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U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

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

NEVADA  
(State or other jurisdiction  
of incorporation or  
organization)

0-29266  
(Commission File  
Number)

87-0429335  
(I.R.S. Employer  
Identification No.)

916 CENTER STREET  
LEWISTON, NEW YORK 14092  
(716) 754-7883  
(Address, including zip code, and telephone number,  
including area code, of issuer's principal executive offices)

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 May 2, 2001, there were 9,118,972 shares of common stock, \$0.001 par value per share, of the issuer outstanding.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

# PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

### CVF TECHNOLOGIES CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

	March 31, 2001 (unaudited)	December 31, 2000 (audited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,874,216	\$ 495,642
Short-term investments	—	261,866
Restricted cash	176,409	185,501
Trade receivables	1,680,028	2,370,247
Inventory	1,574,927	1,488,466
Prepaid expenses and other	85,722	87,852
Income taxes receivable	10,013	2,532,003
TOTAL CURRENT ASSETS	6,401,315	7,421,577
Property and equipment, net of accumulated depreciation	304,692	347,533
Holdings, carried at cost or equity	419,832	491,904
Holdings (in public companies) available for sale, at market	1,809,326	4,524,422
Technology	1,716,985	1,900,497
Goodwill, net of accumulated amortization	5,655,708	6,134,929
TOTAL ASSETS	\$ 16,307,858	\$ 20,820,862
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness (subsidiary)	\$ 339,355	\$ 188,150
Current portion of long-term debt (subsidiary)	351,564	281,259
Subsidiary loans in breach of covenants	147,174	309,324
Trade payables	3,537,668	3,440,854
Accrued liabilities	459,561	611,726
Dividends payable on Series A and Series B preferred stock	62,333	11,384
Dividends payable on subsidiary's shares	304,401	307,579
Debt equivalent (subsidiary)	444,150	487,056
TOTAL CURRENT LIABILITIES	5,646,206	5,637,332
Long term debt (subsidiary)	95,175	66,720
Deferred income taxes	919,011	1,917,060
Minority interest	3,226,421	3,662,770
Pension obligation	459,307	491,794
Preferred and other non-voting stock of subsidiaries	233,766	245,813
	4,933,680	6,384,157
Redeemable Series A preferred stock, \$0.001 par value, redeemable at \$18.25 per shares, authorized 500,000 shares, issued and outstanding 3,477 shares	63,455	66,521
	10,643,341	12,088,010
STOCKHOLDERS' EQUITY:		
Common stock, \$0.001 par value, authorized 50,000,000 shares, 9,495,440 issued and 440,700 in treasury	9,560	9,376
Series B convertible preferred stock, \$0.001 par value, liquidation preference of 30% of stated value, authorized, issued and outstanding 350,000 shares	345	350
Warrants	629,447	629,447
Additional paid in capital	26,814,347	26,638,313
Treasury stock	(2,711,889)	(2,711,889)
Accumulated other comprehensive income	(591,963)	1,173,596
Accumulated deficit	(18,485,330)	(17,006,341)
TOTAL STOCKHOLDERS' EQUITY	5,664,517	8,732,852
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,307,858	\$ 20,820,862

See notes to consolidated financial statements

CVF TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(UNAUDITED)

