

Edgar Filing: NOVEX SYSTEMS INTERNATIONAL INC - Form 10QSB/A

NOVEX SYSTEMS INTERNATIONAL INC
Form 10QSB/A
January 29, 2002

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

Amendment No. 2 to
FORM 10-QSB/A

Item 5. Other Information, has been amended to state that this report was originally filed without review of an independent auditor and that in this amendment No. 2 to Form 10-QSB/A the independent auditor completed their review. As discussed in item 5, certain revision to this filing were incorporated.

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2001 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____ .

NOVEX SYSTEMS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

New York	0-26112	41-1759882
State of Jurisdiction)	(Commission File Number)	(IRS Employer Identification No.)

16 Cherry Street Clifton, New Jersey 07014
(Address of Principal Executive offices) (Zip Code)

Registrant's telephone number, including area code 973-777-2307

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 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 filing requirements for the past 90 days. Yes No .

The Company had 26,225,775 shares of its \$.001 par value common stock and 1,529,426 shares of its \$.001 par value preferred stock issued and outstanding on November 30, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-Q Incorporated Document

Part II, Item 6 None

NOVEX SYSTEMS INTERNATIONAL, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Board of Directors
Novex Systems International, Inc.

We have reviewed the accompanying balance sheet of Novex Systems International, Inc. as of November 30, 2001, and the related statements of operations, and cash flows for the six months ended November 30, 2001 and 2000, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Novex Systems International, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

/s/Feldman Sherb & Co., P.C.
Feldman Sherb & Co., P.C.
Certified Public Accountants

January 25, 2002

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NOVEX SYSTEMS INTERNATIONAL, INC. BALANCE SHEET NOVEMBER 30, 2001

ASSETS

CURRENT ASSETS:

Accounts receivable, net of allowance for doubtful accounts of \$73,256	\$ 533,820
Inventories	145,078
Prepaid expenses and other current assets	96,725

Total Current Assets	775,623

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PROPERTY, PLANT AND EQUIPMENT - at cost, net	1,274,580
GOODWILL - at cost, net	653,510

	\$ 2,703,713
	=====

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES:

Cash overdraft	\$ 109,771
Current portion of long term debt	1,768,531
Bank line of credit	429,147
Accounts payable	568,826
Loans payable - shareholder	18,000
Accrued preferred stock dividend payable	53,082
Accrued expenses and other current liabilities	209,189

Total Current Liabilities	3,156,546

COMMITMENTS AND CONTINGENCY

SHAREHOLDERS' DEFICIENCY:

Preferred stock - \$0.001 par value, 10,000,000 shares authorized, 1,529,426 shares issued and outstanding	1,529,426
Common stock - \$0.001 par value, 50,000,000 shares authorized, 26,555,187 shares issued and outstanding	26,555
Additional paid-in capital	6,361,775
Accumulated deficit	(8,370,589)

Total shareholders' deficiency	(452,833)

	\$ 2,703,713
	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS

Three Months Ended November 30,	
-----	-----
2001	2000
-----	-----

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	(Unaudited)	(Unaudited)
NET SALES	\$ 583,855	\$ 504,5
COST OF GOOD SOLD	305,412	351,4
	-----	-----
GROSS PROFIT	278,443	153,1
SELLING, GENERAL AND ADMINISTRATIVE	306,260	266,4
	-----	-----
LOSS FROM OPERATIONS	(27,817)	(113,2
	-----	-----
OTHER INCOME (EXPENSES):		
Interest expense	(61,649)	(69,0
Amortization of debt discount	(10,345)	(2,6
Gain on change in valuation of put warrant	9,588	
	-----	-----
OTHER EXPENSES, net	(62,406)	(71,6
	-----	-----
LOSS FROM CONTINUING OPERATIONS	(90,223)	(184,8
	-----	-----
DISCONTINUED OPERATIONS:		
Loss from operations of Novex Canada	--	
Loss on disposal of Novex Canada including		
operating loss during the phase out period of \$102,190	--	(229,0
	-----	-----
LOSS FROM DISCONTINUED OPERATIONS	--	(229,0
	-----	-----
NET LOSS	(90,223)	(413,9
LESS: PREFERRED STOCK DIVIDEND	53,082	
	-----	-----
NET LOSS TO COMMON SHAREHOLDERS	\$ (143,305)	\$ (413,9
	=====	=====
LOSS PER COMMON SHARE, basic and diluted:		
From continuing operations	--	(0.
From discontinued operations	--	(0.
	-----	-----
TOTAL LOSS PER COMMON SHARE, basic and diluted	\$ --	\$ (0.
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON		
SHARES OUTSTANDING, basic and diluted	26,307,181	23,143,9
	=====	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

