

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

FORM 10-QSB/A
AMENDMENT NO. 1

(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

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.

During the eight months ended August 31, 1998, the combined operating loss for the DCAP Companies (as defined below) was \$476,394. In addition, as of August 31, 1998, the combined working capital deficiency for the DCAP Companies was \$1,465,601. DCAP has plans to diversify its operations into the areas of premium financing and income tax preparation, and to increase advertising efforts in order to grow the combined operations. It is contemplated that, as

discussed below under "Prospects," concurrently with the closing of the DCAP Agreement, the Company will consummate the sale of shares of Common Stock to Eagle Insurance Company and will receive approximately \$1,000,000 in net proceeds. The Company anticipates that such proceeds, together with anticipated revenues from operations, will be sufficient to permit the Company to continue to conduct operations in the manner currently conducted by it and the DCAP Companies (including the proposed expansion plans). However, EXTECH anticipates that additional funds in an amount in excess of \$1,000,000 will be required to implement the contemplated increased advertising effects that DCAP believes is necessary for growth. No additional financing arrangements are in place and no assurances can be given that any such financing will be available upon commercially reasonable terms or otherwise.

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 are engaged primarily in the following businesses: (i) retail automotive, motorcycle, boat, life, business and homeowner's insurance brokerage; (ii) income tax preparation; and (iii) automobile club for roadside emergencies. 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.

Year 2000:

The Company's wholly-owned subsidiary, IAH, Inc. ("IAH"), owns and operates the International Airport Hotel (the "Hotel") at San Juan International Airport, Puerto Rico. IAH does not have any information technology systems ("IT Systems"). Of the non-IT Systems that comprise part of the Hotel's operations, the switchboard is the only such system that contains imbedded technology not Year 2000 ("Y2K") - compliant. The Hotel has a plan in place, which is designed to avoid any Y2K difficulties, both before and after January 1, 2000. The plan consists primarily of a series of physical and practical alterations in the Hotel's switchboard procedures, and does not involve any replacement of equipment or any significant effort or cost. All other non-IT Systems are operated manually.

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: December 23, 1998

By:/s/ Morton L. Certilman

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