	Three months ended March 31,	
	2001	2000
SALES	\$ 3,562,324	\$ 3,921,971
COST OF SALES	3,427,797	3,537,190
GROSS MARGIN	134,527	384,781
EXPENSES:		
Selling, general and administrative	1,760,328	2,002,530
Research and development	270,070	138,407
TOTAL EXPENSES	2,030,398	2,140,937
(LOSS) FROM OPERATIONS	(1,895,871)	(1,756,156)
OTHER INCOME AND (EXPENSES):		
Interest (expense) income, net	(24,582)	4,732
Other income, net	50,210	2,067
(Loss) from equity investees	(52,528)	(251,090)
Gain on sale of holdings	277,940	—
TOTAL OTHER INCOME AND (EXPENSES)	251,040	(244,291)
(LOSS) BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTEREST	(1,644,831)	(2,000,447)
(Recovery of) provision for income taxes	(28,447)	482
(LOSS) BEFORE MINORITY INTEREST	(1,616,384)	(2,000,929)
MINORITY INTEREST IN LOSS	191,383	237,449
NET (LOSS)	(1,425,001)	(1,763,480)
BASIC (LOSS) PER SHARE	\$ (0.16)	\$ (0.26)
DILUTED (LOSS) PER SHARE	(0.16)	(0.26)
WEIGHTED SHARES USED IN COMPUTATION — BASIC	8,979,909	6,889,867
WEIGHTED SHARES USED IN COMPUTATION — DILUTED	8,979,909	6,889,867

See notes to consolidated financial statements

## CVF TECHNOLOGIES CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	Three Months Ended March 31,	
	2001	2000
CASH FLOW FROM OPERATING ACTIVITIES:		
Net (loss)	\$(1,425,001)	\$(1,763,480)
Adjustments to reconcile net (loss) from operating activities:		
Depreciation and amortization	378,742	332,114
Loss from equity investees	52,528	251,090
Gain on sale of holdings	(277,940)	—
Common stock issued in lieu of cash	57,074	122,397
Minority interest in (losses) of subsidiaries	(191,383)	(237,449)
Pension expense	3,130	7,143
Changes in operating assets and liabilities (net of acquisitions):		
Decrease (increase) in trade receivables	591,603	(507,682)
(Increase) in inventory	(164,286)	(147,802)
(Increase) in prepaid expenses and other	(2,242)	(28,259)
Decrease in income taxes receivable	2,471,211	20,313
Increase in trade payables and accrued liabilities	149,561	570,887
(Decrease) in income taxes payable	(1,911)	—
	<u>3,066,087</u>	<u>382,752</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,641,086</u>	<u>(1,380,728)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,522)	(71,523)
Investments in and advances to equity investees	(4,577)	(406,557)
Proceeds from sale of holdings	516,254	—
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>506,155</u>	<u>(478,080)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of debt	60,663	106,954
Decrease in restricted cash	—	672
Issuance of common stock	—	1,750,000
Redemption of shares in stock of subsidiaries	(19,617)	—
CASH PROVIDED BY FINANCING ACTIVITIES	<u>41,046</u>	<u>1,857,626</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(71,579)</u>	<u>(730)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,116,708</u>	<u>(1,912)</u>
CASH AND CASH EQUIVALENTS — beginning of period	<u>757,508</u>	<u>3,557,706</u>
CASH AND CASH EQUIVALENTS — end of period	<u>\$ 2,874,216</u>	<u>\$ 3,555,794</u>

See notes to consolidated financial statements

CVF TECHNOLOGIES CORPORATION AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three months ended March 31, 2001	2000
Net (loss)	<u>\$(1,425,001)</u>	<u>\$(1,763,480)</u>
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(362,614)	(32,047)
Unrealized holding gains:		
Unrealized holding gains arising during period (see note below)	<u>(1,402,945)</u>	<u>2,119,943</u>
Net unrealized holding gains	<u>(1,402,945)</u>	<u>2,119,943</u>
Total other comprehensive income (loss)	<u>(1,765,559)</u>	<u>2,087,896</u>
Comprehensive income (loss) during period	<u><u>\$(3,190,560)</u></u>	<u><u>\$ 324,416</u></u>

Note: Unrealized holding gains are net of tax expense (benefit) of (\$935,297) and \$1,413,295) for the three months ended March 31, 2001 and 2000 respectively

See notes to consolidated financial statements

CVF TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2001

(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position and the results of operations for the interim periods presented. All such adjustments are of normal and recurring nature. The results of operations for any interim period are not necessarily indicative of the results attainable for a full fiscal year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

2. INCOME (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. The net income (loss) available to common stockholders consists of net income (loss) reduced by the dividends on the Company's Series A and B preferred stock. Diluted earnings (loss) per share reflects the per share amount that would have resulted if diluted potential common stock had been converted to common stock, as prescribed by SFAS 128.