	Six Mo Nove
	----- 2001 -----
CASH FLOWS FROM OPERATING ACTIVITIES:	(Unaudited)
Net loss	\$ (232,470)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	
Provision for bad debts	23,419
Depreciation and amortization	71,056
Gain on change in valuation of put warrant	(12,867)
Common stock issued for services	24,753
Amortization of debt discount	38,016
Changes in assets and liabilities, net of the effect from acquisition and disposition:	
Accounts receivable	(254,590)
Inventories	59,176
Prepaid and other current assets	(69,653)
Net liabilities of discontinued operations	--
Other assets	--
Accounts payable	57,261
Accrued expenses and other current liabilities	93,215

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(202,684)

CASH FLOWS FROM INVESTING ACTIVITY:	
Acquisition of business, net of cash acquired	--

CASH USED IN INVESTING ACTIVITY	--

CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash overdraft	81,428
Due to factor	--
(Repayment of) proceeds from loans payable - shareholders	(11,150)
Repayment of bank line of credit	(27,261)
Proceeds from notes payable	25,000
Repayment of debt obligations	(46,333)
Proceeds from the sale of common stock	181,000

NET CASH PROVIDED BY FINANCING ACTIVITIES	202,684

NET DECREASE IN CASH	--
CASH AT BEGINNING OF YEAR	--

CASH AT END OF PERIOD	\$ --
	=====

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SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$ 88,691
	=====
Income taxes	\$ --
	=====
Non-cash flow and investing and financing activities:	
Conversion of debt to equity	\$ 42,868
	=====
Common stock issued for assets acquired	\$ --
	=====
Common stock issued for future services	\$ 18,903
	=====
Preferred stock dividend	\$ 75,892
	=====

See notes to financial statements.

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NOVEX SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED NOVEMBER 30, 2001
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operation results for the three months ended November 30, 2001 are not necessarily indicative of the result that may be expected for the year ended May 31, 2002. The unaudited condensed financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended May 31, 2001.

2. LOSS PER SHARE

Basic net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding. For the six months ended November 30, 2001 and 2000 diluted loss per share is the same as basic loss per share since the inclusion of stock options and warrants would be antidilutive.

3. DISCONTINUED OPERATION

In October and December 2000, the Company entered into agreements to sell the assets, except for accounts receivable and the Fiberforce trade name, of its subsidiary, Novex Systems International, Ltd. ("Novex Canada"), for approximately \$245,300.

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The results of operations and cash flows for Novex Canada has been reclassified as discontinued operations for all periods presented.

Summarized results of the discontinued operation is as follows:

	Six Months Ended November 30,	
	2001	2000
Net sales	--	100,643
Loss from operations	--	(48,124)
Loss on disposal	--	(229,056)
Total loss on discontinued operations	--	(277,180)

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NOVEX SYSTEMS INTERNATIONAL, INC.
 NOTES TO CONDENSED FINANCIAL STATEMENTS
 SIX MONTHS ENDED NOVEMBER 30, 2001
 (unaudited)

4. INVENTORIES

Inventories were determined based on the perpetual inventory system and consisted of the following:

	November 30, 2001
Raw Material	\$ 113,185
Finished Goods	31,893
	\$ 145,078

5. NOTE PAYABLE

In the six month ended November 30, 2001, the Company raised an additional \$25,000 by the issuance of a note payable. The \$25,000 has been included with the current portion of long-term debt and the note payable has the same terms as those at May 31, 2001.

6. SHAREHOLDERS' DEFICIENCY

As of November 30, 2001, the Company raised \$153,000 from the sale of 1,020,001 shares of restricted common stock. Included in the sale of common stock were warrants, which provide the right to purchase one share of common stock for every three shares of common stock purchased. The warrants have an exercise price of \$0.20 per share and they expire three years from the date of issuance. The warrants exercise prices were granted at the quoted market price.

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During the six months ended November 30, 2001, the Company issued 136,000 shares of common stock in consideration for financing of \$136,000 that occurred in the fiscal year ended May 31, 2001. As a result, the Company valued the common stock based on the quoted market price and recorded a debt discount of \$19,040. In addition, the Company converted \$42,868 of loan and interest from a shareholder into 285,786 shares of restricted common stock.

As of November 30, 2001, the Company issued 139,038 shares of preferred stock as payment of accrued preferred stock dividend.

In November 2001, the company issued 329,412 shares of restricted common stock for \$28,000.

