

UNITED STATES
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 September 30, 1998

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: 0-1665

EXTECH CORPORATION

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

Delaware
(State or other jurisdiction
of incorporation or organization)

36-2476480
(I.R.S Employer
Identification No.)

90 Merrick Avenue, East Meadow, New York
(Address of principal executive offices)

11554
(Zip Code)

(516) 794-6300
(Registrant's telephone number, including area code)

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

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. (X) Yes () No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. ()Yes () No

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares
outstanding of each of the issuer's classes of common stock, as of the latest
practicable date: 5,591,367 shares as of October 20, 1998

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EXTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

September 30, 1998

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 406,275
Accounts receivable	78,383
Notes and other receivables	822,438
Inventories	8,103
Prepaid expenses and other current assets	40,757

Total current assets	1,355,956

PROPERTY AND EQUIPMENT, net

101,216

OTHER ASSETS:

Operating equipment, net	10,527
Deposits	5,000
Restricted certificate of deposit	40,000

Total other assets	55,527

\$1,512,699

=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 3,416
Accrued expenses	99,983
Debentures payable	154,200
Accrued taxes payable	11,430

Total current liabilities	269,029

MINORITY INTEREST

560

STOCKHOLDERS' EQUITY:

Common Stock, \$.01 par value; authorized, 10,000,000 shares; issued and outstanding, 5,591,367 shares	55,914
Capital in excess of par	5,264,950
Deficit	(4,077,754)

	1,243,110

	\$1,512,699
	=====

See notes to condensed consolidated financial statements.

EXTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Nine months ended September 30,	
	1998	1997
	----	----
Revenues:		
Rooms	\$ 641,494	\$ 697,702
Other	15,146	16,237
Interest	66,586	47,580
	-----	-----
Total revenues	723,226	761,519
	-----	-----
Costs and expenses:		
General, administrative and sundry	366,448	379,824
Departmental	219,505	222,286
Depreciation and amortization	29,625	39,209
Energy costs	15,638	18,142
Lease rentals	130,026	139,986
Marketing	14,232	15,765
Property operation and maintenance	21,161	19,973
Provision for bad debt	1,700	13,122
	-----	-----
	798,335	848,307
Net loss	\$ (75,109)	\$ (86,788)
	=====	=====
Basic loss per common share:		
Net loss	\$ (.01)	\$ (.02)
	=====	=====
Weighted average number of common shares outstanding	5,591,367	5,591,367
	=====	=====

See notes to condensed consolidated financial statements.

EXTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended	
	September 30,	
	1998	1997
	----	----
Revenues:		
Rooms	\$ 197,163	\$ 185,067
Other	4,942	6,964
Interest	24,370	17,380
	-----	-----
Total revenues	226,475	209,411
	-----	-----
Costs and expenses:		
General, administrative and sundry	107,580	120,212
Departmental	72,907	73,030
Depreciation and amortization	9,774	13,283
Energy costs	5,197	6,776
Lease rentals	39,553	39,291
Marketing	4,165	4,155
Property operation and maintenance	7,984	7,490
Provision for bad debt	600	12,522
	-----	-----
	247,760	276,759
Net loss	\$ (21,285)	\$ (67,348)
	=====	=====
Basic loss per common share:		
Net loss	\$ (.01)	\$ (.01)
	=====	=====
Weighted average number of common shares outstanding	5,591,367	5,591,367
	=====	=====

See notes to condensed consolidated financial statements.

EXTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended	
	September 30,	
	1998	1997
	----	----
Cash flows from operating activities:		
Net loss	\$(75,109)	\$ (86,788)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	29,625	39,209
Provision for bad debts	1,700	13,122
Decrease (increase) in assets:		
Accounts receivable	(41,845)	997
Inventories	(1,981)	2,839
Prepaid expenses and other current assets	(29,799)	108,461
Notes receivable	(468,860)	54,798
Other assets	(1,336)	(524)
Deposits	-0-	(5,000)
Increase (decrease) in liabilities:		
Accounts payable	1,929	4,298
Accrued expenses	(47,883)	(26,752)
Accrued taxes payable	11,430	12,049
	-----	-----
Net cash (used in) provided by operating activities	(622,129)	116,709
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(11,985)	(17,834)
	-----	-----
Net cash (used in) investing activities:	(11,985)	(17,834)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(634,114)	98,875
Cash, beginning of period	1,040,389	1,318,121
	-----	-----
Cash, end of period	\$ 406,275	\$1,416,996
	=====	=====

See notes to condensed consolidated financial statements.

EXTECH CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997 (UNAUDITED)

1. The Condensed Consolidated Balance Sheet as of September 30, 1998, the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 1998 and 1997 and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 1998 and 1997 have been prepared by EXTECH Corporation ("EXTECH" or the "Company") without audit. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly its financial position as of September 30, 1998, results of operations for the three and nine months ended September 30, 1998 and 1997 and cash flows for the nine months ended September 30, 1998 and 1997. This report should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997.
2. The results of operations and cash flows for the nine months ended September 30, 1998 are not necessarily indicative of the results to be expected for the full year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

Results of Operations:

The Company's net loss for the nine months ended September 30, 1998 was \$75,109 as compared to a net loss of \$86,788 for the nine months ended September 30, 1997. The loss for the nine months ended September 30, 1998 was caused by lower room occupancies of \$56,208 as compared to the nine months ended September 30, 1997. The reduced loss was partially the result of increased interest income of \$19,006 as a result of a loan made in November 1997 to Dealers Choice Automotive Planning Inc. ("DCAP Insurance") which bears interest at the rate of 10% per annum (see "Prospects" below) and lower expenses of \$49,972. The foregoing were partially offset by lower room occupancies of \$56,208 for the nine months ended September 30, 1998 as compared to the nine months ended September 30, 1997.

Liquidity and Capital Resources:

As of September 30, 1998, the Company had \$406,275 in cash and cash equivalents and a working capital surplus of \$1,086,927. As of December 31, 1997, the Company had \$1,040,389 in cash and cash equivalents and a working capital surplus of \$1,150,732. The reduction in cash was due primarily to loans in the aggregate amount of \$425,000 made to DCAP Insurance during the nine months ended September 30, 1998 as well as losses from operations.

Except as described below under "Prospects," the Company did not have any material commitments for capital expenditures as of September 30, 1998.

Prospects:

DCAP:

On May 8, 1998, the Company entered into an agreement with respect to the acquisition of all of the issued and outstanding Common Shares of DCAP Insurance as well as interests in certain entities affiliated with DCAP Insurance (collectively, the "DCAP Companies")(the "DCAP Agreement"). The DCAP Companies are privately-held and offer, as brokers, primarily retail automotive, motorcycle, boat, life, business and homeowner's insurance products. DCAP Insurance has an aggregate of approximately 56 wholly-owned, joint venture and franchise locations in the New York metropolitan area.

The DCAP Agreement provides that, in consideration for the shares of the DCAP Companies, the Company will issue 3,300,000 shares of its Common Stock. In

addition, the DCAP Agreement contemplates that the shareholders of DCAP Insurance (the "DCAP Shareholders"), together with Morton L. Certilman, President of EXTECH, and Jay M. Haft, Chairman of the Board of EXTECH, will purchase, in the aggregate, the 1,800,000 shares of Common Stock of the Company beneficially owned by Sterling Foster Holding Corp. ("Sterling Foster") (the "Sterling Foster Shares") as well as an aggregate of 1,402,000 other shares of Common Stock from the Company. Sterling Foster has entered into an agreement with each of the DCAP Shareholders and Messrs. Certilman and Haft providing for the purchase and sale of the Sterling Foster Shares concurrently with the closing of the DCAP Agreement (the "Sterling Foster Agreement"). Each of the parties has the right to terminate the Sterling Foster Agreement if the closing shall not have occurred by December 31, 1998.