3. INVESTMENTS

The following table gives certain summarized unaudited financial information related to the Company's equity basis holdings:

	Three Months Ended March 31,	
	2001	2000
	\$ 40,779	\$ 24,787
Net Sales		
Gross profit (loss) on sales	40,283	(9,730)
(Loss) from continuing operations	(55,802)	(249,645)
Net (loss)	(55,802)	(249,645)

#### 4. INTERIM FINANCIAL STATEMENT DISCLOSURES

Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted from the accompanying unaudited interim financial statements. Reference is made to the Company's audited financial statements for the year ended December 31, 2000 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on April 2, 2001.

#### 5. SUBSIDIARY LOAN IN BREACH OF COVENANTS

The full amount of the Elements small business loans have been included in current liabilities, as Elements did not comply with certain financial ratios included in the related loan agreements, giving the lender the right to demand repayment. Elements is current with payments on these loans.

#### 6. SEGMENTED INFORMATION

In 2000, as a result of changes in the scope of activities of investee companies, the Company reallocated business units to business segments to more appropriately group units for chief operating decision purposes and reporting in accordance with FAS 131. This change was applied on a retroactive basis. The Company has five reportable segments: bioremediation, machine controls, precious gem identification, retail products, and general corporate. The bioremediation segment consists of one company that applies bioconversion and biotransformation technology to municipal and industrial environmental applications. The machine controls division designs, manufactures and sells electric motor controls to machine manufacturers. The gem identification segment consists of one company that has developed identification and database systems, and markets its products and services to the companies in the precious gem business, including producers, cutters, distributors and retailers. The Company's retail segment consists of one company that sources and sells natural health services and products to consumers.



The Company’s general corporate segment includes one company which provides funding and management overview services to the holdings. This segment’s profits include interest income and gains on sales of its various holdings.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes, depreciation and research and development. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

There are no intersegment sales, transfers or profit or loss.

Industry Segments for the Three Months Ended March 31, 2001 and 2000

	Bio- remediation	Machine Controls	Identification Systems	Retail Products	Corporate Administration	All Other	Total
2001	\$	\$	\$	\$	\$	\$	\$
Sales	124,958	3,025,113	131,882	93,410	—	186,961	3,562,324
(Loss) from operations	(152,506)	(153,090)	(165,298)	(64,259)	(633,639)	(727,079)	(1,895,871)
Other income (expense)	7,640	51,574	949	29,511	225,478	127,271	442,423
(Loss) before income taxes	(144,866)	(101,516)	(164,349)	(34,748)	(408,161)	(599,808)	(1,453,448)
2000							
Sales	273,947	3,210,003	51,002	182,338	—	204,681	3,921,971
(Loss) from operations	(74,585)	(156,999)	(206,749)	(247,035)	(718,550)	(352,238)	(1,756,156)
Other income (expense)	1,745	52,083	(24,326)	95,868	(231,551)	99,339	(6,842)
(Loss) before income taxes	(72,840)	(104,916)	(231,075)	(151,167)	(950,101)	(252,899)	(1,762,998)

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

### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2000:

