SIMTEK CORP
Form 10QSB
May 14, 2001

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

SIMTEK CORPORATION
--------------------------------------------------------------------------------
(Exact name small business issuer as specified in its charter)

| | |
|---|---|
| Colorado | 84-1057605 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

4250 Buckingham Dr. #100; Colorado Springs, CO 80907
--------------------------------------------------------------------------------
(Address of principal executive offices)

(719) 531-9444
--------------------------------------------------------------------------------
(issuer's telephone number)

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

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 X No
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Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

| Class | Outstanding at May 9, 2001 |
|---|---|
| (Common Stock, $.01 par value) | 53,684,245 |

SIMTEK CORPORATION

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For Quarter Ended March 31, 2001

PART 1. FINANCIAL INFORMATION



SIMTEK CORPORATION

BALANCE SHEETS

ASSETS

| | March 31, 2001 |
|---|---|
| CURRENT ASSETS: | |
| Cash and cash equivalents | $ 2,615,626 |
| Certificate of deposit, restricted | 300,000 |
| Accounts receivable - trade, net | 2,100,007 |
| Inventory, net | 1,869,577 |
| Prepaid expenses and other | 617,210 |

| | | |
|---|---|---|
| Total current assets | | 7,502,420 |
| EQUIPMENT AND FURNITURE, net | | 998,786 |
| DUE FROM RELATED PARTY | | 22,562 |
| OTHER ASSETS | | 112,500 |
| TOTAL ASSETS | $ | 8,636,268 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ | 2,456,738 |
| Accrued expenses | | 353,513 |
| Notes Payable | | 24,996 |
| Accrued wages | | 295,049 |
| Accrued vacation payable | | 156,762 |
| Line of credit payable | | - |
| Obligations under capital lease | | 48,436 |
| Total current liabilities | | 3,335,494 |
| NOTES PAYABLE | | 23,564 |
| OBLIGATIONS UNDER CAPITAL LEASES | | 141,144 |
| Total liabilities | | 3,500,202 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Preferred stock, $1.00 par value, 2,000,000 shares authorized and none issued and outstanding | | - |
| Treasury stock | | (12,504) |
| Common stock, $.01 par value, 80,000,000 shares authorized, 53,684,245 and 48,462,514 shares issued and outstanding at March 31, 2001 and December 31, 2000, respectively | | 536,842 |
| Additional paid-in capital | | 37,503,880 |
| Accumulated deficit | | (32,892,152) |
| Shareholder's equity | | 5,136,066 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ | 8,636,268 |

The accompanying notes are an integral part of these financial stateme

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SIMTEK CORPORATION

STATEMENTS OF OPERATIONS

| | |
|---|---|
| | For the quart |
| | 2001 |

| | |
|---|---|
| NET SALES | $ 4,331,721 |
| Cost of sales | 3,096,555 |
| GROSS MARGIN | 1,235,166 |
| OPERATING EXPENSES: | |
| Design, research and development | 660,074 |
| Administrative | 704,103 |
| Marketing | 416,852 |
| Total Operating expenses | 1,781,029 |
| INCOME (LOSS) FROM OPERATIONS | (545,863 |
| OTHER INCOME (EXPENSE): | |
| Interest income (expense), net | 30,360 |
| Other expense, net | 939 |
| Total other income (expense) | 31,299 |
| NET INCOME (LOSS) BEFORE TAXES | (514,564 |
| Provision for income taxes | - |
| NET INCOME (LOSS) | $ (514,564 |
| NET INCOME PER COMMON SHARE: | |
| Basic | $ (.01 |
| Diluted | $ (.01 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | |
| Basic | 53,651,912 |
| Diluted | 53,651,912 |

The accompanying notes are an integral part of these financial stateme



SIMTEK CORPORATION

STATEMENTS OF CASH FLOWS

| | Three Months |
|---|---|
| | 2001 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net income (loss) | $ (514,563) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | |
| Depreciation and amortization | 111,272 |
| Increase (decrease) in net change of reserve accounts | 21,423 |
| Deferred financing fees | - |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | (380,109) |
| Inventory | (750,648) |
| Prepaid expenses and other | 305,608 |
| Increase (decrease) in: | |
| Accounts payable | 1,356,691 |
| Accrued expenses | (86,970) |
| Customer Deposits | - |
| Net cash provided by operating activities | 62,704 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of equipment and furniture | (177,334) |
| Payments on capital lease obligation | (11,435) |
| Reduction of certificate of deposit | - |
| Net cash provided by (used in) investing activities | (188,769) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Payments on Notes Payable | (6,249) |
| Purchase of Simtek Common Stock | (12,504) |
| Cash to Q-DOT Acoustics | (16,065) |
| Cash to Q-DOT Group | - |
| Payments of line of credit | (84,050) |
| Capital Contribution | - |
| Stock issued for directors compensation | - |
| Exercise of stock options | 6,790 |
| Net cash used in financing activities | (112,078) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (238,143) |
| CASH AND CASH EQUIVALENTS, beginning of period | 2,853,769 |
| CASH AND CASH EQUIVALENTS, end of period | $ 2,615,626 |
| SUPPLEMENTAL NON-CASH INFORMATION: | |
| Conversion of debenture into shares of common stock, net of deferred financing costs related to the debenture | $ - |

