

Edgar Filing: SONICS & MATERIALS INC - Form 10QSB

SONICS & MATERIALS INC  
Form 10QSB  
February 20, 2001

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

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FORM 10-QSB  
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(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the quarterly period ended December 31, 2000

OR

Transition report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

Commission File Number: 0-20753

SONICS & MATERIALS, INC.

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

Delaware

(State or other jurisdiction of  
incorporation or organization)

06-0854713

(I.R.S. Employer's  
Identification No.)

53 Church Hill Road  
Newtown, Connecticut 06470  
(Address of principal executive offices)

Telephone Number (203) 270-4600  
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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 February 19, 2001, there were 3,520,100 shares of the Registrant's  
Common Stock outstanding.

Transitional Small Business Disclosure Format (Check one):

Yes

No

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PART I - FINANCIAL INFORMATION

Page No.

Item 1. Financial Statements \*

Consolidated Condensed Balance Sheets -

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\* The Balance Sheet at June 30, 2000 has been taken from the audited financial statements at that date. All other financial statements are unaudited.

Sonics & Materials, Inc.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
As of

|  | December 31,<br>2000<br>-----<br>(unaudited) | June 30,<br>2000<br>-----<br>* |
|--|--|--------------------------------|
| <b>ASSETS</b>  |  |                                |
| <b>CURRENT ASSETS</b>  |  |                                |
| Cash and cash equivalents  | \$ 529,843                                   | \$ 719,183                     |
| Accounts receivable, net of allowance for<br>doubtful accounts of \$88,470 at June 30,<br>2000 and December 31, 2000 | 2,189,660                                    | 2,692,786                      |
| Inventories  | 5,074,820                                    | 4,489,967                      |
| Other current assets   | 150,841                                      | 150,913                        |
|  | -----  | -----                          |
| Total current assets   | 7,945,164                                    | 8,052,849                      |
| <b>PROPERTY PLANT &amp; EQUIPMENT - NET</b>  | 3,977,466                                    | 4,050,052                      |
| <b>GOODWILL - NET</b>  | 901,339                                      | 929,091                        |
| <b>OTHER ASSETS</b>  | 593,810                                      | 672,215                        |
|  | -----  | -----                          |
|  | \$ 13,417,779                                | \$ 13,704,207                  |
|  | =====  | =====                          |

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### LIABILITIES AND STOCKHOLDERS' EQUITY

#### CURRENT LIABILITIES

|   |              |              |
|---|--------------|--------------|
| Notes payable                                 | \$ 1,290,000 | \$ 1,290,000 |
| Current maturities of long-term debt          | 331,097      | 331,097      |
| Accounts payable                              | 1,020,631    | 701,929      |
| Customer Advances                             | 327,135      | 133,816      |
| Commissions payable                           | 141,526      | 193,356      |
| Other accrued expenses and sundry liabilities | 395,477      | 599,436      |
|   | -----        | -----        |

|                           |           |           |
|---------------------------|-----------|-----------|
| Total current liabilities | 3,505,866 | 3,249,634 |
|---------------------------|-----------|-----------|

|  |           |           |
|--|-----------|-----------|
| LONG-TERM DEBT, net of current portion | 3,410,965 | 3,584,390 |
|--|-----------|-----------|

#### COMMITMENTS

#### STOCKHOLDERS' EQUITY

|   |               |               |
|---|---------------|---------------|
| Common stock - par value \$.03 per share; authorized,<br>10,000,000 shares; issued and outstanding,<br>3,520,100 shares at December 31, 2000 and<br>June 30, 2000 | 105,603       | 105,603       |
| Additional paid in capital  | 6,570,116     | 6,575,010     |
| Retained earnings (accumulated deficit)   | (174,771)     | 189,570       |
|   | -----         | -----         |
| Total stockholders' equity  | 6,500,948     | 6,870,183     |
|   | -----         | -----         |
|   | \$ 13,417,779 | \$ 13,704,207 |
|   | =====         | =====         |

\* Taken from the audited financial statements at June 30, 2000.

The accompanying notes are an integral part of these statements.

