THERMALTEC INTERNATIONAL CORP
Form 10QSB
May 14, 2001

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

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934: For the quarterly period ended March 31, 2001.

[ ] 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: PENDING

TTI Holdings, Inc (formerly Thermaltec International Corp)
(Name of small business issuer in its charter.)

Delaware	11-3255619
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
76 North Broadway, Hicksville, NY	11704
(Address of Principal Executive Offices)	(Zip Code)

Issuer's telephone number (516) 931-5700

Indicate by check mark whether the registrant (1) 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(2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ]No

The number of shares of Common Stock, par value $.0001, outstanding on March 30, 2001 was 4,644,755.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TTI Holdings, Inc. and Subsidiaries
Consolidated Balance Sheet
As of March 31, 2001
(Unaudited)

Assets
Current Assets

Cash and Cash Equivalents	$ 63,588
Trade Accounts Receivable	196,006
Inventories	151,265
Prepaid and Other Current Assets	37,570
Total Current Assets	448,429
Fixed Assets	
Machinery and Equipment	395,049
Leasehold Improvements	40,120
Gross Fixed Assets	435,169
Less: Accumulated Depreciation	(222,742)
Net Fixed Assets	212,427
Other Assets	
Goodwill, Net	413,372
Organization Cost, Net of Amortization	809
Other Assets	6,729
Total Other Assets	420,910
Total Assets	$ 1,081,766
Liabilities and Stockholders' Equity (Deficit)	
Current Liabilities	
Notes Payable	$ 121,899
Vendor Accounts Payable	295,527
Other Current Liabilities	134,644
Payment for Shares not Issued	31,000
Due to Officer	35,000
Due to Shareholder	21,055
Total Current Liabilities	639,125
Long-Term Liabilities	
Long-Term Debt less Current Maturities	56,677
Total Liabilities	695,802
Common Stock	464
Additional Paid-In Capital	4,099,327
Retained Earnings (Deficit)	(3,747,786)
Accumulated Other Comprehensive Income:	
Foreign Currency Translation Adjustment	33,959
Total Stockholders' Equity (Deficit)	385,964
Total Liabilities and Stockholders' Equity (Deficit)	$ 1,081,766

See accompanying notes to consolidated financial statements.

TTI Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	For the Six Months Ended March 31		For the Three Months Ended March 31	
	2000	2001	2000	2001
Sales	$ 90,582	$ 327,119	$ 33,525	$ 141,20
Cost Of Sales	81,571	195,517	46,244	76,47
Gross Profit	9,011	131,602	(12,719)	64,72
General and Administrative Expenses	634,730	473,180	526,917	267,95
Net Loss	(625,719)	(341,578)	(539,636)	(203,23
Other Comprehensive Income:				
Foreign Currency Translation Adjust	5,761	7,294	2,466	3,66
Total Comprehensive Income (Loss)	($ 619,958)	($ 334,284)	($ 537,170)	($ 199,56
Basic and Diluted Loss per Share	($ 0.24)	($ 0.08)	($ 0.20)	($ 0.0
Weighted Avg. No. of Shares Outstanding	2,652,737	4,451,294	2,712,229	4,570,95

See accompanying notes to consolidated financial statements.

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TTI Holdings, Inc. and Subsidiaries
Consolidated Statement of Cash Flow
(Unaudited)

	For the Six Months Ended March 31	
	2000	2001
Cash Flows from Operating Activities:		

Net Loss	($625,719)	($341,578)
Adjustments to reconcile net loss to net cash used In operating activities:		
Depreciation and Amortization	10,808	42,538
Common Stock Issued for Services	332,736	176,905
Increases (Decreases) in:		
Receivables	97,862	(69,508)
Inventories	(8,156)	(11,314)
Prepaid and Other Current Assets	(71,302)	8,547
Other Assets	769	15,115
Increases (Decreases) in:		
Accounts Payable	(54,715)	29,160
Accrued Expenses and Other Current Liabilities	20,705	(42,379)
Total Adjustments	328,707	149,064
Net Cash used in Operating Activities	(297,012)	(192,514)
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	--	--
Excess of Purchase Price of Net Assets Acquired	--	--
Net Cash used in Investing Activities	0	0
Cash Flows from Financing Activities:		
Proceeds from sale of shares, net of offering costs	1,000	176,677
Proceeds from sale of shares not yet issued	999,000	31,000
Proceeds from issuance of Notes Payable	--	41,232
Repayment of Notes Payable	(13,607)	--
Net Proceeds (repayments) of Officer Loans	--	(50,000)
Net Proceeds (repayments) of Shareholder Loans	(148,400)	(15,538)
Net Cash provided by Financing Activities	837,993	183,371
Effect of Exchange on Cash	4,810	7,294
Net Increase (Decrease) in cash and cash equivalent	545,791	(1,849)
Cash & Cash Equivalent, Beginning of Period	131,278	65,437
Cash & Cash Equivalent, End of Period	$ 677,069	$ 63,588

See accompanying notes to financial statements.