The DCAP Agreement provides further that the purchases by the DCAP Shareholders will be made following loans of funds by the Company for such purpose (with respect to the purchases from Sterling Foster) or by the delivery of promissory notes as part of the purchase price (with regard to the additional shares to be acquired from the Company).

Simultaneously with the signing of the DCAP Agreement, the Company advanced \$311,000 to DCAP Insurance (increasing its aggregate advances to DCAP Insurance to \$750,000). The outstanding advances, together with interest at the rate of 10% per annum, are payable on December 31, 1998.

The consummation of the DCAP Agreement is subject to the satisfaction of a number of conditions, including stockholder and certain third party and governmental approvals. Each of the parties has the right to terminate the DCAP Agreement if the closing shall not have occurred by December 31, 1998. No assurances can be given that the acquisition will take place upon the terms described above or otherwise.

Eagle:

On October 2, 1998, the Company and Eagle Insurance Company ("Eagle") entered into a Subscription Agreement (the "Eagle Agreement") which provides for the issuance and sale by the Company to Eagle of 1,486,893 shares of Common Stock for an aggregate purchase price of approximately \$1,000,000 (the "Eagle Issuance"). The Eagle Issuance is to be made concurrently with the closing of the DCAP Agreement. Each of the parties has the right to terminate the Eagle Agreement if the closing shall not have occurred by December 31, 1998. The closing of the Eagle Agreement is subject to a number of other conditions.

Eagle is a New Jersey insurance company wholly-owned by The Robert Plan Corporation ("The Robert Plan"). Pursuant to separate agency agreements between certain DCAP Companies and certain insurance company subsidiaries of The Robert Plan, such DCAP Companies have been appointed agents of the insurance companies with regard to the offering of automobile and other insurance products.

In the event of the closing of the DCAP Agreement, the Sterling Foster Agreement and the Eagle Agreement, the DCAP Shareholders will own an aggregate of approximately 43.8% of the outstanding Common Stock of the Company, Messrs. Certilman and Haft will own an aggregate of approximately 26% of such outstanding Common Stock and Eagle will own approximately 12.6% of such outstanding Common Stock.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None

Item 2. CHANGES IN SECURITIES

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

Item 5. OTHER INFORMATION

Reference is made to "Prospects" under Part I, Item 2 hereof for a discussion of a certain Subscription Agreement between the Company and Eagle Insurance Company.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

2 Agreement, dated as of May 8, 1998, by and among EXTECH, Morton L. Certilman, Jay M. Haft, Kevin Lang and Abraham Weinzimer¹

3(a) Certificate of Incorporation, as amended²

3(b) By-laws, as amended³

27 Financial Data Schedule

(b) Reports on Form 8-K

None

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1 Denotes document filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1998 and incorporated herein by reference.

2 Denotes document filed as an exhibit to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1993 and incorporated herein by reference.

3 Denotes document filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1998 and incorporated herein by reference.

SIGNATURES

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

EXTECH CORPORATION

Dated: November 16, 1998

By: /s/ Morton L. Certilman

MORTON L. CERTILMAN
President (Chief Operating
Officer and Principal Financial
Officer)

The Schedule contains summary financial information extracted from the statements and is qualified in its entirety by reference to such financial statements

1
U.S. Dollars

9-MOS	Dec-31-1998	Jan-01-1998	Sep-30-1998
	1		
			406,275
	0		
	857,438		
	35,000		
	8,103		
	1,355,956		
		397,183	
	295,967		
	1,512,699		
269,029			
	0		
0			
	0		
		55,914	
		1,187,196	
1,512,699			
		0	
	723,226		
		0	
		798,335	
	0		
	0		
	0		
	(75,109)		
	0		
(75,109)			
	0		
	0		
		0	
		(75,109)	
		(.01)	
		0.00	