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### Sonics & Materials, Inc. CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (unaudited)

|                            | For the Three Months Ended<br>December 31, |              | For the Six Months Ended<br>December 31, |              |
|----------------------------|--|--------------|--|--------------|
|                            | 2000                                       | 1999         | 2000                                     | 1999         |
|                            | -----                                      | -----        | -----                                    | -----        |
| Net sales                  | \$ 2,926,626                               | \$ 3,210,804 | \$ 5,729,942                             | \$ 6,717,914 |
| Cost of sales              | 1,903,870                                  | 1,963,342    | 3,628,015                                | 4,281,215    |
|                            | -----                                      | -----        | -----                                    | -----        |
| Gross profit               | 1,022,756                                  | 1,247,462    | 2,101,927                                | 2,436,699    |
| Operating expenses         |  |              |  |              |
| Selling expense            | 758,448                                    | 680,618      | 1,443,188                                | 1,326,321    |
| General and administrative | 332,379                                    | 316,490      | 614,651                                  | 556,725      |
| Research and development   | 89,430                                     | 97,375       | 191,085                                  | 188,379      |
|                            | -----                                      | -----        | -----                                    | -----        |

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|   |              |           |              |            |
|---|--------------|-----------|--------------|------------|
| Total operating expenses                      | 1,180,257    | 1,092,483 | 2,248,924    | 2,071,425  |
| Other income (expense)                        |              |           |              |            |
| Interest expense                              | (103,612)    | (97,755)  | (217,658)    | (194,002)  |
| Interest and Other Income                     | 5,929        | 17,815    | 17,760       | 29,412     |
|   | -----        | -----     | -----        | -----      |
|   | (97,683)     | (79,940)  | (199,898)    | (164,590)  |
| Income before provision for income taxes      | (255,184)    | 75,039    | (346,895)    | 200,684    |
| Provision for income taxes                    |              | 29,000    |              | 59,000     |
|   | -----        | -----     | -----        | -----      |
| Income (loss) from continuing operations      | (255,184)    | 46,039    | (346,895)    | 141,684    |
| Loss from discontinued operations             |              | (417)     |              | (2,257)    |
|   | -----        | -----     | -----        | -----      |
| Net Income (Loss)                             | \$ (255,184) | \$ 45,622 | \$ (346,895) | \$ 139,427 |
|   | =====        | =====     | =====        | =====      |
| INCOME PER SHARE - BASIC                      |              |           |              |            |
| Net income per share                          | \$ (.07)     | \$ .01    | \$ (.10)     | \$ .04     |
|   | =====        | =====     | =====        | =====      |
| Weighted average number of shares outstanding | 3,520,100    | 3,520,100 | 3,520,100    | 3,520,100  |
|   | =====        | =====     | =====        | =====      |
| INCOME PER SHARE - DILUTED                    |              |           |              |            |
| Net income per share                          | \$ (.07)     | \$ .01    | \$ (.10)     | \$ .04     |
|   | =====        | =====     | =====        | =====      |
| Weighted average number of shares outstanding | 3,520,100    | 3,526,898 | 3,520,100    | 3,526,898  |
|   | =====        | =====     | =====        | =====      |

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Sonics & Materials, Inc.  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(unaudited)  
For the Six Months Ended December 31,

|   | 2000       | 1999       |
|---|------------|------------|
|   | -----      | -----      |
| Net cash provided by operations                     | \$ 33,404  | \$ 360,845 |
| Net cash provided by (used in) investing activities | (49,319)   | 314,873    |
| Net cash used in financing activities               | (173,425)  | (219,778)  |
|   | -----      | -----      |
| Net increase (decrease) in cash for the period      | (189,340)  | 455,940    |
| Cash and cash equivalents - at beginning of period  | 719,183    | 354,564    |
|   | -----      | -----      |
| Cash and cash equivalents - at end of period        | \$ 529,844 | \$ 810,504 |
|   | =====      | =====      |

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|                              |            |            |
|------------------------------|------------|------------|
| Cash paid during period for: |            |            |
| Interest                     | \$ 217,658 | \$ 194,002 |
|                              | =====      | =====      |
| Income taxes                 | \$ --      | \$ --      |
|                              | =====      | =====      |

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Sonics & Materials, Inc.  
Notes to Consolidated Condensed Financial Statements  
December 31, 1999  
(Unaudited)

NOTE 1: Basis of Presentation

The accompanying financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. These financial statements should be read in conjunction with the financial statements and notes thereto, together with the management's discussion and analysis, contained on Form 10-KSB for the year ended June 30, 2000. The results of operations for the three and six months ended December 31, 2000 are not necessarily indicative of the results for the entire fiscal year ending June 30, 2001.