Consolidated sales of CVF Technologies Corporation (“CVF” or the “Company”) for the three months ended March 31, 2001 amounted to \$3,562,324, representing a decrease of \$359,647 (9.2%) compared to sales of \$3,921,971 for the same period in 2000. On a stand-alone basis, CVF has no sales from operations. Sales and gross profit from sales reflect the operations of CVF’s consolidated subsidiaries only. The consolidated subsidiaries are Biorem Technologies Inc. (“Biorem”), Dantec Corporation (“Dantec”), Grand Island Marketing Inc. (“Elements”), Gemprint(TM) Corporation (“Gemprint”), SRE Controls Inc. (“SRE”), Ecoval Inc. (in 2000) and Ecoval Corporation (in 2001) (together, “Ecoval”) (consolidated beginning in December, 2000), CVF Capital Management Corporation (“CVF Capital Management”), Eastview Marketing One LLC, and Grand Island Marketing Two LLC. CVF consolidates profit and loss only (equity method) for companies in which CVF holds 50% to 20% ownership. These companies are Ecoval (prior to December, 2000), Petrozyme Technologies Inc. (“Petrozyme”) and IMT Systems (“IMT”). The results of RDM Corporation (“RDM”) and TurboSonic Technologies Inc. (“TurboSonic”), companies in which CVF has less than 20% ownership, are not included in the Consolidated Statement of Operations. CVF’s investments in RDM and TurboSonic are carried at market value on the Consolidated Balance Sheet under Holdings Available for Sale.

Gemprint’s sales increased by \$80,880 (159%) during the first quarter of 2001 compared to the same period in 2000 due to increased Gemprint registrations by new customers. Ecoval, whose results are consolidated beginning in December, 2000, achieved sales of \$134,898 in the first quarter of 2001. During the first quarter of 2001, SRE continued full production on a strategic relationship contract (which began in the third quarter of 1998) with a major original equipment manufacturer (OEM). SRE’s sales in respect of this OEM contract for the first quarter of 2001 decreased by \$184,889 (6%) from the same period in 2000. Biorem’s sales decreased by \$148,989 or 54%, compared to unusually high sales booked in the first quarter of 2000. Dantec’s sales in the first quarter of 2001 decreased by \$152,618 (75%) compared to the same quarter of 2000. Elements’ sales in the first quarter of 2001, during which it operated only one store, decreased by \$88,928 (49%) from the same quarter of 2000, during which it operated three stores. Sales in the quarter ended March 31, 2001 for companies in which CVF has less than 20% ownership and therefore not consolidated increased as follows: RDM increased \$156,504 (18%) and TurboSonic increased \$3,454,610 (180%).

CVF’s gross margin of \$134,527 for the first quarter of 2001 represents a decrease of \$250,254 (65%) from the same period last year. Gross margin as a percentage of sales decreased to 3.8% for the first quarter of 2001 from 9.8% for the first quarter of 2000. This decrease in the more recent quarter is mainly due to Biorem and Dantec attaining lower gross margins than in the previous year due to lower sales volumes. Also, Ecoval (consolidated only from December 2000) had a negative gross margin in the first quarter of 2001.

Selling, general and administrative expenses on a consolidated basis amounted to \$1,760,328 for the first quarter of 2001. This represents a decrease of \$242,202 or 12% compared to the first quarter of 2000. Of this decrease, \$103,090 is due to reduced investor relations expense. Other declines in expenses relate to the overall sales decrease in the first quarter of 2001. Management continues to undertake a concerted effort to effect an overall reduction in administrative costs.

Research and development expenses for the first quarter of 2001 amounted to \$270,070 compared to \$138,407 incurred in the comparable 2000 period. Most of this increase derives from the consolidation of Ecoval in CVF’s financial results beginning in December, 2000.

Net interest expense increased to \$24,582 for the first quarter of 2001 compared to net interest income of \$4,732 for the first quarter of 2000. This increase is due to lower average cash balances invested during the 2001 period.

Other income earned by CVF in the first quarter of 2001 amounted to \$50,210, representing an increase of \$48,143 over the comparable amount for the 2000 period. This increase is mainly due to the settlement of an outstanding account payable of Gemprint for less than the recorded amount.

