

BRIDGE TECHNOLOGY INC  
Form 10-Q  
December 18, 2003

---

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 March 31, 2003

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-24767

**BRIDGE TECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**59-3065437**  
(I.R.S. Employer  
Identification No.)

**12601 Monarch Street, Garden Grove, California 92841**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(714) 891-6508**

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock as of March 31, 2003 was 10,898,110.

---

Table of Contents

FORM 10-Q

**FORM 10-Q**

INDEX

---

PART I. Financial Information

Item 1. <u>Financial Statements</u>	1
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	6
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	7
Item 4. <u>Controls and Procedures</u>	8

PART II. Other Information

Item 1. <u>Legal Proceedings</u>	9
Item 2. <u>Changes in Securities and Use of Proceeds</u>	9
Item 3. <u>Defaults Upon Senior Securities</u>	9
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	9
Item 5. <u>Other Information</u>	10
Item 6. <u>Exhibits and Reports on Form 8-K</u>	10

This 10-Q document including the accompanying footnotes and financial statements have not been reviewed as required by the Securities and Exchange Commission ( SEC ) Rules and Regulations.

<u>Signatures</u>	10
-------------------	----

---

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.**

Bridge Technology, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2002 (Audited)	March 31, 2003 (Unaudited)
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,324,118	\$ 2,855,073
Accounts receivable, less allowance for doubtful accounts of \$293,143 and \$331,555 respectively	9,175,912	7,498,259
Tax refund receivable	127,560	90,044
Other receivables	272,388	358,022
Inventory, net	8,135,790	7,472,655
Assets of subsidiaries held for sale	3,170,060	3,170,060
	<u>          </u>	<u>          </u>
Total current assets	22,205,828	21,444,113
Property and equipment, net	384,699	370,885
Goodwill, net of amortization of \$1,242,917	1,949,417	1,949,417
Investments	39,996	39,996
Other assets	86,772	86,772
	<u>          </u>	<u>          </u>
Total assets	\$ 24,666,712	\$ 23,891,183
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Bank overdraft	\$ 131,209	\$ -
Notes payable	3,708,072	2,850,066
Accounts payable	6,648,157	6,920,627
Income taxes payable	60,022	60,022
Deferred income tax	2,817	3,713
Accrued liabilities	1,591,797	1,415,845
Shareholder loan	2,050,000	2,150,000
Current portion of loans due to related party	79,950	79,950
Liabilities of subsidiaries held for sale	3,623,117	3,623,117
	<u>          </u>	<u>          </u>
Total current liabilities	17,895,141	17,103,340
Related party loan, less current portion	884,054	879,435
	<u>          </u>	<u>          </u>
Total liabilities	18,779,195	17,982,775
	<u>          </u>	<u>          </u>
Minority interest	920,331	838,322
Commitments and Contingencies		

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

**Shareholders' equity**

Common stock; par value \$0.01 per share, authorized 100,000,000 shares, 10,898,110 and 10,898,110 shares issued and outstanding, respectively	108,981	108,981
Additional paid-in capital	10,097,579	10,097,579
Related party receivable	(340,000)	(340,000)
Treasury stock, 66,000 shares at cost	(2,000)	(2,000)
Current Year Net Income	-	96,397
Retained earnings (accumulated deficit)	(4,868,477)	(4,868,477)
Accumulated other comprehensive loss	(28,897)	(22,394)
	<b>4,967,186</b>	<b>5,070,086</b>
Total shareholders' equity		
	<b>\$ 24,666,712</b>	<b>\$ 23,891,183</b>

*See accompanying notes to consolidated financial statements.*

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Bridge Technology, Inc. and Subsidiaries