NOTE 2: Consolidation

The accompanying financial statements reflect the consolidated operations of Sonics & Materials, Inc., and its wholly owned subsidiary, Tooltex, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 3: Net Income Per Share

Net income per share is based on the weighted average number of common and common equivalent shares (warrants and options) outstanding during the period, calculated using the treasury stock method.

The weighted average number of shares outstanding for the periods presented is as follows:

|   | Basic and Diluted<br>Weighted Shares Outstanding<br>For the Three and Six Months ended December 31, |           |
|---|---|-----------|
|   | 2000  | 1999      |
|   | ----  | ----      |
| Basic shares  | 3,520,100   | 3,520,100 |
| Dilution (warrants and options)                                   | --  | 6,798     |
|   | -----   | -----     |
| Weighted average number of common and<br>common equivalent shares | 3,520,100   | 3,526,898 |
|   | =====   | =====     |

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### NOTE 4: Loan Covenants

The Company's credit facility contains a loan covenant that requires it to maintain a fixed charge coverage ratio of at least 1.10 on a quarterly basis and 1.40 on a trailing six-month basis. At December 31, 2000, the Company was in violation of both tests. The bank has provided a waiver of both violations as of December 31, 2000 and has also waived compliance of the trailing six-month ratio for the six months ended March 31, 2001.

During the quarter, and continuing into the early part of 2001, the Company scaled back operations and implemented other cost reduction measures. Based on projected cost savings, management believes it is probable that the Company will be in compliance with the loan covenants at the end of their respective grace periods.

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Any statements in this filing that are not statements of historical fact are forward-looking statements that are subject to a number of important risks and uncertainties that could cause actual results to differ materially. Specifically, any forward looking statements in this filing related to the Company's objective for future growth, profitability and financial returns are subject to a number of risks and uncertainties, including, but not limited to, risks related to a growing market demand for Sonics' existing and new products, continued growth in sales and market share of Sonics and its USS products, pricing, market acceptance of existing and new products, a fluctuation in the sales product mix, general economic conditions, competitive products, and product technology development. There can be no assurance that such objectives will be achieved. In addition, the Company's objectives of future growth, profitability and financial returns are also subject to the uncertainty of the growth and profitability of its wholly owned subsidiary, Tooltex.

### Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the unaudited financial statements included herein, see Item 1, and the financial information contained in the Company's latest annual report on Form 10-KSB for the year ended June 30, 2000.

### RESULTS OF OPERATIONS

During the Company's second quarter of Fiscal Year 2001 and continuing into the third quarter of Fiscal Year 2001, the Company implemented an extensive restructuring program. The result has been a significant reduction in costs, primarily through layoffs and attrition. On an annualized basis, the Company estimates that it has reduced its expenses by approximately \$1,400,000. As a result of Company layoffs, the Company incurred a one-time severance charge of \$41,900 for the quarter. It is expected to be paid in full by the end of the third quarter of Fiscal Year 2001.

In May 2000 Sonics' management and Board of Directors elected to discontinue the Company's VibraSurge operation after reviewing the marketability of its line of ultrasonic surgical products and its recurring operating losses. As a result, for Fiscal Year 2000 the Company's balance sheet, statements of income, and statements of cash flows have been reclassified to report the net assets and operating results of the VibraSurge business as discontinued. As of June 30, 2000, VibraSurge operations ceased and remaining net assets, consisting principally of inventory and accounts receivable, have been written off.

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Three months ended December 31, 2000 compared to the three months ended December 31, 1999.

**Net Sales.** Net sales for the quarter ended December 31, 2000 decreased \$298,000 or 9.2% compared with the same period in fiscal 2000. This decrease is the result of a decline in sales of its plastic welding equipment.

**Cost of Sales.** Cost of sales increased from 61.3% of net sales for the three months ended December 31, 1999 to 65.1% of sales for the three months ended December 31, 2000. This quarters increase in Tooltex specialized equipment sales had a significant impact on the increase in the cost of sales as a percentage of total sales. This is because Tooltex specialized equipment has a proportionally higher cost of sales than Sonics' standard product line. Going forward, the Company anticipates a significant reduction in its cost of sales as a result of the cost cutting measures taken during the second quarter and the first part of the third quarter of Fiscal Year 2001. Approximately one-half of the Company's costs cutting measures will impact the Company's overhead and direct labor expenses.

