SYNERGY TECHNOLOGIES CORP
Form 10QSB
May 20, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: MARCH 31, 2003

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _________
Commission file number 0-26721

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

COLORADO	84-1379164
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

333 East 53rd Street, #7E, New York, NY 10022
(212) 207-6655
(Issuer's telephone number)

NOT APPLICABLE
(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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date:

48,005,521 shares of Common Stock, $0.002 par value, as of May 16, 2003.

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

SYNERGY TECHNOLOGIES CORPORATION

AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS
(UNAUDITED)
PREPARED BY MANAGEMENT

MARCH 31, 2003

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SYNERGY TECHNOLOGIES CORPORATION
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT) FOR THE
THREE MONTH PERIOD ENDED MARCH 31, 2003

TABLE OF CONTENTS

SYNERGY TECHNOLOGIES CORPORATION
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
ASSETS

		AS AT MARCH 31, 2003 (UNAUDITED)
CURRENT ASSETS		
Cash	$	300,000
Prepaid expenses		24,427
TOTAL CURRENT ASSETS		324,427
INVESTMENTS (Note 3)		
SynGen Technologies		-
CPJ Technologies		-
TOTAL INVESTMENTS		-
Office equipment and computers		-
TOTAL ASSETS	$	324,427

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES		
Accounts payable (Note 4)	$	227,546
Accrued expenses (Note 4)		21,890
Notes payable		-
Accrued interest on notes		-

TOTAL CURRENT LIABILITIES	249,436
LIABILITIES SUBJECT TO COMPROMISE (Note 5)	
Accounts payable	2,032,608
Convertible debentures	1,259,100
Loans payable	130,000
Accrued interest to November 12, 2002	21,220
TOTAL LIABILITIES SUBJECT TO COMPROMISE	3,442,928
TOTAL LIABILITIES	3,692,364
STOCKHOLDERS' EQUITY (DEFICIT)	
Common stock, $0.002 par value, 100,000,000 shares authorized, 48,005,521 Shares issued and outstanding	96,992
Additional paid in capital	57,700,516
Deficit accumulated during development stage	(61,165,445)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(3,367,937)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 324,427

The accompanying notes are an integral part of these financial statements.

SYNERGY TECHNOLOGIES CORPORATION
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED MARCH 31	
	2003 (UNAUDITED)	2002 (UNAUDITED)
OTHER INCOME		
Interest income	-	56
CPJ testing income	25,000	
Consulting income	-	-

	25,000	56
EXPENSES		
General and administrative	233,098	822,195
Stock option compensation	-	13,879
Compensation related to warrants	-	-
Technology development	105,627	83,889
Other technology costs	-	-
Dry well expenses	-	-
TOTAL EXPENSES	338,725	919,963
LOSS FROM OPERATIONS	(313,725)	(919,907)
OTHER EXPENSES		
Amortization of debt discount and offering costs	-	-
Conversion inducement	-	-
Accrued interest on notes payable	(9,240)	(55,480)
Share of expenses incurred by joint venture	-	(11,964)
Write-down of technology	-	-
Gain on disposition	-	-
	(9,240)	(67,444)
NET LOSS BEFORE REORGANIZATION ITEMS AND TAXES	(322,965)	(987,351)
REORGANIZATION ITEMS		
Professional fees	(128,874)	-
PROVISION FOR INCOME TAX	-	-
NET LOSS	$ (451,839)	$ (987,351)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.01)	$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN CALCULATION	48,005,521	36,019,141

The accompanying notes are an integral part of these financial statements.

