

Edgar Filing: AULT INC - Form 10-Q

AULT INC  
Form 10-Q  
January 09, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the quarterly period ended November 26, 2000

Commission file number 0-12611

AULT INCORPORATED

MINNESOTA

41-0842932

-----  
(State or other jurisdiction of  
incorporation or organization)

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

7105 Northland Terrace  
Minneapolis, Minnesota 55428-1028

-----  
(Address of principal executive offices)

Registrant's telephone number: (763) 592-1900  
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Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at December 27, 2000
----- No par value	----- 4,482,532 shares

Total pages 14  
Exhibits Index on Page 13

PART 1. FINANCIAL INFORMATION

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## ITEM 1 - FINANCIAL STATEMENTS

### AULT INCORPORATED & SUBSIDIARY CONSOLIDATED STATEMENTS OF INCOME (Dollars in Thousands, Except Amounts Per Share)

	(Unaudited)			
	Second Quarter Ended		Six Months Ended	
	Nov. 26 2000	Nov. 28 1999	Nov. 26 2000	Nov. 28 1999
Net Sales	\$ 26,273	\$ 14,386	\$ 47,915	\$ 27,915
Cost of Goods Sold	20,437	10,683	37,355	20,683
Gross Profits	5,836	3,703	10,560	7,232
Operating Expenses				
Marketing	1,927	1,309	3,457	2,500
Design Engineering	758	783	1,530	1,600
General and Administrative	1,767	1,126	3,279	2,300
	4,452	3,218	8,266	6,400
Operating Income	1,384	485	2,294	732
Other Income (Expense)				
Interest Expense	(132)	(59)	(284)	(100)
Interest Income	23	14	50	100
Other	28	(23)	228	(100)
	(81)	(68)	(6)	(100)
Income Before Income Taxes	1,303	417	2,288	732
Income Taxes	480	106	814	100
Net Income	\$ 823	\$ 311	\$ 1,474	\$ 532
Earnings Per Share				
Basic	\$ 0.18	\$ 0.07	\$ 0.33	\$ 0.07
Diluted	\$ 0.17	\$ 0.07	\$ 0.31	\$ 0.07
Common and Equivalent Shares Outstanding				
Basic	4,479,825	4,432,371	4,468,129	4,430,371
Diluted	4,751,542	4,676,819	4,703,082	4,677,419

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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AULT INCORPORATED & SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
(Dollars in Thousands)

	(Unaudited)	
	November 26, 2000	May 28, 2000
	-----	-----
Assets:		
Current Assets		
Cash and Cash Equivalents	\$ 2,200	\$ 2,419
Available-for-sale Investments	531	497
Trade Receivables, Less Allowance for Doubtful Accounts of \$338,000 at November 26, 2000; \$94,000 at May 28, 2000	19,632	15,899
Inventories (Note 2)	14,694	14,260
Prepaid Expenses and Other	1,277	983
Deferred Taxes	211	211
	-----	-----
Total Current Assets	38,545	34,269
Other Assets:		
Intangibles, less accumulated amortization of \$200,000 at November 26, 2000; \$150,000 at May 28, 2000	1,304	1,354
Deferred Taxes	72	72
Other	16	24
	-----	-----
	1,392	1,450
Property Equipment and Leasehold Improvements:		
Land	1,632	1,583
Building	5,361	5,261
Machinery and Equipment	7,868	7,123
Office Furniture	1,409	1,265
E.D.P. Equipment	1,708	1,675
	-----	-----
	17,978	16,907
Less Accumulated Depreciation	6,838	6,370
	-----	-----
	11,140	10,537
	-----	-----
	\$ 51,077	\$ 46,256
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Dollars in Thousands)