Consolidated Statements of Operations

	Three Months Ended	
	Mar. 31, 2002 (Unaudited)	Mar. 31, 2003 (Unaudited)
Net sales	\$ 26,232,598	\$ 19,283,573
Cost of sales	24,745,005	18,273,939
Gross profit	1,487,593	1,009,634
Selling, general and administrative expense	1,250,972	841,780
Income from operations	236,621	167,854
Other income (expense):		
Interest income (expense), net	(193,863)	(23,747)
Other income	54,857	8,693
Gain on sale of investment	320,871	-
Income before income taxes	418,486	152,800
Income taxes provision	61,204	38,412
Net income (loss)	357,282	114,388
Minority interest	32,952	17,991
Net income (loss) applicable to common shares	\$ 324,330	\$ 96,397
Basic weighted average number of common stock outstanding	10,863,186	10,898,110
Basic earnings (loss) per share	\$ 0.03	\$ 0.01
Diluted weighted average number of common stock outstanding	10,863,186	10,898,110
Diluted earnings per share	\$ 0.03	\$ 0.01
Comprehensive income (loss) and its components consist of the following:		
Net income (loss)	\$ 324,330	\$ 96,397
Foreign currency translation adjustment	-	-

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Comprehensive income (loss)

\$ 324,330

\$ 96,397

*See accompanying notes to consolidated financial statements.*

Table of Contents 2 FORM 10-Q

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Bridge Technology, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

	Three Months Ended	
	Mar. 31, 2002 (Unaudited)	Mar. 31, 2003 (Unaudited)
<b>Cash flows from operating activities from continuing operations</b>		
Net income (loss)	\$ (218,881)	\$ 96,397
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	144,725	14,332
Provision for doubtful accounts	5,677	38,412
(Gain) loss on sale of investment	(320,856)	-
Deferred taxes	(3,457)	896
Minority interest	32,952	(82,009)
Increase (decrease) from changes in operating assets and liabilities:		
Trade receivables	3,277,246	1,639,241
Inventory	(9,305,107)	663,135
Other receivables	27,205	(85,634)
Other assets	6,803	-
Accounts payable	1,570,100	272,470
Accrued liabilities	1,014,128	(175,952)
Income taxes payable	101,468	37,516
Net cash provided by (used in) operating activities	(3,667,997)	2,418,804
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(8,883)	(518)
Repayment from (advance to) shareholder	-	100,000
Due from related party	9,356	-
Proceeds from sale of investment	325,424	-
Net cash used in investing activities	325,897	99,482
<b>Cash flows from financing activities</b>		
Bank overdraft	13,108	(131,209)
Repayments on loans payable	(11,550)	-
Proceeds from shareholder loans	2,818,215	-
Repayments on shareholder loans	(30,000)	-
Repayments on line of credit	(100,000)	(858,006)
Repayments on related party	(10,128)	(4,619)

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Net cash provided by financing activities	2,679,645	(993,834)
<b>Effect of exchange rate changes on cash</b>	<b>(233)</b>	<b>6,503</b>
<b>Net increase in cash and cash equivalents</b>	<b>(662,688)</b>	<b>1,530,955</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,413,295</b>	<b>1,324,118</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,750,607</b>	<b>\$ 2,855,073</b>
<b>Supplemental information:</b>		
<b>Cash paid during the year for:</b>		
Interest	\$ 39,391	\$ 75,644
Income taxes	2,586	-

*See accompanying notes to consolidated financial statements.*



# Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Bridge Technology, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

## Organization and Business

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

As of December 31, 2002, the Company has the following subsidiaries:

	Ownership	
Bridge R&D, Inc.	100%	Established on June 1, 1997
Newcorp Technology Limited (in Japan)	100%	Merged on November 1, 1997
	15%	85% disposed in 2001
PTI Enclosures, Inc.	100%	Merged on December 14, 1998
Newcorp Technologies, Inc. (USA)	100%	Established on March 23, 1999, inactive
Pacific Bridge Net	80%	Established on August 16, 1999 and ceased operation in 2000.
CMS Technology Ltd.	90%	Acquired on January 3, 2000 (60%) Acquired on May 15, 2000 (30%)
Autec Power Systems, Inc.	100%	Merged on December 1, 1999 discontinued operation
Bridge Technology Co., Ltd., Ningbo, China	100%	Established on May 28, 2001 discontinued operation

### Note 1. Basis of Presentation

This 10-Q document including the accompanying footnotes and financial statements have not been reviewed as required by the Securities and Exchange Commission ( SEC ) Rules and Regulations.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2002.

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. During the year ended December 31, 2002, the Company incurred a net loss of \$580,112 and used cash of \$5,689,774 in its operations. Management has undertaken certain actions in an attempt to improve the Company's liquidity and return the Company to profitability.