In October 2001, the Company issued 65,000 shares of restricted common stock for services, which was valued at the quoted market price of \$0.09 or \$5,850.

On September 15, 2001, the Company granted 25,000 employee stock options at an exercise price of \$0.20, which was above the quoted market price on the date of grant. The employee stock options expire on September 15, 2004.

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NOVEX SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
SIX MONTHS ENDED NOVEMBER 30, 2001
(unaudited)

During August 2001, the Company issued 70,000 shares of restricted common stock and 75,000 warrants for future consulting services. The common stock was valued at the quoted market price of \$0.12 or \$8,400. The warrants were valued at \$10,503, which was based on the Black-Scholes option pricing model with the following assumptions used: annual dividend of \$0; expected volatility of 217%; risk-free interest rate of 3.5%; and an expected life of 3 years. The Company has recorded the value of the common stock and warrant to prepaid expense and will amortize the amounts over the life of the service period.

On June 1, 2001, the Company granted 100,000 stock options to a director of the Company with an exercise price of \$0.20 and will expire on June 1, 2004. In addition, the Company granted 61,805 stock options to its employees with an exercise price of \$0.25 and will expire on October 1, 2003. The options exercise prices were granted at the quoted market price.

7. CONTINGENCY

During fiscal 1997, a shareholder commenced an action against the Company and its former President to enjoin the Company and the former President from taking any action that would restrict the sale of common stock that he allegedly owns. In the opinion of management, this action is without merit and will not have a material adverse effect on the Company's financial position or results of operations.

8. RECENT ACCOUNTING PRONOUNCEMENT

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In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supercedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the reporting provisions of APB Opinion No. 30, Reporting the Results of Operation - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions for the Disposal of a Segment of a Business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of analyzing the impact of the adoption of this statement on its financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the information contained in the Financial Statements and the Notes to the financial statements appearing elsewhere in this Form 10-QSB. The Financial Statements for the six months ended November 30, 2001, included in this Form 10-QSB are unaudited; however, this information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary to present a fair statement of the results for the interim period.

Results of Operations

Six Months Ending November 30, 2001 vs. November 30, 2000

In the six month period ended November 30, 2001, Novex had net sales of \$1,179,554 versus \$1,002,394 in the corresponding six month period in 2000. The increase in sales was 17% over the corresponding period. Gross sales in the six month period were \$1,199,858, but the company took a charge in the period for \$20,304 for sales discounts and allowances. Cost of goods sold in this period was \$669,924 which generated a gross margin of 43%, versus 34% in 2000. The increase in the gross margin was attributable to larger orders of higher margin products to the same customer and less factory overtime that were attributable to more timely deliveries of raw materials. Novex incurred general and administrative costs of \$590,296 which resulted in a loss from operations of \$80,666 in this period. In this period, Novex incurred \$126,655 in interest expense, \$38,016 of amortization of debt discount and a gain on change in the valuation of a put warrant of \$12,867. The company's operating loss before interest, taxes, depreciation and amortization was \$9,610. The increase in sales, cost of goods sold and general operating expenses during this period was attributable primarily to the company's improvement of its sales and marketing efforts.

On November 30, 2001, Novex had \$775,623 in current assets which consisted primarily of inventory of \$145,078 and accounts receivable of \$533,820. The company's property, plant and equipment was \$1,274,580 net of accumulated depreciation of \$186,160 and goodwill of \$653,510 net of accumulated amortization of \$104,196.

Three Months Ending November 30, 2001 vs. November 30, 2000

In the threes ended November 30, 2001, Novex had net sales of \$583,855

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versus \$504,561 in the corresponding three months ended November 30, 2000. The increase in sales was 16% over the corresponding period. Gross sales in the three month period were \$604,159, but the company took a charge in the period for \$20,304 for sales discounts and allowances in the second quarter ending November 30, 2001. Cost of goods sold in this period was \$304,412 which generated a gross margin of 47%, versus 31% in 2000. The increase in the gross margin was attributable to larger orders of higher margin products to the same customer and less factory overtime that were attributable to more timely deliveries of raw materials.

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Novex incurred general and administrative costs of \$306,260 which resulted in a loss from operations of \$27,817 in this period. The increase in selling, general and administrative costs were attributable to higher sales commissions which are based on sales, and additional marketing expenses that were incurred to begin stocking Home Depot stores with merchandise. In this period, Novex incurred \$61,649 in interest expense, \$10,345 of amortization of debt discount and a gain on change in the valuation of a put warrant of \$9,588. For the three month period the company's operating profit before interest, taxes, depreciation and amortization was \$27,255, which includes an \$18,000 payment to the former shareholders of the Sta-Dri Company which receive an additional \$6,000 per month up to August, 2002 if the company's stock price is below \$1.00 per share for a twenty day trading period. The increase in sales, cost of goods sold and general operating expenses during this period was attributable primarily to the company's improvement of its sales and marketing efforts.