SYNERGY TECHNOLOGIES CORPORATION AND SUBSIDARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOW

	FOR THE THREE MONTH PERIODS ENDE	
	MARCH 31, 2003 (UNAUDITED)	MARCH 31, 20 (UNAUDITED
CASH FROM OPERATING ACTIVITIES		
Net loss	$ (451,839)	$ (987,3
Adjustments to reconcile net loss to net cash from operations		
Dry well expense	-	
Depreciation, amortization and write-downs	5,717	23,8
Accrued interest on notes payable	9,240	23,3
Issuance of shares for services	-	378,0
Issuance of warrants for services	-	
Settlement of debt and acquisition of CPJ	-	357,5
Re-issue of founders shares	-	38,5
Investment in joint ventures	-	2,1
Exchange rate loss	-	5,4
Loss on disposition of assets	-	
Changes in assets and liabilities		
Accounts receivable	-	(44,1
Prepaid expenses and deposits	19,475	(31,8
Accounts payable	59,941	(309,9
Accounts payable - related parties	-	
Accrued expenses	(43,000)	159,8
	(400,466)	(384,4
Operating cash flows from reorganization items:		
Professional fees - Accounts payable	118,814	
Professional fees - Accrued expenses	21,890	
NET CASH FLOWS FROM OPERATING ACTIVITIES	(259,762)	(384,4
CASH FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(14,0
Disposition of assets (Supplemental Information)	298,642	
Other	-	
NET CASH FLOWS FROM INVESTING ACTIVITIES	298,642	(14,0
CASH FROM FINANCING ACTIVITIES		
Proceeds from notes payable - related parties	-	
Proceeds from (payments to) notes payable	243,222	(135,2
Net proceeds from convertible debt	-	
Sales of common stock	-	509,9
Other	-	
NET CASH FLOWS FROM FINANCING ACTIVITIES	243,222	374,6
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(5,4
NET CHANGE IN CASH	282,102	(29,2
CASH AT BEGINNING OF PERIOD	17,898	38,7

CASH AT END OF PERIOD	$ 300,000	$ 9,5

o SUPPLEMENTAL CASH FLOW INFORMATION

o On March 12, 2003, substantially all the Company's assets were sold to a third party for $300,000 in cash plus the forgiveness of $527,783 in debt and accrued interest incurred subsequent to the Petition Date, and the Company ceased operations. The $527,783 consists of loan advances during the fourth quarter of 2002 of $257,960, loan advances during the first quarter of 2003 of $243,222, a third party payment to a vendor of $15,000 and interest on the loan advances of $11,601.

SYNERGY TECHNOLOGIES CORPORATION AND SUBSIDARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All dollar amounts used herein refer to U.S. dollars unless otherwise indicated.

These statements are prepared using Generally Accepted Accounting Principals as well as the terms outlined or explained in the year-end 10-KSB filing.

All significant transactions between the parent and consolidated affiliates have been eliminated. The consolidated quarterly financial statements are unaudited. These statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

NOTE 2 - BANKRUPTCY PROCEEDING, SALE OF ASSETS AND DISCONTINUATION OF OPERATIONS

The Company is in the development stage and has not realized any revenues, has incurred losses and had negative cash flows from operations for all of 2002 and each year since its inception. The Company's efforts have been focused on the development of its technologies and raising capital necessary to finance its development and administrative activities. To date, a substantial portion of its activities have been paid for by the issuance of common shares, options and warrants.

On November 13, 2002 (the "Petition Date"), the Company and it's wholly-owned subsidiary, Carbon Resources Limited ("Carbon"), each voluntarily filed a petition for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in the United States Bankruptcy Court, Southern District of New York (the "Bankruptcy Court"). SynGen Technologies Limited, a wholly-owned subsidiary of the Company, and Lanisco Holdings Limited, a wholly-owned subsidiary of Carbon, were not included in the Chapter 11 filing.

After November 13, 2002, we and Carbon operated our respective businesses as debtors-in-possession. At March 12, 2003 substantially all the Company's assets were sold to a third party for $300,000 in cash plus the forgiveness of $527,783 in debt and accrued interest incurred subsequent to the Petition Date, and the Company ceased operations. The asset sale was completed following an auction conducted in accordance with the Bankruptcy Code and pursuant to an order of the Bankruptcy Court. The Company expects to file a plan of reorganization for itself and other filing subsidiaries to be submitted to the Bankruptcy Court for confirmation after submission to any vote and approval required by affected parties. As of May 15, 2003, the plan for reorganization has yet to be submitted.

NOTE 3 - INVESTMENTS, ACQUISITIONS AND TECHNOLOGY DEVELOPMENT

Investments reported on the Consolidated Balance Sheet of the Company include the following:

	MARCH 31, 2003	
Investment in SynGen Technology and associated assets (See Note 3(a) below)	$ -	$
Investment in CPJ Technology and associated assets (See Note 3(b) below)	-	
	$ -	$

(a) SynGen: As at March 31, 2003 the Company has no remaining assets due to the sale of the Company's assets on March 12, 2003.

(b) CPJ: As at March 31, 2003 the Company has no remaining assets due to the sale of the Company's assets on March 12, 2003.

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NOTE 4 - CURRENT LIABILITIES

(a) Accounts payable includes $30,583 owed to certain members of management who deferred payment of salaries from November 13 to November 30, 2002. Also included are $122,019 for professional fees to bankruptcy counsel and $74,944 for other professional fees.