During the year ended December 31, 2002, the Company incurred a net loss of \$580,112 and generated \$5,689,774 in its continuing operations. Additionally, on July 24, 2002, the Company entered into a loan modification and extension agreement with a commercial bank for the outstanding balance of \$4 million at December 31, 2001, which was reduced by \$100,000 payment made in April of 2002. Pursuant to the terms of the new agreement, monthly interest only payments are to be made through maturity, \$50,000 was paid in September 2002 and a required \$1,000,000 repayment was made in December 2002. The Company owns 90% of all issued and outstanding shares in CMS and pledged 65% of all issued and outstanding shares in CMS against this outstanding balance and the maturity date of the note has been extended until November 30, 2002. The outstanding balance at December 31, 2002 was \$2,850,066 was to mature on June 30, 2003. The Company has not repaid the bank for amounts due under the line of credit and therefore is in default. On October 20, 2003 the Company entered into a forbearance agreement and release agreement with the bank. Pursuant to the terms of the agreement the bank is willing to forbear from foreclosure on its security interests and otherwise exercising any and all of its rights and remedies in law or equity in order to allow the Company time to cure the default under the note and to pay the obligations of the Company to the bank under the note until December 31, 2003. Additionally, the Company upon reporting its earnings for the nine month period ending September 30, 2003, expects to enter into a new credit facility with an international bank, the proceeds of which would pay off in full the existing obligations with its current bank. While several banks have given the Company indications of interest provided that the Company reports earnings for the first nine months of 2003. No assurances can be given that the Company will

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

successfully complete the refinancing plans.

Management believes that the Company does have the economic ability to maintain and grow its operations for the foreseeable future. In addition to its General Bank negotiations for a loan extension to December 31, 2003, the Company is negotiating with James Djen, the Company's President, to convert his \$1,000,000 demand loan into equity in order to improve the Company's working capital position. Mr. Djen, as of December 31, 2002, has agreed to convert \$200,000 into equity which was effected in May 2003. In addition, the Company has negotiated an increase in its credit facility with a Hong Kong bank from \$1,500,000 to \$7,000,000. Operationally, management's plans include continuing actions to cut or curb nonessential expenses and focusing on improving sales. No assurances can be given that the Company will be successful in extending or modifying its line of credit or that the Company will be able to maintain profitable operations.

Table of Contents ————— 4 ————— FORM 10-Q

**Note 2. Reclassification**

Certain amounts in the consolidated financial statements for March 31, 2002 have been reclassified to conform to the March 31, 2003 presentation. Such reclassification had no effect on shareholders' equity as previously reported.

**Note 3. Earnings Per Share Computation**

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

The computation of the weighted-average common shares used in the computation of basic and diluted net loss per share is based on 10,898,110 shares for the three months ended March 31, 2003. Potential dilutive securities were not included in the EPS calculation since their effect would be antidilutive. Potential dilutive securities consisted of outstanding stock options and stock warrants. The computations of the weighted average common shares used in the computation of basic and diluted net income per share is based on 10,898,110 and 10,863,186 shares, respectively, for the three months ended March 31, 2002, respectively.

**Note 4. Income Taxes**

As of December 31, 2002, a valuation allowance has been provided for that portion of the net deferred tax asset which management cannot determine, with reasonable certainty, that the benefit will be realized. One of the subsidiaries of the Company has net operating loss carryforwards which are separate return year losses in the amount of approximately \$157,191, and will begin to expire in 2008. On December 14, 1998, the subsidiary had a change in ownership as defined under Internal Revenue Code Section 382. The net operating loss carryforward is subject to an annual limitation.

**Note 5. Inventory**

Inventory consists of:

	December 31, 2002	March 31, 2003
	<u>                    </u>	<u>                    </u>
Service parts	\$ 782,125	\$ 781,544
Work in progress	161,403	300,252
Finished goods	7,448,344	6,685,353
Reserve for obsolete inventory	(256,082)	(294,494)
	<u>                    </u>	<u>                    </u>
	\$ 8,135,790	\$ 7,472,655
	<u>                    </u>	<u>                    </u>

**Note 6. Goodwill**

Effective January 1, 2002, the Company adopted SFAS No. 142 Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and indefinite life intangible assets are no longer amortized but will be reviewed annually, or more frequently if impairment indicators arise, for impairment. The Company discontinued the amortization of its goodwill balances effective January 1, 2002. The initial testing of goodwill for possible impairment was completed in August 2002, and no impairment was indicated.