	Unaudited	
	November 26, 2000	May 28, 2000
<b>Liabilities and Stockholders' Equity:</b>		
<b>Current Liabilities</b>		
Note Payable to Bank	\$ 3,469	\$ 2,158
Current Maturities of Long-Term Debt (Note 3)	603	802
Accounts Payable	13,513	11,763
Accrued Compensation	638	538
Accrued Commissions	1,135	746
Other	188	135
Income Tax Payable	479	419
	20,025	16,561
Total Current Liabilities		
Long-Term Debt, Less Current Maturities (Note 3)	3,471	3,657
Retirement and Severance Benefits	328	233
<b>Stockholders' Equity:</b>		
Preferred Stock, No Par Value, Authorized, 1,000,000 Shares; None Issued		
Common Shares, No Par Value, Authorized 10,000,000 Shares; Issued and Outstanding 4,481,532 on November 26, 2000; and 4,445,432 on May 28, 2000;	20,427	20,275
Notes Receivable arising from the sale of common stock	(145)	(145)
Accumulated Other Comprehensive Loss	(787)	(548)
Retained Earnings	7,758	6,223
	27,253	25,805
	\$ 51,077	\$ 46,256

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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AULT INCORPORATED & SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in Thousands)

	(Unaudited)	
	Six Months Ended	
	November 26, 2000	November 28, 1999
Cash Flows From Operating Activities		

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Net Income:	\$	1,474	\$	523
Adjustments to Reconcile Net Income to Net Cash				
Used in Operating Activities:				
Depreciation		468		383
Amortization		50		50
Adjustment Related to Change in subsidiary Year End		61		
Stock Compensation		44		
Changes in Assets and Liabilities:				
(Increase) Decrease In:				
Trade Receivables		(3,733)		(819)
Inventories		(434)		(2,578)
Prepaid and Other Expenses		(294)		(18)
Increase (Decrease) in:				
Accounts Payable		1,750		1,855
Accrued Expenses		637		494
Income Tax Payable		60		50
		-----		-----
Net Cash Provided (Used) in Operating Activities		83		(60)
		-----		-----
Cash Flows From Investing Activities:				
Purchase of Equipment and Leasehold Improvements		(1,071)		(4,348)
Decrease in Other Assets		8		
Proceeds from the sale of securities				3
		-----		-----
Net Cash Used in Investment Activities		(1,063)		(4,345)
		-----		-----
Cash Flows From Financing Activities:				
Net Borrowings on Revolving Credit Agreements		1,311		3,632
Proceeds from Issuance of Common Stock		74		19
Principal Payments on Long-Term Borrowings		(385)		32
		-----		-----
Net Cash Provided by Financing Activities		1,000		3,683
		-----		-----
Effect of Foreign Currency Exchange Rate Changes on Cash		(239)		(67)
		-----		-----
Decrease in Cash and Cash Equivalents		(219)		(789)
Cash and Cash Equivalents at Beginning of Period		2,419		3,303
		-----		-----
Cash and Cash Equivalents at End of Period	\$	2,200	\$	2,514
		=====		=====
Supplemental Disclosures of Cash Flow Information-				
Cash payments for:				
Interest	\$	284	\$	109
Taxes		757		138

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## 1 Summary of Consolidation Principles

The accompanying consolidated financial statements include the accounts of Ault Incorporated, its wholly owned subsidiary, Ault Korea Corporation, and its wholly owned subsidiary, Ault Xianghe Co. Ltd. All significant intercompany transactions have been eliminated. The foreign currency translation adjustment represents the translation into United States dollars of the Company's investment in the net assets of its foreign subsidiary in accordance with the provisions of FASB Statement No. 52.

The balance sheet of the Company as of November 26, 2000 and the related statements of income and cash flows for the six months ended November 26, 2000 have been prepared without being audited. In the opinion of the management, these statements reflect all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the position of Ault Incorporated and subsidiary as of November 26, 2000, and the results of operations and cash flows for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, these statements should be read in conjunction with the financial statements and notes thereto included in the Company's May 28, 2000 Form 10-K.

The results of operations for the interim periods are not necessarily indicative of results that will be realized for the full fiscal year.

Effective May 29, 2000 the company changed its fiscal year end for its subsidiary from May 31 to April 30 and will consolidate the subsidiary for financial reporting purposes on a one-month lag basis. This change was done to facilitate timely and accurate consolidation and in order to meet financial reporting deadlines of the Company. The results of operations for the subsidiary for May 2000 (\$61,000 net loss) was included in the consolidated results of operations for the first quarter of fiscal 2001. Retained earnings was adjusted during the first quarter of fiscal 2001 to eliminate the subsidiary net loss for May 2000 which was included in operations for the year ended May 28, 2000. The effect of the change in year-end for future periods is expected to be insignificant.

