold from payments or to apply for credit amounts for items such as volume discounts or rebates under marketing programs or pricing discrepancies, penalties, vendor compliance issues, shipping shortages and any other similar item under vendor compliance guidelines established by the customer. The provision for returns is estimated based on current trends and historical

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED -- CONTINUED)

NOTE A - GENERAL-CONTINUED

experience of returns. The provision for chargebacks is estimated based on the marketing programs designed for the customer, and recent historical experience based on volume.

NOTE B - CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplemental disclosures are as follows:

	QUARTER ENDED JUNE 30,	
	2001	2000
Interest paid	\$514,434	\$343,310

Interest paid in 2001 includes fees and penalties associated with refinancing.

NOTE C - INVENTORIES

	June 30, 2001	March 31, 2001
Raw materials	\$ 169,000	\$ 177,408
Work in progress	13,599	3,714
Finished goods	8,734,176	8,773,678
Reserve for obsolescence	(977,485)	(782,760)
	\$ 7,939,290	\$ 8,172,040

NOTE D - NOTES PAYABLE AND LONG TERM DEBT

On April 2, 2001 the Company entered into a Loan Agreement with a banking association replacing the former lender and providing a maximum line of credit of \$12,000,000, subject to certain terms and conditions. This line of credit is payable on demand and is collateralized by substantially all of the Company's assets including accounts receivable and inventory. The revolving credit note bears interest at prime plus 2% but at no time less than 9%. The Company capitalized financing fees of \$145,658 in connection with this financing which are being amortized over the initial term of the agreement of three years. As of June 30, 2001 there was \$5,727,000 outstanding under the loan agreement. Availability under the line was \$70,000 at June 30, 2001 based upon selected criteria for accounts receivable and inventory.

The Company has a convertible subordinated note payable for \$1,400,000 due October 1, 2003 pursuant to the asset purchase agreement with The Step Company. The note bears interest at the rate of prime plus one percent adjusted quarterly. The holder has the right to convert the outstanding principal balance

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

into fully paid and non-assessable shares of the Company's unregistered common stock subject to predefined ratios.

8

9

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED-CONTINUED)

NOTE E - INCOME TAXES

The Company's effective income tax rates for the three months ended June 30, 2000 and 2001 was 0% because of the lack of taxable income. At June 30, 2001 the Company had net operating losses available to offset future taxable income of approximately \$ 9.9 million, the benefit of which begin expiring in 2011.

NOTE F - COMMITMENTS AND CONTINGENCIES

Cause No. 96-02952; Suntrust Bank Atlanta, as Trustee for Suntrust Retirement Sunbelt Equity Fund v. Bollinger Industries, Inc., Glenn D. Bollinger, Bobby D. Bollinger, Michael J. Beck, John L. Maguire, and Grant Thornton, L.L.P.; in the 191st Judicial District Court (originally filed in the 68th Judicial District Court) of Dallas County, Texas (the "Suntrust Lawsuit"):

The Company, Glenn D. Bollinger (Chairman and CEO), Bobby D. Bollinger (President), Michael J. Beck (former CAO), John L. Maguire (Director), and Grant Thornton, L.L.P. (former independent accountants) are defendants in a securities fraud lawsuit filed on March 22, 1996 by shareholder Suntrust Bank Atlanta, as Trustee for Suntrust Retirement Sunbelt Equity Fund, on behalf of themselves and all persons similarly situated. This lawsuit was filed as a class action on behalf of those who purchased securities through a public offering of the Company's stock, alleging that the price of the stock was artificially inflated and maintained in violation of the anti-fraud provisions of the securities law as well as common law. Further, Grant Thornton filed a cross claim against the underwriters, and against the Company, Glenn D. Bollinger and Bobby D. Bollinger, generally seeking contribution.

Civil Action No. 3:96C-V-0823-L; STI Classic Fund and STI Classic Sunbelt v. Bollinger Industries, Inc., Glenn D. Bollinger, Bobby D. Bollinger, and Michael J. Beck; in the United States District Court for the Northern District of Texas, Dallas Division (the "STI Lawsuit"):

The Company paid a deposit of \$500,000 to an equipment lessor in April 2001. The Company anticipates receiving a refund of this deposit in exchange for a letter of credit during the year ended March 31, 2002.