In accordance with SFAS No. 142, prior period amounts are not restated. A reconciliation of reported net loss from continuing operations to net loss from continuing operations adjusted for the exclusion of amortization of goodwill and indefinite life intangible assets follows:

Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

	March 31,	
	2002	2003
Reported net income (loss)	\$ 324,330	\$ 96,397
Add back: Goodwill amortization	-	-
Adjusted net income (loss)	324,330	96,397
Basic weighted average number of common stock outstanding	10,863,186	10,898,110
Basic earnings (loss) per share	0.03	0.01
Adjusted earnings (loss) per share	0.03	0.01
Diluted weighted average number of common stock outstanding	10,863,186	10,898,110
Diluted earnings (loss) per share	0.03	0.01
Adjusted diluted earnings (loss) per share	0.03	0.01

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

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

**Results of Operations in Continuing Business for the Three Months Ended March 31, 2003 as Compared to the Three Months Ended March 31, 2002**

Net sales of \$19,283,573 for the three months ended March 31, 2003 decreased by \$8,006,294, representing approximately a 29.3% decrease, over net sales of \$26,232,598 for the same period of 2002. The decrease was due primarily to the decrease in PTI Enclosures, Inc. ( "PTI" ) sales for the quarter ended March 31, 2003. PTI sales decreased by approximately \$562,686 due to a weak overall economy and soft customer demand in the United States. The decrease in PTI sales was partially offset by increases in sales relating to the Company's distribution business in United States.

Asia revenues for the three months ended March 31, 2003 were \$14,742,447 compared to \$21,535,196 for the three months ended March 31, 2002, an decrease of \$6,792,749 or 31.5%. Decreases relate primarily to decreased sales volume at CMS Technology Limited. ( "CMS" )

United States revenues for the three months ended March 31, 2003 were \$4,541,126 compared to \$4,697,402 for the three months ended March 31, 2002, a decrease of \$156,276 or 3.3%. Decreases relate primarily to decreased sales at PTI.

Revenues for the Company's distribution businesses were \$18,796,569 for the three months ended March 31, 2003 compared to \$25,182,908 for the three months ended March 31, 2002, an decrease of \$6,386,339 or 25.4%. Decreases relate primarily to decreased sales volume at CMS Technology Limited. Also, Bridge R&D, Inc. sales increased due to a large sales to distributors during the three months ended March 31, 2003.

Revenues for the Company's manufacturing businesses were \$487,004 for the three months ended March 31, 2003 compared to \$1,049,690 for the three months ended March 31, 2002, a decrease of \$562,686 or 53.6%. The decrease relates primarily to decreased sales at PTI.

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Gross profit for the three months ended March 31, 2003 was \$1,057,634, decreasing by \$429,959 and representing approximately a 33.3% decrease, compared to \$1,487,593 for the same period of 2002. The reason for this decrease is due mainly to the decrease in sales of PTI for the quarter ended March 31, 2003. Gross profit as a percentage of net sales declined from 5.5% for the three months ended March 31, 2003 to 5.7% for the three months ended March 31, 2002. The decrease is due principally due to the lower margin generated through the sales of PTI.

Asia gross profit as a percentage of sales for the three months ended March 31, 2003 was 4.5% compared to 4.4% for the three months ended March 31, 2002.

United States gross profit as a percentage of sales for the three months ended March 31, 2003 was 8.7% compared to 11.3% for the three months ended March 31, 2002. The decrease is primarily attributable to decreased gross margins at Bridge R&D, Inc.

Table of Contents ————— 6 ————— FORM 10-Q

## Edgar Filing: BRIDGE TECHNOLOGY INC - Form 10-Q

Gross profits for the Company's distribution businesses as a percentage of sales for the three months ended March 31, 2003 was 4.9% compared to 5.1% for the three months ended March 31, 2002.