## 2 Inventories

The components of inventory (in thousands) at November 26, 2000 and May 28, 2000 are as follows:

	November 26, 2000	May 28, 2000
Raw Materials	\$ 8,424	\$ 7,275
Work-in-process	561	406
Finished Goods	5,709	6,579
	-----	-----
	\$ 14,694	\$ 14,260
	=====	=====

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AULT INCORPORATED AND SUBSIDIARY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 SECOND QUARTER ENDED NOVEMBER 26, 2000

### 3 Long-term Debt

Long-term debt (in thousands) including current maturities contain the following:

	NOVEMBER 26, 2000	MAY 28, 2000
	-----	-----
Various Term Loans, 7.2% - 8.0% interest due in monthly installments through December 2003, secured by equipment	\$ 376	\$ 494
Various note payables, 7.5% interest due in quarterly installments through April 2002, secured by Korean government funded agency	548	735
Term loan, 7.94% interest rate due in monthly installments through September 2005, secured by furniture	239	265
Term loan, 8.05% interest rate due in monthly installments to February 2015	2,911	2,965
	-----	-----
Total	\$ 4,074	\$ 4,459
Less Current Maturities	603	802
	-----	-----
	\$ 3,471	\$ 3,657
	=====	=====

### 4 Stockholders' Equity

		Six Months Ended November 26, 2000
		-----
		(\$000)
Total Stockholders' Equity - May 28, 2000		\$ 25,805
Net Income	\$ 1,474	
Unrealized gain in Securities Available for Sale	34	
Net change in Foreign currency translation adjustment	(239)	
	-----	
Comprehensive Income		1,269
Stock Compensation		44
Issue 36,100 shares of common stock in accordance with stock option plan		74
Adjust retained earnings for the change in subsidiary fiscal year end		61
		-----
Total Stockholders' Equity		\$ 27,253
		=====

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5 Net Income Per Common Share

Basic and diluted earnings per share are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, EARNINGS PER SHARE. The difference between average common and common equivalent shares is the result of outstanding stock options.

	Six Months Ended	
	November 26, 2000	November 28, 1999
	-----	-----
Income Applicable to Common Shareholders	\$ 1,474	\$ 523
Basic - Weighted Average Shares Outstanding	4,468,129	4,430,338
Diluted Effect of Stock Options	234,953	247,104
Diluted - Weighted Average Shares Outstanding	4,703,082	4,677,442
Basic Earnings per Share	\$ 0.33	\$ 0.12
	=====	=====
Diluted Earnings per Share	\$ 0.31	\$ 0.11
	=====	=====

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AULT INCORPORATED AND SUBSIDIARY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 SECOND QUARTER ENDED NOVEMBER 26, 2000

6 Accounting Pronouncements

In June 1998, FASB issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 as amended by SFAS No. 138, ACCOUNTING FOR CERTAIN HEDGING ACTIVITIES, AN AMENDMENT OF FASB NO. 133, requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In July 1999, FASB issued SFAS No. 137 delaying the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000, with earlier adoption encouraged. Management has not yet determined the effects SFAS No. 133 will have on its financial position or the result of its operations. The Company will be required to adopt SFAS No. 133 in fiscal 2002.

In December 1999, The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101 REVENUE RECOGNITION IN FINANCIAL STATEMENTS. SAB No. 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues. SAB No. 101 is to be implemented by the Company no later than the fourth quarter of fiscal 2001. The Company believes SAB No. 101 will not have a material effect on the financial statements, however management is still reviewing SAB No. 101 relative to its overseas shipping contracts.

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ITEM 2 - MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Second Quarter Ended November 26, 2000

(\$000)	Fiscal 2001	Fiscal 2000	Increase / (Decrease)	
			Amount	Percent
Net Sales	\$26,273	\$14,386	\$11,887	83%
Operating Income	1,384	485	899	185%

Net sales were \$26,273,000 for the second quarter of fiscal 2001 up 83% from \$14,386,000 for the second quarter of fiscal 2000. The growth was primarily due to significantly higher power supply volume to major OEMs of high-speed ADSL modems. The quarter also includes growing business volumes with OEMs of PDAs and internet appliances. In addition, the Company has continued growth in both European and Asian markets.