The Company, Glenn D. Bollinger, Bobby D. Bollinger, and Michael J. Beck are defendants in a lawsuit filed on March 22, 1996 in the United States District Court for the Northern District of Texas, Dallas Division, by shareholders STI Classic Fund and STI Classic Sunbelt, on behalf of themselves and all persons similarly situated. Like the Suntrust lawsuit, this lawsuit was also filed as a class action on behalf of a class of persons who purchased securities issued by the Company at prices which allegedly were artificially inflated and maintained in violation of the anti-fraud provisions under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 thereunder. A class certification has been granted by the court.

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED-CONTINUED)

NOTE F - COMMITMENTS AND CONTINGENCIES-CONTINUED

In April 2001, the Company and the class representatives entered into a "Stipulation of Settlement" which calls for the one time payment of \$400,000 and the issuance of 200,000 shares of Bollinger Common Stock in full settlement of both the Suntrust Lawsuit and the STI Lawsuit. The 200,000 shares of stock are subject to a Put and Call Agreement which permits (1) the Company to call the stock for \$2.00 per share, and (2) the plaintiffs to require the Company to purchase the stock for \$1.00 per share. These put and call options run for one year after the effective date of the final settlement and approval of the litigation. Full and final settlement of both actions require class acceptance and judicial approval, and the hearings for final approval have been set for August 24, 2001. The Company has paid the \$400,000 into escrow pending final approval.

In connection with an investigation by the Securities and Exchange Commission, in September 1996 the Company consented to the entry of an order of permanent injunction which enjoins the Company from violating the antifraud, periodic reporting, record keeping and internal accounting controls provisions of the Exchange Act and regulations promulgated thereunder in the future in the conduct of its business. Glenn Bollinger consented to the entry of an order of permanent injunction enjoining him from violations of the antifraud, record keeping, periodic reporting and internal accounting controls provisions of the Exchange Act and regulations promulgated there-under in the future, and agreed to the payment of a monetary penalty in the amount of \$40,000. Ronald Bollinger consented to the entry of an order of permanent injunction enjoining him from violations of the antifraud, record keeping, periodic reporting and internal accounting controls provisions of the Exchange Act and regulations promulgated thereunder, and agreed not to act as a director or officer of a registered or reporting entity in the future.

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. The Company is not currently a party to any other material litigation and is not aware of any litigation threatened against the Company, arising in the ordinary course of business, that could have a material adverse effect on the Company.

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

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's Annual Reports on Form 10-K and consolidated financial statements for the fiscal years ended March 31, 2001 and March 31, 2000; the Company's Form 10-Q for the quarter ended June 30, 2000; and the consolidated financial statements and related notes for the quarter ended June 30, 2001 found elsewhere in this report.

QUARTER ENDED JUNE 30, 2001 COMPARED WITH QUARTER ENDED JUNE 30, 2000

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

Net sales decreased for the quarter ended June 30, 2001 by approximately \$1,598,000 on a comparative basis with the prior year, a decrease of 17.8%. The decrease in net sales resulted from the loss of distribution rights on an abdominal product and the continued shift of one of the Company's largest customers away from Company branded products to private label, directly imported products.

Gross profits as a percent of net sales decreased for fitness accessory products to 29.9% in the quarter ended June 30, 2001 from 30.8% in the quarter ended June 30, 2000.

Selling expenses for the quarter ended June 30, 2001 decreased by approximately \$243,000 as compared to the quarter ended June 30, 2000, and decreased as a percentage of net sales to 11.1% from 11.8%. The decrease in selling expense was primarily related to decreased advertising co-ops paid to customers partially offset by increased salaries and related expenses.

Distribution, general and administrative expenses for the quarter ended June 30, 2001 decreased by approximately \$52,000 as compared to the quarter ended June 30, 2000, and increased as a percentage of net sales to 28.4% in 2001 from 24.0% in 2000. The dollar decrease in distribution, general and administrative expenses resulted from decreased freight and legal expenses while the percentage increase was caused by reduced sales volume.