Gross profits for the Company's manufacturing businesses as a percentage of sales for the three months ended March 31, 2003 was 28.0% compared to 19.3% for the three months ended March 31, 2002. The decrease is primarily attributable to increased gross margins at PTI.

Selling, general and administrative expenses decreased by \$409,192 to \$841,780 in the three months ended March 31, 2003 compared to \$1,250,972 for the three months ended March 31, 2002. As a percentage of revenue, these expenses decreased from 4.8% in the three months ended March 31, 2002 to 4.4% in the three months ended March 31, 2003. The decline is due to the cost saving effort implemented by management for the quarter ended March 31, 2003. Cost saving efforts included cutbacks in operating expenses such as travel expense and purchases of supplies.

Income from operation decreased from income of \$236,621 for the three months ended March 31, 2002 to income of \$167,854 in the three months ended March 31, 2003. The decrease primarily reflects the decline in sales at PTI and CMS. Income from operations as a percentage of revenue is 0.9% for the three months ended March 31, 2002 and 2003.

Net interest expense decreased by \$169,339 from \$193,863 for the three months ended March 31, 2002 to net interest expense of \$24,524 for the three months ended March 31, 2003. The decrease is mainly the result of decreased borrowings from commercial bank, lower prime rate and retro-adjustments on shareholders loans' interest rate during the three months ended March 31, 2003.

Other income decreased by \$46,164 from \$54,857 for the three months ended March 31, 2002 to \$8,693 for the three months ended March 31, 2003.

Net income decreased by \$227,933 from net income of \$324,330 for the three months ended March 31, 2002 to net income of \$96,397 for the three months ended March 31, 2003. This result reflects an income of \$0.03 per share for the three months ended March 31, 2002 to an income of \$0.01 per share for the three months ended March 31, 2003.

### Capital Resources and Liquidity

The Company's capital requirements have been and will continue to be significant and its cash and cash equivalents have been sufficient to cover its cash flow from operations. At March 31, 2003, the Company had working capital approximately \$4,340,773 and cash of \$2,855,073 compared to a working capital of approximately \$4,310,687 and cash of \$1,324,118 at December 31, 2002.

Net cash provided by operating activities for the three months ended March 31, 2003 was \$2,418,804 as compared to \$3,667,997 used in operating activities for the three months ended March 31, 2002. The difference is mainly due to decrease in accounts receivable in inventory.

Net cash provided in investing activities for the three months ended March 31, 2003 was \$99,482 mainly from the proceeds from sale of investment, as compared to \$325,897 net cash used in investing activities for the three months ended March 31, 2002 for the investment in China and other affiliates.

Net cash used in financing activities for the three months ended March 31, 2003 was \$993,834 as compared to \$2,679,645 in the three months ended March 31, 2002. The significant change is attributable to repayment on line of credit and shareholder loans.

Management believes that the Company does have the economic where withal to maintain its operations for the foreseeable future. Management in October 2003 has obtained a loan extension with its U.S. Bank to December 31, 2003 and CMS Technology Ltd., Hong Kong has obtained an increase line of credit with its Hong Kong Bank from \$1,500,000 to \$7,000,000. Additionally, management is negotiating with the Company's major shareholders to convert a portion of the Company's indebtedness to them into equity in order to improve the Company's working capital position. Operationally, management's plans include continuing actions to cut or curb nonessential expenses and focusing on improving sales channel distribution sales both in China and the United States.

### Effects of Inflation

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

### Effects of Fluctuation in Foreign Exchange Rates

The Company continues to buy products and services from foreign suppliers. The Company contracts for such products and services in U.S. dollars, thus eliminating the possible effect of currency fluctuations. However, there is continuous risk in market demand fluctuations with CMS Technology's operations in China. To date the risk has been minimal.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

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

Table of Contents **7** FORM 10-Q

**ITEM 4. CONTROLS AND PROCEDURES.**

1. Evaluation of disclosure controls and procedures

In light of The Sarbanes-Oxley Act of 2002 and current developments in the financial world, the Board of Directors and specifically the Audit Committee has caused the updating of the Company's accounting disclosure controls and procedures under Rules 13(a)-15 and 15(d)-15 under the Securities Exchange Act of 1934. James Djen, CEO and John T. Gauthier, CFO have evaluated these disclosure controls and procedures and conclude that they are adequate and effective as of September 30, 2003, the date of their evaluation.