**Selling Expenses.** Selling expenses for the second quarter of fiscal 2001 increased \$78,000 or 11.4% over the same period in fiscal 2000. As a percentage of net sales, selling expense increased from 21.1% to 25.9% over the same period. This increase is the result of additional sales staff covering both the Midwest and West Coast markets as well as higher advertising and promotional costs. As part of the Company's restructuring program, selling expenses have been reduced by approximately \$480,000 on an annualized basis.

**General and Administrative Expenses.** General and administrative expenses for the second quarter of fiscal 2001 increased \$18,000 over the comparable quarter of the prior year. As a percentage of

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net sales, general and administration expenses increased from 9.8% to 11.4%. This increase is the result of increased payroll expenses at Tooltex. It is anticipated, however, that this increase will be offset by an annualized reduction of \$50,000 in the Company's general and administrative expenses.

**Interest Expense.** Total interest expense increased by \$6,000 or 6.0% over the same period in fiscal 2000. Additional capital leases acquired in the first quarter of fiscal 2001 accounted for this increase. Interest expenses are expected to decline in the following quarter due to a reduction in borrowing rates and lower principal balances.

**Income Taxes.** No tax accrual for fiscal 2001 was booked due to the loss for the quarter ended December 31, 2000. Income taxes for the fiscal 2000 period were based on an effective federal and state tax rate of 38.6%.

Six months ended December 31, 2000 compared to the six months ended December 31, 1999.

**Net Sales.** Net sales for the six months ended December 31, 2000 decreased \$1,002,000 or 14.9% compared to the prior comparable period. Decreased sales of plastic welding equipment, and a first quarter decline in Tooltex sales were the principal causes for the decline.

**Cost of Sales.** Cost of sales, as a percentage of net sales, decreased from 63.8% for the six months ended December 31, 1999 to 63.3% for the six months ended December 31, 2000. Although the overall percentage of cost to sales was approximately the same, components varied due to the fact that plastic

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welding margins improved while Tooltex margins declined.

Going forward, the Company anticipates a significant reduction in its cost of sales as a result of the cost cutting measures taken during the second quarter and the first part of the third quarter of Fiscal Year 2001. Approximately one-half of the Company's costs cutting measures will impact the Company's overhead and direct labor expenses.

**Selling Expenses.** Selling expenses increased \$117,000 or 8.8% over the comparable period of the prior year. This increase is the result of additional sales staff covering both the Midwest and West Coast markets as well as higher advertising and promotional costs. As part of the Company's restructuring program, selling expenses have been reduced by approximately \$480,000 on an annualized basis.

**General and Administrative Expenses.** General and administrative expenses for the six months ended December 31, 2000 increased \$58,000 or 10.4% over the comparable period of the prior year. As a percentage of net sales, general and administration expenses increased from 8.3% to 10.7%. The principal reason for this increase was higher general and administrative expenses in Tooltex. It is anticipated, however, that this increase will be offset in by an annualized reduction of \$50,000 in the Company's general and administrative expenses.

**Interest Expense.** Interest expense increased \$24,000 or 12.2% in the six months ended December 31, 2000. Additional capital leases acquired in the first quarter of fiscal 2001 accounted for this increase. Interest expenses are expected to decline in the following quarter due to a reduction in borrowing rates and lower principal balances. (See Liquidity and Capital Resources).

**Income Taxes.** No tax accrual for six months ended December 31, 2000 was booked due to the loss for the quarter ended December 31, 2000. Income taxes for the fiscal 2000 period were based on an effective federal and state tax rate of 29.4%.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position increased approximately \$37,000 during the three months ended December 31, 2000. The principal factors accounting for this increase were higher levels of accounts payable and customer advances partially offset by losses for the quarter. During the first half of the fiscal 2001 year, the Company's cash position declined by \$189,000. This decline was caused by a combination of factors.

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The Company's cash flow increased as a result of decreased levels of accounts receivable coupled with higher levels of accounts payable and customer advances. These increases were more than offset by higher inventories, long-term debt repayments and investments in new capital equipment.

The Company's principal outside source of working capital is a \$1,500,000 bank credit facility. The Line of Credit bears interest, at the Bank's base lending rate (9.5% at December 31, 2000). Advances under the Line of Credit are at the Bank's sole discretion. The entire principal balance of the Line of Credit, which at December 31, 2000 was \$1,290,000, will mature and be due and payable upon the demand of the Bank. The borrowings under the Line of Credit may be prepaid in whole or in part, without premium or penalty, at any time.