Liquidity and Financial Resources at November 30, 2001

As of November 30, 2001, Novex had \$3,156,546 in current liabilities. Of this amount, \$429,147 was the balance on Novex's secured revolving line of credit with Dime Commercial Corp. which is used to fund the Company's operations. It had accounts payable of \$568,826, accrued expenses of \$209,189 and a cash overdraft of \$109,771. The accrual for preferred stock dividend payable is \$53,082 and is payable in shares of preferred stock not cash.

In late May through August 2001 the company offered for sale restricted shares of its common stock at \$.15 per share and a warrant to purchase one (1) share of common stock for every three shares of common stock purchased in the offering. The warrants have an exercise price of \$.20 per share and a three year expiration period. As of the filing of this Form 10-QSB the company raised \$153,000. In addition, Novex's CEO and President, Daniel W. Dowe, entered into an agreement with the company to convert all loans he made to the company into equity under the same terms and conditions offered to investors in the aforementioned private offering. The total amount converted was \$42,686.

On December 21, 2000, Novex obtained from a private investor a six-month secured bridge loan in the amount of \$600,000 ("Bridge Note") which has been extended by the investor to provide the company additional time to improve its sales and secure take-out financing on terms that are mutually beneficial to the company and the new investor(s). The Bridge Note holder owns approximately 4% of the company's common stock and is equally concerned with excessive dilution. The bridge loan bears interest at a rate of 10% per annum. In exchange for the bridge financing, Novex issued 600,000 shares of its common stock to the investor. The Bridge Note is secured by the same assets as, and is subordinated to, the Dime Note (discussed below). During the period February 21, 2001, through October 4, 2001, the same private investor made three additional bridge loans of \$311,000, which included \$25,000 that was received in the six months ended November 30, 2001. Also, in the exchange for the additional bridge

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financing, the Company issued 286,000 shares of common stock, which included 136,000 shares that were issued during the six months ended November 30, 2001. In addition, the same private investor received another 25,000 shares of common stock as of December 31, 2001. The terms of the additional bridge loans are identical to those of the original Bridge Note. The private investor also made an equity investment of \$50,000 in February 2001 for which he received 625,000 shares of Novex' common stock.

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The current portion of the long-term debt consists of a three year term loan and put warrant totaling \$727,834 (originally \$890,000) that was made by Dime Commercial Corp. to enable the Company to acquire the Por-Rok Unit (the "Dime Note"). The remaining portion of the purchase price for the Por-Rok Unit was paid with the Sherwin-Williams Note which has been converted into 1,390,388 preferred shares. Included in the current portion of long-term debt is a debenture payable for \$125,000 that is past due as it matured on May 31, 1999. This \$125,000 note is the remaining balance on a bridge loan of \$250,000 that was purchased by Novex' largest shareholder, which is a private equity fund managed by Quilcap Corporation.

The Dime Note is secured by all the assets that are located at the Por-Rok operation at 16 Cherry Street, Clifton, New Jersey. These assets include the land (1.58 acres), the main manufacturing building and the two warehouses, including all the equipment in these buildings and all trademarks owned by Novex. In addition, the revolving line of credit that Novex has with Dime is secured by the accounts receivable generated at the Por-Rok unit and all inventory.

For the quarter ended November 30, 2001, Novex has been able to increase sales volume while selling, general and administrative expenses have remained relatively constant when compared to quarter ended November 30, 2000. The increase in sales has resulted in higher levels of accounts receivable, accounts payable and accrued expenses. Also, the Company has managed to reduce the level of inventory from \$204,254 as of May 31, 2001 to \$145,078 as of November 30, 2001. For the period ended November 30, 2001, gross margin has increased and selling, general and administrative expenses have increased when compared to the same period ended November 30, 2000. The increase in the gross margin and the lower loss from operations resulted from higher sales, lower levels of plant labor and by allocating fixed factory overhead charges over a greater volume of sales.

The Company has generated a negative cash flow from operations of \$202,684 for the six months ended November 30, 2001 compared to a negative cash flow from operations of \$154,174 for the six months ended November 30, 2000, after excluding the net liabilities of discontinued operations of \$391,204. Thus, Novex will still require an increase in sales volume to meet all its obligations including operating and financial charges, otherwise the Company will not have sufficient cash flow to cover its operating, investing and debt payment requirements. Therefore, Novex has developed plans to improve profitability and cash flows and to continue to raise capital to sustain itself as it grows into a viable entity.