The accompanying notes are an integral part of these financial stateme

SIMTEK CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements included herein are presented in accordance with the requirements of Form 10-QSB and consequently do not include all of the disclosures normally made in the registrant's annual Form 10-KSB filing. These financial statements should be read in conjunction with the financial statements and notes thereto included in Simtek Corporation's Annual Report and Form 10-KSB filed on March 29, 2001 for fiscal year 2000.

In the opinion of management, the unaudited financial statements reflect all adjustments of a normal recurring nature necessary to present a fair statement of the results of operations for the respective interim periods. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year.

2. LINE OF CREDIT:

In April 2001, Simtek Corporation ("Simtek" or the "Company") renewed its revolving line of credit for another year in the amount of $250,000.

3. EQUITY:

In March 2001, Simtek completed the merger with Q-DOT Group, Inc. ("Q-DOT"). Simtek issued 5,171,731 shares of our Common Stock, valued at $4,000,000 based on a twenty day average share closing price of approximately $0.77. Q-DOT specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications. The company's projects have been supported by conventional government and commercial contracts in addition to Small Business Innovation Research (SBIR) contracts. Q-DOT will be operated as a wholly owned subsidiary of Simtek for its government contract research and development operations. The acquisition will be accounted for as a pooling of interest, and the results of Q-DOT will be consolidated with ours in future financials as if we have been merged throughout the periods.

4. GEOGRAPHIC CONCENTRATION:

Sales by location for the three months ended March 31, 2001 and 2000 were as follows (as a percentage of sales):

| | 2001 | 2000 |
|---|---|---|
| North America | 38% | 63% |
| Europe | 20% | 12% |
| Far East and Japan | 42% | 25% |

SIMTEK CORPORATION

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

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RESULTS OF OPERATIONS:

Simtek Corporation recorded net product sales of $4,331,721 for the first quarter of 2001 up from the $3,826,027 recorded for the first quarter 2000. The product sales from the Company's 4 kilobit, 16 kilobit, 64 kilobit and 256 kilobit nvSRAM product families and metal programmed gate array integrated circuits were $3,975,104 for the first quarter of 2001 and $2,902,395 for the first quarter of 2000. The increase in sales was due primarily to an increase in large customers placing production orders of our products worldwide. Sales of the Company's high end industrial and military products decreased in the three months ended March 31, 2001 as compared to the three months ended March 31, 2000. This decrease was due to a decrease in defense contacts. We believe that these sales will increase to their historic levels, but it remains unclear when this will occur. Two distributors of the Company's nvSRAM products account for more approximately 44% of the Company's net sales for the first quarter 2001. Products sold to distributors are re-sold to various end customers. The revenue generated from research and development contracts acquired in the Q-DOT merger was $356,617 for the first quarter of 2001 down from the $923,632 recorded for the first quarter of 2000. This decrease was primarily due to reduced billing rates against government contracts due to employee attrition.

During the first quarter 2001, the Company purchased wafers built on 0.8 micron technology from Chartered Semiconductor Manufacturing Plc. of Singapore ("Chartered") to support sales of its nvSRAM products. Sales of metal programmed gate array products were supported with 0.5 micron wafers purchased from United Microelectronics Corp. ("UMC") of Taiwan.

The Company saw an approximate 15% decrease in its gross margin percentages for the first quarter 2001 as compared to the first quarter 2000. This decrease was due primarily to an increase in the cost of the raw materials required to produce our products. In March 2001, the Company was able to negotiate better pricing from its suppliers and has been able to reduce certain internal costs required to build its product. Management believes that these cost reduction measures should have an impact on the gross margins beginning in the third quarter of 2001.

Total other operating expenses saw an increase of approximately $670,000 in the three months ended March 31, 2001 as compared to the three months ended March 31, 2000. Administration saw the largest increase of approximately $491,000. Of the approximate $491,000 increase, approximately $258,000 was related to the amortization of the shares of stock issued in September 2000, to two investment banker firms in return for services to us. Approximately $213,000 was related to increased legal, audit and labor related to the merger with Q-DOT. The remaining $20,000 was related to increased payroll. Marketing saw the next largest increase of approximately $142,000, primarily due to approximately $86,000 paid in sales commission to independent sales representatives as a direct result of our increased revenue. The balance of approximately $56,000 was related to an increased payroll due to an increased headcount. Research and development saw an approximate increase of $37,000 which was related to increased payroll due to an increased headcount.