The outstanding principal amount of the Company's Term Loan at December 31, 2000



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is \$138,147, which bears interest, at the Bank's base lending rate (9.5% at December 31, 2000). The principal of the term loan was to be paid in 36 equal monthly installments of \$11,861, which commenced on November 1, 1997 and the entire remaining principal balance was to mature and be due payable on October 1, 2000. In July of 1998, however, the Company renegotiated the terms of the Term Loan. Beginning August 1, 1998 the remaining balance of \$320,250 is to be paid in 51 monthly installments of \$6,279, and the entire remaining principal balance will mature and be due and payable on October 1, 2002. The terms and conditions under which Sonics may prepay all or any portion of the Term Loan are the same as for the Line of Credit discussed above.

In December 1997, the Company issued Industrial Revenue Bonds through the Connecticut Development Authority in the amount of \$3,810,000. The outstanding principal amount of the Industrial Revenue Bond at December 31, 2000 was \$3,408,948, which bears interest at a rate of 75% of the Banks base lending rate (7.125% at December 31,2000). The Company's current lender purchased the bonds pursuant to the credit agreement. Bonds were purchased by the Company's current lender pursuant to the credit agreement. The proceeds were used in part to pay then existing indebtedness of approximately \$1,343,000. Most of the remaining proceeds have been used exclusively for the purchase and preparation of the Company's new facilities, and to purchase new machinery and equipment. The Bonds are payable in 228 monthly installments of \$16,700 plus interest through November 2017. The bondholder, however, may make written demand for redemption of all or part of outstanding principal and accrued interest commencing in December 2000.

The Company's credit facility contains a loan covenant that requires it to maintain a fixed charge coverage ratio of at least 1.10 on a quarterly basis and 1.40 on a trailing six-month basis. At December 31, 2000, the Company was in violation of both tests. The bank has provided a waiver of both violations as of December 31, 2000 and has also waived compliance of the trailing six-month ratio for the six months ended March 31, 2001.

During the quarter, and continuing into the early part of 2001, the Company scaled back operations and implemented other cost reduction measures. The cost cutting measures, which were primarily in the form of employee layoffs and attrition, are anticipated to positively impact the Company's cash flow position. Based on projected cost savings, management believes it is probable that the Company will be in compliance with the loan covenants at the end of their respective grace periods.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 "Revenue Recognition" ("SAB 101") which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. Management believes that the Company's revenue recognition policy complies with the provisions of SAB 101 and that the adoption of SAB 101 will have no material effect on the financial position or results of operations of the Company.

### PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

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- (incorporated by reference from Exhibit 3.1 of Amendment No. 3 to Registration Statement No. 33-96414).
- 3(ii) Amended By-laws of the Registrant (incorporated by reference from Exhibit 3.2 of Registration Statement No. 33-96414).
- 10(i) Form of Employment Agreement between the Registrant and Robert S. Soloff (incorporated by reference from Exhibit 10.1 of Registration Statement No. 33-96414).
- 10(ii) 1995 Incentive Stock Option Plan and form of Stock Option Agreement (incorporated by reference from Exhibit 10.3 of Registration Statement No. 33-96414).
- 10(iii) Lease between Registrant and Aston Investment Associates (Aston, PA) (incorporated by reference from Exhibit 10.5 of Registration Statement No. 33-96414).
- 10(iv) Amended lease between Registrant and Robert Lenert (Naperville, IL) (incorporated by reference from Exhibit 10.6 of Amendment No. 4 to Registration Statement No. 33-96414).
- 10(v) Lease between Registrant and Janine Berger (Gland, Switzerland) (incorporated by reference from Exhibit 10.7 of Registration Statement No. 33-96414).
- 10(vi) Form of Sales Representation Agreement (incorporated by reference from Exhibit 10.8 of Registration Statement No. 33-96414).
- 10(vii) Form of Sales Distribution Agreement (incorporated by reference from Exhibit 10.9 of Registration Statement No. 33-96414).
- 10(viii) Agreement and Plan of Merger, dated as of July 25, 1997, among the Registrant, SM Sub, Inc., Tooltex, Inc., and the persons designated as the shareholders thereon (excluding schedules and annexes). A list of omitted schedules and annexes appears on pages iv and v of the Agreement and Plan of Merger. The Registrant hereby undertakes to furnish supplementally a copy of any omitted schedule and annex to the Commission upon request. (incorporated by reference from Exhibit 2(a) of the Registrant's Form 8-K dated July 25, 1997).
- 10(ix) Agreement of Merger, dated as of July 25, 1997, among the Registrant, SM Sub, Inc. and Tooltex, Inc. (incorporated by reference from Exhibit 2(b) of the Registrant's Form 8-K dated July 25, 1997).
- 10(x) Credit Agreement, dated September 19, 1997, between Brown Brothers Harriman & Co. and Registrant (incorporated by reference from Exhibit 10 (xii) of the Registrant's Form 10KSB for the year ended June 30, 1997).
- 10(xi) Term Loan Note of Registrant, dated September 19, 1997, payable to the order of Brown Brothers Harriman & Co. in the original principal amount of \$427,000 (incorporated by reference from Exhibit 10 (xiii) of the Registrants Form 10KSB for the year ended June 30, 1997).
- 10(xii) Line of Credit Note of Registrant, dated September 19, 1997, payable to the order of Brown Brothers Harriman & Co. in the original principal amount of \$1,500,000 (incorporated by reference from Exhibit 10 (xiv) of the Registrants Form 10KSB for the year ended June 30, 1997).
- 10(xiii) Intentionally deleted
- 10(xiv) Open-End Mortgage Deed from Registrant to Brown Brothers Harriman & Co. dated September 19, 1997 (incorporated by reference from Exhibit 10 (xvi) of the Registrants Form 10KSB for the year ended June 30, 1997).
- 10(xv) General Security Agreement from Registrant to Brown Brothers Harriman & Co. dated September 19, 1997 (incorporated by reference from Exhibit 10 (xvii) of the Registrants Form 10KSB for the year ended June 30, 1997).
- 10(xvi) Loan Agreement between Connecticut Development Authority and Sonics & Materials dated December 1, 1997 (incorporated by reference from Exhibit 10 (xvi) of the Registrants Form 10KSB for the year ended

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|           |  |
|-----------|--|
|           | June 30, 1998).  |
| 10(xvii)  | Indenture of Trust between Connecticut Development Authority and Sonics & Materials, Inc. dated December 1, 1997 (incorporated by reference from Exhibit 10 (xvii) of the Registrants Form 10KSB for the year ended June 30, 1998).  |
| 10(xviii) | Tax Regulatory Agreement between Connecticut Development Authority and Sonics & Materials, Inc., and Brown Brothers Harriman Trust Company as Trustee dated December 12, 1997 (incorporated by reference from Exhibit 10 (xvii) of the Registrants Form 10KSB for the year ended June 30, 1998). |
| 21        | Subsidiaries of the Registrant (incorporated by reference from Exhibit 21 of the Registrants Form 10KSB for the year ended June 30, 1998).   |
| 27        | Financial Data Schedule (filed herewith).  |

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### 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.

SONICS & MATERIALS, INC.

Date: February 20, 2001  
-----  
By /s/ ROBERT S. SOLOFF  
-----  
Robert S. Soloff  
President, Chief Executive Officer,  
Chief Financial Officer

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### EXHIBIT INDEX

| Exhibit No. | Description   | Location of Exhibit in Sequential Numbering System   |
|-------------|---|--|
| 3(i)        | Certificate of Incorporation of the Registrant, as amended.               | Incorporated by reference from Exhibit 3.1 of Amendment No. 3 to Registration Statement No. 33-96414 |
| 3(ii)       | Amended By-laws of the Registrant.  | Incorporated by reference from Exhibit 3.2 of Registration Statement No. 33-96414                    |
| 10(I)       | Form of Employment Agreement between the Registrant and Robert S. Soloff. | Incorporated by reference from Exhibit 10.1 of Registration Statement No. 33-96414                   |
| 10(ii)      | 1995 Incentive Stock Option Plan and form of Stock Option Agreement.      | Incorporated by reference from Exhibit 10.3 of Registration Statement No. 33-96414                   |
| 10(iii)     | Lease between Registrant and Aston  | Incorporated by reference from Exhibit 10.5 of   |