The Company sustained an operating loss of \$715,000 for the quarter ended June 30, 2001, as compared to an operating loss of \$452,000 in the same quarter last year, or a change of \$263,000. As a percentage of net sales, the operating loss increased from 5.0% in 2000 to 9.7% in 2001. The increase of the operating loss was fueled primarily by lower sales volume.

Interest expense for the quarter ended June 30, 2001 was approximately \$334,000 compared to approximately \$364,000 for the same quarter in the previous year. The decrease in interest expense was primarily due to a decrease in the borrowed balance and a 1.9% decrease in the interest rate assessed by a financial institution.

11

12

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of outside financing in the past several years has been short-term borrowings from an asset-based lender and a banking association. Net cash provided by operating activities for the quarter ended June 30, 2001 was \$2,540,000 compared to net cash provided by operating activities for the same period in the prior year of \$321,000.

On April 2, 2001 the Company entered into a Loan Agreement with a banking association replacing the former lender and providing a maximum line of credit of \$12,000,000, subject to certain terms and conditions. This line of credit is payable on demand and is collateralized by substantially all of the Company's assets including accounts receivable and inventory. The revolving credit note bears interest at prime plus 2% but at no time lower than 9%. As of June 30, 2001 there was \$5,727,000 outstanding under the loan agreement. Availability under the line was \$70,000 at June 30, 2001 based on selected criteria for accounts receivable and inventory. Outstanding balances in the quarter ended June 30, 2001 bore interest at a rate of 9.35% compared to an approximate rate of 11.25% for the quarter ended June 30, 2000.

The Company has a convertible subordinated note payable for \$1,400,000 due

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

October 1, 2003 pursuant to the asset purchase agreement with The Step Company. The note bears interest at the rate of prime plus one percent adjusted quarterly. The holder has the right to convert the outstanding principal balance into fully paid and non-assessable shares of the Company's unregistered common stock subject to predefined ratios.

ACCOUNTING CHANGES

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 "Business Combinations" which requires the purchase method of accounting for business combination transactions initiated after June 30, 2001.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets". The statement requires that goodwill recorded on acquisitions completed prior to July 1, 2001 be amortized through December 31, 2001. Goodwill amortization is precluded on acquisitions completed after June 30, 2001. Effective January 1, 2002, goodwill will no longer be amortized but will be tested for impairment as set forth in the statement. We are currently reviewing the new standard and evaluating the effects of this standard on our future financial condition, results of operations, and accounting policies and practices. Amortization of goodwill for the first three months of 2001 totaled \$88,825.

FACTORS THAT COULD EFFECT FUTURE PERFORMANCE

Certain statements contained in this Report, including without limitation, statements containing the words "believes," "anticipates," "intends," "expects," and words of similar import, constitute "forward-looking statements." Such forward-looking statements involve numerous assumptions about known and unknown risks, uncertainties and other factors which may ultimately prove to be inaccurate. Certain of these factors are discussed in more detail elsewhere in this Report, including without limitation under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and include the Company's ability to continue to improve gross margin, to maintain good relationships with its customers and suppliers and to generate sufficient cash to fund operations. Actual results may differ materially from any future results expressed or implied by such forward-looking statements. The Company disclaims any obligation to update any forward-looking statements or publicly revise any of the forward-looking statements contained herein to reflect future events or developments.

Investors are cautioned that forward-looking statements involve certain risks and uncertainties that could cause actual results of the Company to differ materially from those contained in the forward-looking statements. In addition to the factors mentioned above, other important factors include, but are not limited to: seasonality, advertising and promotional efforts, availability and terms of capital, future acquisitions, economic conditions, consumer preferences, lack of success of new products, loss of customer loyalty, heightened competition and other factors discussed in this Report. The Company disclaims any obligation to update or to publicly revise any of the forward-looking statements contained herein to reflect future events or developments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

Not applicable.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Cause No. 96-02952; Suntrust Bank Atlanta, as Trustee for Suntrust Retirement Sunbelt Equity Fund v. Bollinger Industries, Inc., Glenn D. Bollinger, Bobby D. Bollinger, Michael J. Beck, John L. Maguire, and Grant Thornton, L.L.P.; in the 191st Judicial District Court (originally filed in the 68th Judicial District Court) of Dallas County, Texas (the "Suntrust Lawsuit"):