TTI Holdings, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDING MARCH 31, 2001

(Unaudited)

1.BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for financial statement presentation. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These consolidated interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB which is filed with the Securities and Exchange Commission.

2.GOODWILL

As a result of the purchase of High Velocity Technology, Inc. on May 19, 2000, the Company has recorded, in consolidation, goodwill of $450,772. Goodwill is being amortized on a straight-line basis over a life of ten years.

3.EQUITY TRANSACTIONS

During the six months ending March 31, 2001 the Company issued shares for services to outside consultants as follows:

Administrative services	114,304 shares	$176,905

During the six months ending March 31, 2001, the Company issued 184,000 shares of common stock in lieu of cash repayment of shareholder loans; the company also issued 4,500 shares in lieu of payment for trade payables.

4.INCOME TAXES

No provision for income taxes was recorded for the six-month period ending March 31, 2001, due to a net loss having been incurred; the Company does not anticipate the recording of a profit by the end of the fiscal year.

5.GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company incurred a net loss of $341,578 for the six months ended March 31, 2001 and has incurred a substantial net loss in the prior year. At March 31, 2001 current liabilities exceed current assets by $190,696.These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

6.MERGERS AND ACQUISITIONS

On January 31, 2000 the Company signed a letter of intent to acquire one million shares, representing 10% of the outstanding shares of Ix Partners, Ltd. Ix

Partners, based in Salem, NH, is active in the field of information technology, with a special emphasis on developing and enhancing real-time data processing systems by means of the Internet. The acquisition was to have been effected by the exchange of 200,000 shares of Thermaltec common stock; the completion of the acquisition was subject to the usual due diligence process. Upon completion of the due diligence process on December 14, 2000 the Company chose to withdraw from further negotiations with Ix.

On March 27, 2001 the Company announced the signing of letters of intent to purchase nineteen separately owned health care delivery companies in nine states. The estimated revenues of these facilities total, in the aggregate, approximately $ 50 million. The nineteen companies are composed of thirteen outpatient rehabilitation facilities, two diagnostic testing enterprises and occupational health clinic and practice. The acquisitions will be effected by the exchange of shares, valued at approximately twenty million dollars, of the common stock of the Company for the common shares of the acquired companies; the amount will be proportionately less if less than the nineteen facilities are acquired. The completion of the acquisitions is subject to the usual due diligence process. On May 3, 2001 the Company announced the closing of the contracts to purchase Diversified Diagnostics, LLC in Jacksonville, Florida and Senior Healthcare Inc. in Savannah, Georgia. The acquisitions were effected by the exchange of common stock valued at $1 million and $1.1 million respectively. The Company will continue to announce individual closings as they occur.

On March 29, 2001 the Company announced the signing of a letter of intent to purchase Cobex Technologies Inc. The estimated annual revenues of Cobex are approximately $ 3 million. Cobex, located in West Babylon, New York, is an interconnect/communication company specializing in the sales, installation and maintenance of communication systems, including data and voice cabling and network services. Cobex serves the New York area with market niches in healthcare and financial services. The acquisition will be effected by the exchange of common shares, currently valued at $ 500 thousand in common stock of the Company for the assets of Cobex. The completion of the acquisition is subject to the usual due diligence process.

On April 2, 2001 the Company announced the signing of a letter of intent to purchase two facilities owned by Main Incorporated (dba) Cactus Salons. The estimated annual revenues of the two facilities are approximately $ 2 million. Cactus currently owns eleven salons on Long Island, New York and specializes as a day spa, offering spa services, hair dressing and professional retail products. The acquisition will be effected by the exchange of common shares, currently valued at $ 600 thousand in common stock of the Company for the assets of Cactus. The completion of the acquisition is subject to the usual due diligence process.

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On May 9, 2001 the Company announced the signing of a letter of intent to acquire Transventures, Inc., a private Huntington, New York transportation and logistics firm. The estimated annual revenues of Transventures is $ 5 million. The purchase is to be effected by the exchange of the Company's shares, valued at approximately $ 500,000 for essentially all of the assets of Transventures. The completion of the acquisition is subject to the usual due diligence process.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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MANAGEMENT'S DISCUSSION & ANALYSIS OF OPERATIONS
TTI Holdings, Inc.