Gross margin for the second quarter improved to 22.2 percent as a percent of sales, compared with 21.8 percent for the first quarter this year. Second quarter gross margin last year was 25.7 percent. Margins continue to be affected by a growth in lower-margin linear power supplies used by our ADSL customers. Significantly higher air and maritime freight costs have also contributed to the reduction in gross margin year-over-year.

As a percentage of sales, operating expenses declined to 16.9 percent in the second quarter of fiscal 2001, down from 22.4 percent in the second quarter of fiscal 2000. Operating expenses were \$4,452,000 for the second quarter of fiscal 2001 up 27.7% from \$3,218,000 for the second quarter of fiscal 2000. The increase is due to commission cost, and other variable costs associated with the increase in sales.

Operating income totaled \$1,384,000 for the second quarter of fiscal 2001 and \$485,000 for the same period in fiscal 2000 equaling, respectively, 5.3% and 3.4% of net sales.

Six Months Ended November 26, 2000

(\$000)	Fiscal 2001	Fiscal 2000	Increase / (Decrease)	
			Amount	Percent
Net Sales	\$47,915	\$27,921	\$19,994	72%
Operating Income	2,294	799	1,495	187%

Net sales were \$47,915,000 for the first six months of fiscal 2001 up 72% from \$27,921,000 for the first six months of fiscal 2000. The growth was primarily due to significantly higher power supply volume to major OEMs of high-speed ADSL modems, PDAs and internet appliances. The Company is also benefiting from growing business volumes with OEMs serving the medical equipment market and distributors. In addition, the Company has experienced growth in both European and Asian markets.

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Operating income totaled \$2,294,000 for the first six months of fiscal 2001 and \$799,000 for the same period in fiscal 2000 equaling, respectively, 4.8% and 2.9% of net sales. Several factors partially offset the positive impact of Ault's strong sales growth. Gross margins decreased due to a shift in the sales mix toward lower-margin linear power supplies. In response, the Company is re-engineering the entire line of power supplies to reduce manufacturing costs. The significant growth of Asian sales also had a near-term negative impact on gross margins. As an aggressive new undertaking, the Asian sales effort entails the normal array of start-up costs and pricing initiatives. The Company is forecasting strong Asian sales for the remainder of fiscal 2001, and believes that margins on this business should improve as the year progresses. Finally, significantly higher air and maritime freight costs as well as high capacity utilization in shipping from Asia, resulting from the dramatic increase in fuel prices, also affected margins. The Company is passing through increased fuel costs. The move has not affected business levels. To further strengthen margins, the Company is also implementing a global procurement system that will leverage purchasing power for key electronic components.

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**ORDER BACKLOG:** The Company's order backlog at November 26, 2000 totaled \$16,724,000 compared to \$17,877,000 at May 28, 2000. The order backlog represents sales for approximately nine weeks and reflected the posture of many OEMs to limit their contractual commitments to the best lead-times of their suppliers. This requires the Company to place greater reliability on its ability to forecast customer needs and requirements for on-time shipment of products.

**NON-OPERATING INCOME:** Other income of \$278,000 for the six months of fiscal 2001 and \$21,000 for the same period in fiscal 2000 represented interest income, currency exchange rate gains on foreign contracts by the Korean subsidiary and income derived from rented portions of the Korean manufacturing facility. The Company incurred interest expenses of \$284,000 in the first six months of fiscal 2001 and \$109,000 in the same period of fiscal 2000, paid on bank credit facilities and long-term borrowings. The interest increase is primarily related to the new facility in Minneapolis.

**INCOME TAX:** The Company had pre-tax income of \$2,288,000 for the first six months in fiscal 2001 on which it accrued US and Korean income taxes totaling \$814,000. During the same period in fiscal 2000 the Company had pre-tax income of \$711,000 on which US and Korean income taxes totaling \$188,000 were accrued.