2. The Company has made no significant changes in internal controls other than updating its quarterly monitoring review.

**Limitations on the Effectiveness of Controls**

The Company's management, including the Chief Executive Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.



**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

The Company is a party to legal actions that have arisen in the normal course of business. These actions include the following:

On October 1, 2001, a complaint was filed by the Trustee in the U.S. Bankruptcy Court against John Harwer, former President of the Company and the Company for alleged transfer of assets, technology, trade secrets, confidential information and business opportunities from Allied Web, a corporation owned by John Harwer which he had placed into liquidation under the Federal Bankruptcy laws on April 6, 2000. The case has entered the trial phase with the initial hearing centering on \$1,800,000 in claims between the parties which did not involve Bridge Technology, Inc. The trial judge has ordered the case back to mediation in connection with these claims on November 17, 2003. Management at December 31, 2002 and September 22, 2003 was unable to assess the possibility of incurring future liability for this matter and therefore did not record any accrued liability. Management continues to take the position that no liability will accrue to the Company and no contingency has been provided. The company has incurred in excess of \$300,000 to date in legal fees to defend itself. The Company plans to sue the Directors and Officers insurance carrier for reimbursement. There is no assurance that any claim for legal fees reimbursement will be successful.

On May 19, 2003, a complaint was filed in Superior Court in Santa Ana, California, against the Company with its CFO and its former President, John Harwer in connection with the private sale of Bridge Technology, Inc. common stock. Mr. Harwer had facilitated the private sale of Bridge Technology, Inc. stock for an investor. The purchasers are attempting erroneously to involve Bridge in this private transaction which will fail. In addition the same investors purchased shares of a private corporation, Esyon Corporation, from either John Harwer or Esyon Corporate, and are attempting erroneously to involve Bridge Technology, Inc. in this private transaction which will also fail. The action is presently in the demurrer and early discovery stages. Management has not set aside any contingency reserve, as Bridge Technology, Inc., is expected to be removed from this action.

On November 14, 2001, a complaint was filed by Oppenheimer Wolff & Donnelly, LLP against the Company for \$100,000 in alleged legal fees which was settled in the 1<sup>st</sup> quarter of 2003 for \$40,000 payable in ten equal installments. The Company has complied with the terms of the settlement agreement by making the monthly payments in a timely manner.

On April 16, 2002, Danton Mak, Esq., filed a complaint in the Los Angeles superior Court against Autec Power Systems, Inc. ( Autec ) for \$136,000 in fees allegedly owed by Autec. This matter was settled in July 2002 for \$108,000 payable in four (4) equal installments of \$27,000. The Company has complied with the terms of settlement agreement with the final payment having been made in September 2002.

On April 24, 2002, Mason Tarkeshian filed a complaint against the Company for approximately \$2,000,000 in fees and damages on an acquisition that never closed. The Company settled this matter in 2002 by issuance of a common stock purchase warrant for 30,000 shares of the Company common stock at a strike price of \$0.55 per share.

On December 12, 2001, a former shareholder of Autec Power Systems, Inc., filed a complaint in Ventura County Superior Court against the principal shareholder and former Chairman of the Company, Winston Gu. Autec and the Company alleging that the complainant did not receive his pro-rata shares of Bridge Technology, Inc. s common stock in the exchange of 100% of the shares of Autec. The Company believes the complaint is without merit as to Bridge Technology, Inc. and did not record any accrued liability for this matter at December 31, 2002. The case was arbitrated in November 2003 and the decision is pending.

The Company is engaged in various ongoing legal proceedings incidental to its normal business activities. The Company is unable, however, to predict the outcome of these matters, or reasonably estimate a range if possible losses given the current status of litigation.

**ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

There are no defaults upon senior securities.

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

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

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.**

Exhibit Number	Description
EX-31.A	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
EX-31.B	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
EX-32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**Signature**

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

Bridge Technology, Inc.  
(Registrant)

Date: December 18, 2003

/s/ John T. Gauthier

John T. Gauthier  
*Chief Financial Officer*

Date: December 18, 2003

/s/ James Djen

James Djen  
*Chief Executive Officer*