The Company recorded a net loss of $514,564 in the first quarter of 2001 as compared to a net income of $576,147 for the first quarter of 2000. This decrease was due primarily to the decrease in gross margins and the increase in administration costs.

The change in cash flows from operating activities was $62,704, which is primarily due to a net loss of $514,563, which is offset by depreciation and amortization of $111,272, a decrease of prepaid expenses and other of $305,608, and a decrease in accrued expenses of $86,970. Increases in accounts receivable, inventory and accounts payable of $380,109, $750,648 and $1,356,691,





respectively were related to increased product demand. The change in cash flows from investing activities of $188,769 was primarily due to the purchases of equipment and furniture related to the testing of our 64 kilobit and 256 kilobit products built on 0.8 micron technology and the purchase of computer and software required for research and development. The change in cash flows from financing activities of $112,078 was due primarily to the payments on a line of credit, notes payable, the buyback of Simtek common stock and cash required to fund a subsidiary of Q-DOT.

FUTURE RESULTS OF OPERATIONS

The Company's ability to remain profitable will depend primarily on its ability to continue reducing manufacturing costs and to increase net product sales by increasing the availability of existing products, by the introduction of new products and by expanding its customer base. The Company is currently deciding which new or derivative product it will develop next.

As of March 31, 2001, the Company had received purchase orders expected to be filled within the next six months of approximately $6,439,000. Orders are cancelable prior to 30 days before the scheduled shipping date and, therefore, should not be used as a measure of future product sales.

LIQUIDITY AND CAPITAL RESOURCES

Under the Cooperation Agreement entered into with ZMD in September 1995, ZMD had the right to convert all financing into shares of our Common Stock at a price of $0.175 per share for all monies paid in 1995 and at the average share price of the quarter the monies were paid for all monies paid in 1996. In 1996, we received $378,551 under this agreement of which $248,398 was converted into 1,353,374 shares of our Common Stock at a price of $.1548 and 165,000 shares of our Common Stock at a price of $.2358. The payable to ZMD of $130,153 that showed on the balance sheet at December 31, 1999 was converted into 551,964 shares of our Common Stock. During 2000, ZMD began selling their shares of our Common Stock.

On June 12, 1998, we closed a $1,500,000 financing transaction with two funds advised by Renaissance. The funding from Renaissance consists of $1,500,000 of convertible debentures with a seven year term at a 9 percent per annum interest rate (the "Debentures"). In the first quarter of 2000, Renaissance converted all $1,500,000 of the Debentures into an aggregate of 7,692,308 shares of our Common Stock.

On May 9, 2000, we acquired Integrated in exchange for 3,000,000 shares of our Common Stock worth approximately $3,500,000 based on the closing price per share of ($1.1875) on the closing date.

On June 16, 2000, we acquired 1,875,000 shares of the common stock of WebGear, in return for 1,250,000 shares of our Common Stock worth approximately $1,640,000 based on the closing price per share ($1.3125) on the closing date. On September 29, 2000, we purchased incomplete research and development, patents and certain trademarks from WebGear, Inc. We issued 3,400,000 shares of our Common Stock and returned to WebGear the 1,875,000 shares of WebGear common stock that we acquired from WebGear on June 16, 2000. In December 2000, the agreement was amended and WebGear returned 500,000 shares of our Common Stock to us making the total number of shares for this phase 2,900,000, worth approximately $2,447,000, based on the closing price of our Common Stock. On September 29, 2000, the closing price of our Common Stock was $0.8438 per share.

On July 31, 2000, we acquired Macrotech for 1,250,000 shares of our Common Stock worth approximately $1,700,000 based on the closing price per share ($1.375) on the closing date.

On December 6, 2000, we signed a letter of intent to acquire Q-DOT. The merger was completed on March 13, 2001 for consideration of approximately 5,172,000 shares of our Common Stock, valued at $4,000,000 based on a twenty day average share closing price of approximately $0.77 prior to the closing date.





In April 2001, the Company renewed its revolving line of credit for another year in the amount of $250,000. The line of credit is collateralized by substantially all assets of the Company. The line of credit bears interest at prime plus .75% on any outstanding balance. As of March 31, 2001, the Company had no balance outstanding.

The Company may require additional capital to fund production and marketing of any new products it may develop. The Company does not have any commitments for such additional capital as of the date of this report.





## PART II. OTHER INFORMATION

Item 1. Legal Proceedings -None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Matters Submitted to a Vote of Securities Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K

Form 8-K filed on March 22, 2001 - Item 2 Acquisition or disposition of assets



SIMTEK CORPORATION

SIGNATURES

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

SIMTEK CORPORATION
(Registrant)

May 11, 2001

By /s/ Douglas Mitchell

DOUGLAS MITCHELL
Chief Executive Officer, President
and Chief Financial Officer (acting)