**NET INCOME:** The Company reported basic per share earnings of \$0.33 for the first six months of fiscal 2001 based on 4,468,000 outstanding weighted average shares, compared to basic per share earnings of \$0.12 for the same period of fiscal 2000, based on 4,430,000 outstanding weighted average shares. For the first six months of fiscal 2001 the Company reported diluted per share earnings of \$0.31 based on 4,703,000 outstanding weighted average shares, compared to diluted per share earnings of \$0.11 for the same period in fiscal 2000, which were based on 4,677,000 outstanding weighted average shares.

### LIQUIDITY AND CAPITAL RESOURCES

The following table describes the Company's liquidity and financial position on November 26, 2000, and on May 28, 2000:

November 26, 2000	May 28, 2000
-----	-----

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	(\$000)	(\$000)
Working capital	\$18,520	\$17,708
Cash	2,200	\$ 2,419
Securities Available for Sale	531	497
Unutilized bank credit facilities	4,000	\$ 4,041
Cash Provided by(used in) operations	83	(2,426)

### CURRENT WORKING CAPITAL POSITION

As of November 26, 2000, the Company had current assets of \$38,545,000 and current liabilities of \$20,025,000, which amounted to working capital of \$18,520,000 and current ratio of 1.9 to 1.0. This represents a change from its working capital of \$17,708,000 as of May 28, 2000. The Company relies on its credit facilities and cash flows from operations as sources of working capital to support normal growth in revenue, capital expenditures and attainment of profit goals.

**CASH AND INVESTMENTS:** As of November 26, 2000, the Company had cash and securities totaling \$2,731,000, compared to \$2,916,000 as of May 28, 2000. The decrease is primarily due to timing of payables and receivables.

**CREDIT FACILITIES:** The Company maintains two credit facilities. Its primary credit facility is with US Bank and a smaller facility with Korea Exchange Bank supports the South Korean subsidiary.

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### CASH FLOWS FOR FISCAL 2001

**OPERATIONS:** Operations provided \$83,000 of cash during the first six months of fiscal 2001 due principally to the following activities in trade receivables, inventories and accounts payables:

- (a) Increases in trade receivables mainly due to the increased net sales in fiscal 2001 used \$3,733,000 of cash. Further use of cash from increased net sales is anticipated for the rest of fiscal 2001.
- (b) Increases in inventories used \$434,000 of cash. The increases are due primarily to customer requirements that the Company carry additional raw material and finished products to support short-term needs. This is a normal business practice in the power supply market.
- (c) Increases in accounts payable provided \$1,750,000 of cash from liabilities associated with purchases of material to support customer orders and emergency stockings of finished product. Increased liabilities for these purposes are anticipated for the remainder of fiscal year 2001.

**INVESTING ACTIVITIES:** Investing activities used net cash of \$1,063,000 relating to the purchase of manufacturing and IS equipment.

**FINANCING ACTIVITIES:** Financing activities provided net cash of \$1,000,000, primarily comprised of borrowings for raw material purchases in Korea.

**EFFECT OF FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS:** The effect of translating the Korean financial statements, which were prepared in Won to US dollars, resulted in a net asset value decrease of \$239,000 during the first six months of the year. This relates to long-term inter-company receivables.

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SUMMARY: The Company's cash and working capital positions are sound and, together with its credit facilities, adequate to support the Company's strategies for the remainder of fiscal 2001.

INFORMATION ABOUT PRODUCTS AND SERVICES: The Company's business operations are comprised of one activity--the design, manufacture and sale of equipment for converting electric power to a level used by OEMs in data communications/telecommunications and medical markets to charge batteries, and/or power equipment. The Company supports these power requirements by making available to the OEMs products that have various technical features. These products are managed as one product segment under the Company's internal organizational structure and the Company does not consider any financial distinctive measures, including net profitability and segmentation of assets to be meaningful to performance assessment.