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|          |  |   |
|----------|--|---|
|          | Investment Associates<br>(Aston, PA).  | Registration Statement No.<br>33-96414  |
| 10(iv)   | Amended lease between<br>Registrant and Robert<br>Lenert (Naperville, IL).   | Incorporated by reference<br>from Exhibit 10.6 of<br>Amendment No. 4 to<br>Registration Statement No.<br>33-96414             |
| 10(v)    | Lease between<br>Registrant and Janine<br>Berger (Gland,<br>Switzerland).  | Incorporated by reference<br>from 10.7 of Registration<br>Statement No. 33-96414  |
| 10(vi)   | Form of Sales<br>Representation<br>Agreement.  | Incorporated by reference<br>from Exhibit 10.8 of<br>Registration Statement No.<br>33-96414                                   |
| 10(vii)  | Form of Sales<br>Distribution Agreement.   | Incorporated by reference<br>from Exhibit 10.9 of<br>Registration Statement No.<br>33-96414                                   |
| 10(viii) | Agreement and Plan of<br>Merger, dated as of<br>July 25, 1997, among<br>the Registrant, SM Sub,<br>Inc., Tooltex, Inc.,<br>and the persons<br>designated as the<br>shareholders thereon<br>(excluding schedules<br>and annexes). A list<br>of omitted schedules<br>and annexes appears on<br>pages iv and v of the<br>Agreement and Plan of<br>Merger. The Registrant<br>hereby undertakes to<br>furnish supplementally<br>a copy of any omitted<br>schedule and annex to<br>the Commission upon<br>request. . | Incorporated by reference<br>from Exhibit 2(a) of<br>Registrant's Form 8-K dated<br>July 25, 1997                             |
| 10(ix)   | Agreement of Merger,<br>dated as of July 25,<br>1997, among the<br>Registrant, SM Sub,<br>Inc. and Tooltex, Inc.   | Incorporated by reference<br>from Exhibit 2(b) of the<br>Registrant's Form 8-K dated<br>July 25, 1997).                       |
| 10(x)    | Credit Agreement, dated<br>September 19, 1997,<br>between Brown Brothers<br>Harriman & Co. and<br>Registrant   | Incorporated by reference<br>from Exhibit 10 (xii) of<br>the Registrant's Form<br>10-KSB for the year ended<br>June 30, 1997  |
| 10(xi)   | Term Loan Note of<br>Registrant, dated<br>September 19, 1997,<br>payable to the order of<br>Brown Brothers Harriman<br>& Co. in the original<br>principal amount of<br>\$427,000.  | Incorporated by reference<br>from Exhibit 10 (xiii) of<br>the Registrant's Form<br>10-KSB for the year ended<br>June 30, 1997 |
| 10(xii)  | Line of Credit Note of<br>Registrant, dated<br>September 19, 1997,<br>payable to the order of  | Incorporated by reference<br>from Exhibit 10 (xiii) of<br>the Registrant's Form<br>10-KSB for the year ended                  |

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|           | Brown Brothers Harriman & Co. in the original principal amount of \$1,500,000.  | June 30, 1997   |
| 10(xiii)  | Intentionally deleted   |   |
| 10(xiv)   | Open-End Mortgage Deed from Registrant to Brown Brothers Harriman & Co. dated September 19, 1997.   | Incorporated by reference from Exhibit 10 (xiv) of the Registrant's Form 10-KSB for the year ended June 30, 1997  |
| 10(xv)    | General Security Agreement from Registrant to Brown Brothers Harriman & Co. dated September 19, 1997.   | Incorporated by reference from Exhibit 10 (xvii) of the Registrant's Form 10-KSB for the year ended June 30, 1997 |
| 10(xvi)   | Loan Agreement between Connecticut Development Authority and Sonics & Materials dated December 1, 1997  | Incorporated by reference from Exhibit 10 (xvi) of the Registrants Form 10-KSB for the year ended June 30, 1998   |
| 10(xvii)  | Indenture of Trust between Connecticut Development Authority and Sonics & Materials, Inc. dated December 1, 1997  | Incorporated by reference from Exhibit 10 (xvii) of the Registrants Form 10-KSB for the year ended June 30, 1998  |
| 10(xviii) | Tax Regulatory Agreement between Connecticut Development Authority and Sonics & Materials, Inc., and Brown Brothers Harriman Trust Company as Trustee dated December 12, 1997 | Incorporated by reference from Exhibit 10 (xviii) of the Registrants Form 10-KSB for the year ended June 30, 1998 |
| 21        | Subsidiaries of the Registrant  | Incorporated by reference from Exhibit 21 of the Registrants Form 10-KSB for the year ended June 30, 1998         |
| 27        | Financial Data Schedule.  | Filed herewith  |