Losses of CVF from equity holdings (entities in which CVF has a 50% or less ownership) decreased to \$52,528 in the 2001 period from \$251,090 in the 2000 period. This decrease is attributable to the inclusion of Ecoval in consolidated operations effective December, 2000.

Gain on sale of holdings amounted to \$277,940 in the 2001 period compared to no gains in the 2000 period. The gain in the 2001 period resulted from the sale of a portion of CVF's holdings in RDM.

Minority interest portion of the loss decreased to \$191,383 in the first quarter of 2001 from \$237,449 in the comparable 2000 period due to the attribution to minority interest of the smaller losses incurred by Elements and SRE in the more recent period.

CVF recorded a net loss of \$1,425,001 for the three months ended March 31, 2001 resulting from the operations described above. This compares to a net loss of \$1,763,480 incurred in the corresponding period of 2000.

#### LIQUIDITY AND CAPITAL RESOURCES:

Stockholders' equity as of March 31, 2001 amounted to \$5,664,517 compared to \$8,732,852 at December 31, 2000. This net decrease of \$3,068,335 is primarily attributable to the net loss of \$1,425,001 and a decrease of \$1,402,945 in unrealized gains on investment holdings which was recognized in the same period.

The current ratio of CVF at March 31, 2001 is 1.1 to 1. Although the current ratio declined from a ratio of 1.3 to 1 at December 31, 2000 it still remains strong. This decline in the current ratio is attributable to the use of cash and cash equivalents to fund ongoing operations during the first three months of 2001.

In order to further augment the growth of its investee companies, CVF plans to raise additional funds in 2001, as it did in 2000. These funds, to be derived from private placement or public offering, will be used to acquire additional positions in its existing companies or to acquire companies that are synergistic to the current portfolio. Also, CVF will endeavor to assist its companies to obtain financing in order to position them for future growth.

#### FORWARD LOOKING STATEMENTS

CVF believes that certain statements contained in this Quarterly Report on Form 10-QSB constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to vary materially from the Company's expected results, performance or achievements. These factors include, among others, the following:

- general economic and business conditions;
- foreign currency fluctuations, particularly involving Canada;
- the Company's ability to find additional suitable investments and the ability of those investments to generate an acceptable return on invested capital;
- the uncertainties and risks involved in investing in early-stage development companies which can arise because of the lack of a customer base, lack of name recognition and credibility, the need to bring in experienced management and the need to develop and refine the business and its operations, among other reasons.

The Company will not update any Forward-looking information to reflect actual results or changes in the Factors affecting the Forward-looking information.

## PART II — OTHER INFORMATION

### Item 2. Changes in Securities

In January 2001, the registrant issued 1,906 shares of its common stock to certain holders of the registrant's Series A Preferred Stock in exchange for 168 shares of Series A Preferred Stock. In February 2001, the registrant issued 18,034 shares of its common stock to Meighen Demers LLP in consideration of legal services rendered to Gemprint. In March 2001, the registrant issued 31,000 shares of its common stock to The Equity Group Inc. in consideration of The Equity Group Inc.'s entering into a consulting agreement with the registrant. In March 2001, the registrant issued 25,000 shares of its common stock to IBM Canada Limited in consideration of the registrant's taking an assignment of certain claims of ISM Information Systems Management Corporation against Gemprint. All of the above transactions were exempt from registration under Section 4(2) of the Securities Act of 1933, as amended.

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

- (a) Exhibits
- (11) Statement re computation of per share earnings
- (b) Reports on Form 8-K.  
None.

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.

DATED: May 17, 2001

CVF TECHNOLOGIES CORPORATION

By:       /s/ Jeffrey I. Dreben  
-----  
Name:   Jeffrey I. Dreben  
Title:   Chairman of the Board, President  
          and Chief Executive Officer

By:       /s/ Robert L. Miller  
-----  
Name:   Robert L. Miller  
Title:   Chief Financial Officer

EXHIBIT INDEX

(11) Statement re computation of per share earnings