Results of Operations

Three Months Ending March 31, 2001 vs. March, 2000

For the three months ended March 31, 2001, TTI Holdings, Inc. had $ 141 thousand of consolidated sales, an increase of 321 % from the prior year's comparative period, as the inclusion of High Velocity Technologies, acquired in May, 2000 added $ 66 thousand to revenues; thermal coating revenues in the United States and in Costa Rica grew by $ 42 thousand. Gross margins were 46 %, an improvement from the loss in the prior year, reflecting substantially improved manufacturing cost efficiencies in Costa Rica and in thermal spray operations in the United States. Selling, general and administrative expenses were $ 268 thousand, $259 thousand less than the earlier period, reflecting expense reductions in Costa Rica and a reduction in the amount of shares issued for services during the period. The inclusion of High Velocity in this year's results created an increase in expenses of $ 60 thousand, compared with the prior year's three months.

Six Months Ending March 31, 2001 vs. March 31, 2000

For the six months ended March 31, 2001, TTI Holdings, Inc. had $ 327 thousand of consolidated sales, an increase of 261 % from the prior year's comparative period, as the inclusion of High Velocity Technologies, acquired in May, 2000 added $ 204 thousand to revenues; thermal coating operations in the United States and in Costa Rica also grew by $ 32 thousand. Gross margins were 40 %, an increase from 10 % in the prior year, primarily reflecting improvements made in the efficiency of the Costa Rican operation; margins also improved in thermal coating operations in the United States. Selling, general and administrative expenses were $ 473 thousand, $ 162 thousand less than the prior year, reflecting lower costs in Costa Rica and reductions in shares issued for services. The inclusion of High Velocity resulted in an increase in expenses of $ 149 thousand, compared with the prior year's comparative period.

Liquidity and Financial Resources

The Company has not yet achieved profitability since its inception in 1994. As a result, it has limited the amount of the debt it has raised to cover only the acquisition of assets with reliably predictable benefits, such as production machinery. The Company is of the opinion that the financing necessary to fund market development is more appropriately obtained through the sale of equity. Debt outstanding as of March 31, 2001 consists primarily of $ 12 thousand of notes payable and $ 166 thousand in equipment financing. Additional liquidity has been provided by shareholder and officer loans as of March 31, 2001 of $ 56 thousand. Since inception, the Company has raised $2.5 million through the sale of common stock other than stock issued in exchange for services or in lieu of payments for purchases.

The financial statements of the Company have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company incurred a net loss of $ 342 thousand for the six months ended March 31, 2001 and has incurred substantial net losses for the prior year. At March

31, 2001 current liabilities exceed current assets by $ 190 thousand. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

The Company's payment terms for its receivables are thirty calendar days after invoicing. At March 31, 2001, there were $ 35 thousand due from NYSERDA, representing retainage under the terms of the original contracts for Phase I and for Phase II. Upon completion of the project, the remaining balance is expected to be paid by NYSERDA.

Inflation

The amounts presented in the financial statements do not provide for the effect of inflation on the Company's operations or its financial position. Amounts shown for machinery, equipment and leasehold improvements and for costs and expenses reflect historical cost and do not necessarily represent replacement cost. The net operating losses shown would be greater than reported if the effects of inflation were reflected either by charging operations with amounts that represent replacement costs or by using other inflation adjustments.

Forward-looking Information

Certain statements in this document are forward-looking in nature and relate to trends and events that may affect the Company's future financial position and operating results. The words "expect" "anticipate" and similar words or expressions are to identify forward-looking statements. These statements speak only as of the date of the document; those statements are based on current expectations, are inherently uncertain and should be viewed with caution. Actual results may differ materially from the forward-looking statements as a result of many factors, including changes in economic conditions and other unanticipated events and conditions. It is not possible to foresee or to identify all such factors. The Company makes no commitment to update any forward-looking statement or to disclose any facts, events or circumstances after the date of this document that may affect the accuracy of any forward-looking statement.

PART 2 - OTHER INFORMATION

Item 1. Legal Proceedings

There is no past, pending or, to our knowledge, threatened litigation or administrative action which has or is expected by our management to have a material effect upon our business, financial condition or operations, including any litigation or action involving our officer, director or other key personnel. There have been no changes in the company's accountants, or disagreements with its accountants since its inception.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

No matters were submitted to a vote of security holders.

Item 5. Exhibits and Forms on Form S-8

Reports on Form S-8:

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: 11 May 2001

TTI Holdings, Inc.

By: /s/ Andrew B. Mazzone

Andrew B. Mazzone, President and
Chairman of the Board of Directors
Principal Financial Officer
Principal Accounting Officer

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