### INFORMATION ABOUT REVENUE BY GEOGRAPHY

Distribution of revenue from the US, from each foreign country that is the source of significant revenue and from all other foreign countries as a group are as follows:

	SIX MONTHS ENDED	
	November 26, 2000	November 28, 1999
	----- (\$000)	----- (\$000)
US	\$ 29,728	\$ 22,837
Korea	4,871	1,342
Belgium	2,704	380
UK	3,121	843
China	1,631	323
Canada	1,621	879
Other Foreign	4,239	1,317
	-----	-----
Total	\$ 47,915	\$ 27,921
	=====	=====

The Company considers a country to be the geographic source of revenue if it has contractual obligations, including obligation to pay for trade receivable invoices.

### ACCOUNTING PRONOUNCEMENTS

In June 1998, FASB issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 as amended by SFAS No. 138, ACCOUNTING FOR CERTAIN HEDGING ACTIVITIES, AN AMENDMENT OF FASB NO. 133, requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In July 1999, FASB issued SFAS No. 137 delaying the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000, with earlier adoption encouraged. Management has not yet determined the effects SFAS No. 133 will have on its financial position or the results of its operations. The Company will be required to adopt SFAS No. 133 in fiscal 2002.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff

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Accounting Bulletin (SAB) No. 101 REVENUE RECOGNITION IN FINANCIAL STATEMENTS. SAB No. 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues. SAB No. 101 is to be implemented by the Company no later than the fourth quarter of fiscal 2001. The Company believes SAB No. 101 will not have a material effect on the financial statements, however management is still reviewing SAB No. 101 relative to its overseas shipping contracts.

### IMPACT OF FOREIGN OPERATIONS AND CURRENCY CHANGES:

Products manufactured by the Korean subsidiary contributed a large portion of total sales. The value of the Won had no significant impact on the Company's consolidated sales for the quarter. The Company's operations have no significant exposure to currency risks because the predominant portions of its contracts are made in US dollars.

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, the Company may make forward-looking statements concerning possible or anticipated future results of operations or business developments which are typically preceded by the words "believes", "expects", "anticipates", "intends" or similar expressions. For such forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Shareholders and the investing public should understand that such forward-looking statements are subject to risks and uncertainties that could cause results or developments to differ significantly from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the overall level of sales by original equipment manufacturers (OEMs) in the telecommunications, data communications, computer peripherals and the medical markets; buying patterns of the Company's existing and prospective customers; the impact of new products introduced by competitors; delays in new product introductions; higher than expected expense related to sales and new marketing initiatives; availability of adequate supplies of raw materials and components; fuel prices; and other risks affecting the Company's target markets.

### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company experiences foreign currency gains and losses, which are reflected in the financial statements, due to the strengthening and weakening of the U.S. dollar against currencies of the Company's foreign subsidiaries. The net exchange gain or foreign loss arising from this was not material in fiscal year 2000, or in the first six months of fiscal year 2001. The Company anticipates that it will continue to have exchange gains or losses in the future.

At November 26, 2000, the Company had an investment portfolio of fixed income securities of \$531,000. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase.

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## PART II

ITEMS 1-3 OTHER INFORMATION: Not Applicable

ITEMS 4 Submission of Matters to a Vote of Security Holders

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The following matters were voted upon at the Annual Meeting of Stockholders held on September 26, 2000, and received the votes set forth below:

All of the following persons nominated were elected to serve as directors and received the number of votes set opposite their respective names:

	For	Withheld
F. Green	3,879,719	457,480
M. Sutton	3,878,322	458,876
D. Johnson	4,303,818	33,380
J. Kassakian	3,878,018	459,180
F. Sims	3,878,078	459,120
J. Duddleston	3,878,418	458,780
D. Larkin	3,878,082	459,116

The proposal to ratify and approve amending the company's 1996 stock plan was approved by a vote of 1,526,395 shares in favor, with 587,905 shares voting against, 23,945 shares abstaining.

ITEM 5 OTHER INFORMATION: Not Applicable

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

None

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### SIGNATURES

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

AULT INCORPORATED  
(REGISTRANT)

DATED: January 3, 2001

/s/ Frederick M. Green

-----  
Frederick M. Green, President  
Chief Executive Officer and  
Chairman

DATED: January 3, 2001

/s/ Donald L. Henry

-----  
Donald L. Henry  
Chief Financial Officer