The Company, Glenn D. Bollinger (Chairman and CEO), Bobby D. Bollinger (President), Michael J. Beck (former CAO), John L. Maguire (Director), and Grant Thornton, L.L.P. (former independent accountants) are defendants in a securities fraud lawsuit filed on March 22, 1996 by shareholder Suntrust Bank Atlanta, as Trustee for Suntrust Retirement Sunbelt Equity Fund, on behalf of themselves and all persons similarly situated. This lawsuit was filed as a class action on behalf of those who purchased securities through a public offering of the Company's stock, alleging that the price of the stock was artificially inflated and maintained in violation of the anti-fraud provisions of the securities law as well as common law. Further, Grant Thornton filed a cross claim against the underwriters, and against the Company, Glenn D. Bollinger and Bobby D. Bollinger, generally seeking contribution.

Civil Action No. 3:96C-V-0823-L; STI Classic Fund and STI Classic Sunbelt v. Bollinger Industries, Inc., Glenn D. Bollinger, Bobby D. Bollinger, and Michael J. Beck; in the United States District Court for the Northern District of Texas, Dallas Division (the "STI Lawsuit"):

The Company, Glenn D. Bollinger, Bobby D. Bollinger, and Michael J. Beck are defendants in a lawsuit filed on March 22, 1996 in the United States District Court for the Northern District of Texas, Dallas Division, by shareholders STI Classic Fund and STI Classic Sunbelt, on behalf of themselves and all persons similarly situated. Like the Suntrust lawsuit, this lawsuit was also filed as a class action on behalf of a class of persons who purchased securities issued by the Company at prices which allegedly were artificially inflated and maintained in violation of the anti-fraud provisions under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 thereunder. A class certification has been granted by the court.

In April 2001, the Company and the class representatives entered into a "Stipulation of Settlement" which calls for the one time payment of \$400,000 and the issuance of 200,000 shares of Bollinger Common Stock in full settlement of both the Suntrust Lawsuit and the STI Lawsuit. The 200,000 shares of stock are subject to a Put and Call Agreement which permits (1) the Company to call the stock for \$2.00 per share, and (2) the plaintiffs to require the Company to purchase the stock for \$1.00 per share. These put and call options run for one year after the effective date of the final settlement and approval of the litigation. Full and final settlement of both actions require class acceptance and judicial approval, and the hearings for final approval have been set for August 24, 2001. The Company has paid the \$400,000 into escrow pending final approval.

In connection with an investigation by the Securities and Exchange Commission, in September 1996 the Company consented to the entry of an order of permanent injunction which enjoins the Company from violating the antifraud, periodic reporting, record keeping and internal accounting controls provisions of the

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

Exchange Act and regulations promulgated there-under in the future in the conduct of its business. Glenn Bollinger consented to the entry of an order of permanent

14

15

injunction enjoining him from violations of the antifraud, record keeping, periodic reporting and internal accounting controls provisions of the Exchange Act and regulations promulgated there-under in the future, and agreed to the payment of a monetary penalty in the amount of \$40,000. Ronald Bollinger consented to the entry of an order of permanent injunction enjoining him from violations of the antifraud, record keeping, periodic reporting and internal accounting controls provisions of the Exchange Act and regulations promulgated there-under, and agreed not to act as a director or officer of a registered or reporting entity in the future.

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. The Company is not currently a party to any other material litigation and is not aware of any litigation threatened against the Company, arising in the ordinary course of business, that could have a material adverse effect on the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11 Computation of Earnings Per Share

(b) No reports on Form 8-K were filed during the three-month period ended June 30, 2001.

15

16

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Edgar Filing: BOLLINGER INDUSTRIES INC - Form 10-Q

BOLLINGER INDUSTRIES, INC.

Date: August 10, 2001

/s/ Glenn D. Bollinger

Glenn D. Bollinger
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2001

/s/ Rose Turner

Rose Turner
Executive Vice President -
Finance, Chief Financial Officer,
Chief Operating Officer,
Treasurer and Secretary
(Principal Financial Officer)

16

17

BOLLINGER INDUSTRIES, INC. AND SUBSIDIARIES

EXHIBIT INDEX

Exhibits	Description
-----	-----
11	Computation of Earnings Per Share

17