To improve Novex's profitability, management is undertaking a number of initiatives to increase sales and reduce expenses. In addition, management is aggressively pursuing sales of the Por-Rok, Dash Patch, Sta-Dri and Fiberforce products to large home center stores and major cooperative retailers of building materials.

To improve cash flow, Novex has endeavored to procure more favorable

payment terms

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from vendors by extending the payment due date for raw materials and supplies used in manufacturing. These vendors have been willing to extend only limited credit to Novex since its acquisition of the Por-Rok product line from The Sherwin-Williams, due to the company's small size. The limited credit terms increased our need to use cash for operations.

If these efforts do not generate additional sales to enable Novex to meet all of its operating and financing expense requirements, it would then seek additional financing from third-party sources. Although the Novex's assets are fully secured by loans outstanding to Dime Commercial Corp., Novex would seek to raise additional capital through the sales of unsecured debt securities, unsecured debt combined with equity securities or preferred and common stock. It is likely, however, that any unsecured debt financing would carry a higher interest rate than secured financing or that any equity financing might be on terms which are not favorable to Novex and which are dilutive to existing shareholders.

Recent Accounting Pronouncement

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supercedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the reporting provisions of APB Opinion No. 30, Reporting the Results of Operation - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions for the Disposal of a Segment of a Business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of analyzing the impact of the adoption of this statement on its financial statements.

Inflation and Changing Prices

Novex does not foresee any risks associated with inflation or substantial price increase in the near future. In addition, the raw materials that are used by Novex in the manufacturing of its materials are available locally through many sources and are for the most part commodity products. The one raw material that Novex uses in all its products that cannot be classified as a pure commodity is currently in sufficient supply. For these reasons, while Novex will always have exposure to inflationary risks, it does not believe that inflation will have any materially significant impact on its operations in the near future.

Part II Other Information

Item 1. Legal Proceedings

On August 12, 1997, a shareholder who was once a director and officer of Novex ("the Plaintiff") commenced an action against Novex and its former president, Mr. A. Roy Macmillan, to enjoin Novex from taking any action that would restrict the sale of up to 300,000 shares of common stock that he allegedly owns and for the costs he will incur to conduct the lawsuit. He has not asked for, nor does Novex expect him to ask for, damages. The Plaintiff has since named Novex's current president, Mr. Dowe, in the lawsuit. The Plaintiff has no other affiliation with Novex other than for being a shareholder. The plaintiff submitted a motion for summary judgment which the court denied. Novex

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has raised several defenses to this action and believes that plaintiff's claims are without merit. Novex has also asserted multiple counterclaims against the plaintiff alleging that he caused the company to issue to himself and others stock for work that was never done and at a time when current management believes that fraudulent activities were being undertaken which caused he company's stock price to be overinflated. Plaintiff claims that he received stock as compensation for services rendered. When Novex investigated the matter it found virtually no records of any tangible service. These actions and omissions caused the U.S. Securities and Exchange Commission in or about 1997 to commence an investigation of the company, then known as Stratford Acquisition Corp. It is Novex's understanding that the investigation is still pending and the Company has no information as to what action, if any, the

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SEC may take pursuant to the investigation. Mel Greenspoon vs. Stratford Acquisition Corporation, et. al., Ontario Court (General Division), Index No. 97-CV-126814.

Item 2. Changes in Securities.

During this quarter, the Registrant issued a total of 65,000 shares of its common stock to one employee and an individual that provided investor relations services. One other employee received 25,000 stock options as part of an annual review. In November 2001, the company issued 329,412 shares of restricted common stock for \$28,000.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information.

The Company had filed this report prior to the completion of the review of quarterly financial information by their independent auditor. The review has been completed and, therefore, the Company has filed amendment No. 2 to Form 10-QSB/A. As a result of the independent auditor completing their review, the Company has added Note 5, which discusses the additional \$25,000 raised in the six months ended November 30, 2001, and has revised Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company has revised certain financial information in the results of operations and liquidity and financial resources section as well as include the disclosure of a recent accounting pronouncement the Company is required to adopt.

Item 6. Exhibits and Reports on Form 8-K. None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, Novex Systems International Incorporated has duly caused this report to be signed on its behalf by the undersigned person who is duly authorized to sign on behalf of the Registrant and as chief accounting officer.

NOVEX SYSTEMS INTERNATIONAL, INC.

By: /s/ Daniel W. Dowe

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Daniel W. Dowe
President and Chief Executive Officer

Date: January 25, 2002