(b) Accrued expenses includes $21,890 owed for professional fees to bankruptcy counsel.

NOTE 5 - LIABILITIES SUBJECT TO COMPROMISE

No changes during the quarter.

NOTE 6 - COMMON STOCK

Warrants:

The following table summarizes the warrants issued, exercised and expired during the period ended March 31, 2003:

Balance at December 31, 2001	4,364,048
Warrants issued during 2002	
At $0.02 per share	50,000
At $0.72 per share	612,306
At $0.90 per share	1,352,350
At $1.00 per share	470,000
At $3.00 per share	15,000
Warrants expired unexercised during the period, $1.00 per share	(700,000)
Warrants to purchase common shares, balance at December 31, 2002	6,163,704
Warrants issued during 2003	
Warrants expired unexercised during the period, $3.50 per share	(1,139,314)
Warrants to purchase common shares, balance at March 31, 2003	5,024,390

STOCK OPTIONS

The Company has five stock option plans as follows:

- 1998 Directors and Employees Stock Option Plan (Plan "A");
- 1999 Directors and Employees Stock Option Plan (Plan "B");
- 1999 Directors and Advisory Board Members Stock Option Plan (Plan "C");
- 2000 Employees Stock Option and Stock Award Plan (Plan "D");
- 2001 Employees Stock Option and Stock Award Plan (Plan "E"); and,
- 2002 Stock Option Plan (Plan "F")

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The following table will summarize options and awards granted, and options and awards available for grant for the quarter ended March 31, 2003:

	PLAN A 1998	PLAN B 1999	PLAN C 1999	PLAN D 2000
Total shares authorized under plan:	900,000	1,000,000	1,100,000	1,500,000
Options/awards granted:				
Employees	250,000	335,000	-	131,573
Directors	400,000	425,000	400,000	36,315
Non-employees, consultants	250,000	200,000	-	1,316,175
Advisory Board members	-	-	500,000	-
Total options granted	900,000	960,000	900,000	1,484,063
Expired or cancelled (a)	-	40,000	200,000	15,937
Available for grant at March 31,2003	-	-	-	-

(a) Employees:

- There were no changes during the quarter

(b) Non-employees and consultants:

- There were no changes during the quarter.

The following table summarizes the status of the Company's stock options (excluding stock awards) and changes thereto during the quarter ended March 31, 2003:

	SHARES	WEIGHTED EXERCIS
Balance at December 31, 2001	2,779,500	$
Granted during 2002	5,076,000	
Canceled during 2002	(5,000)	
Exercised during 2002	-	
Outstanding at end of year, December 31, 2001	7,850,500	$
Granted during 2003	-	
Cancelled during 2003	-	
Exercised during 2003	-	
Outstanding at end of year, December 31, 2002	7,850,500	$
Options exercisable at end of quarter	5,059,310	
Weighted remaining contractual life		
Range of exercise prices		$

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

In November 2002, Synergy Technologies Corporation ("we", "us" or the "Company") filed for protection under Chapter 11 of the Bankruptcy Code and sold substantially all of its assets in March 2003 under the auspices and with the approval of the Bankruptcy Court hearing its petition (see NOTE 2 to the Financial Statements for a more complete description of the bankruptcy). The Company does not currently engage in any business operations and can not make any statements regarding our future operations, management, capital requirements or sources of capital.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting management to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

The Company's management does not expect that its disclosure controls and procedures or its internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, provides reasonable, not absolute, assurance that the objectives of the control system are met. Because there are inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns occur because of simple error or mistake. Controls can be circumvented by the individual acts of some persons or by collusion of two or more people. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(b) Changes in internal controls.

There have been no significant changes in the Company's internal controls or, to its knowledge, in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

N/A

ITEM 2. CHANGES IN SECURITIES

(a) N/A

(b) N/A

(c) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

N/A

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

99. Additional Exhibits

99.1 Certification of Chief Executive Officer under Section 906 of Sarbanes-Oxley Act of 2002

(b) The following Current Reports on Form 8-K during the first quarter of 2003.

1. April 22, 2003

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.

SYNERGY TECHNOLOGIES CORPORATION

Date: May 19, 2002

By: /s/ Barry Coffey

Barry Coffey
Chief Executive Officer

CERTIFICATION

I, Barry Coffey, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Synergy Technologies

Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 19, 2003

By: /s/ Barry Coffey

Barry Coffey
Chief Executive Officer