TOGS FOR TYKES INC
Form 10SB12G/A
March 15, 2002

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

AMENDMENT NO. 1
TO
FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES
OF SMALL BUSINESS ISSUERS

Under Section 12(b) or 12(g) of
The Securities Exchange Act of 1934

Togs for Tykes, Inc.
(Name of Small Business Issuer in its charter)

Nevada	91-1868007
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1030 Wooster, Suite 4, Los Angeles, California	90035
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: (714) 273.6124

Securities to be registered under Section 12(b) of the Act:

Title of Each Class to be so Registered:	Name of Each Exchange on which Each Class is to be Registered:
None	None

Securities to be registered under Section 12(g) of the Act:

Common Stock, Par Value $.001	Preferred Stock, Par Value $.001
(Title of Class)	(Title of Class)

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Togs for Tykes, Inc.,
a Nevada corporation

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Item 1. Description of Business.

Our Background. We were incorporated in Nevada on September 26, 1997, as Aztec Ventures, Inc. Our original business was the sale of pay phone services. In June 2001, our management and business changed. On September 5, 2001, we amended our Articles of Incorporation to change our name to Togs for Tykes, Inc. We changed our name to Togs for Tykes, Inc., due to our new management's desire to shift our business focus to designing and marketing children's apparel.

Our Business. We intend to design, source and market apparel primarily for children from infants to five years old. Our initial focus will be sales over the Internet. Our president, Becky Bauer, has experience in the fashion industry. She will provide most of the design services to us. We hope to become an online marketer of branded products for toddlers through our proposed website. Our target market will be parents who look for quality, durability, and fashion innovation. We believe that in order to be successful in the children's wear business, we must continue to develop and improve quality, durability, and style. We believe these are the factors that have permitted certain retailers of children's apparel to gain market share in the branded children's wear industry. We propose to incorporate these themes into the design, sourcing and marketing of our proposed product line. We also believe that the name of our brand "Togs for Tykes" is unique and we have the potential to expand our brand recognition.

Planned Products. Initially, we plan to offer basic toddler clothing. Our initial product offerings will be simple and basic as we believe such products will be less expensive to design and manufacture. We anticipate that our prices will range from $5.00 to $40.00, depending on the item of clothing. We plan on conferring with industry experts to determine the most efficient and safest design. Those industry experts will include pediatricians, physicians and child care experts. We have not yet contacted such experts nor have we formulated the structure of relationships with such experts.

We hope to someday expand our toddler product offerings to include toddler footwear and other accessories, such as hats, sun glasses and toys. Additionally, our plans for future expansion include pursuing niche opportunities in the children's apparel industry, such as expanding our market to apparel for children older than 5 years. Our initial focus will be on clothing for children from infants to five years old, however. We do not plan to expand our product offerings until and unless we earn sufficient revenue to justify such an expansion. In order to expand our product offerings, we believe that we will need to generate revenues of approximately $50,000.

Our Website www.togsfortykes.com. Our current website displays our corporate logo and contact information and provides a general description of the products that we intend to sell. We plan on further developing our website to be used to market and sell our proposed products. We anticipate that our website will have the following features:

o Shopping by age. We anticipate that our website will feature a section which allows the consumer to shop according to the age of the consumer's child. We believe that children's apparel is age-sensitive. Different outfits or combinations of outfits may not be appropriate or functional for certain age children. Therefore, we plan to structure our website to allow the consumer to access clothing according to age. The clothing for infants will consist primarily of pajamas, sleepers, body suits, bibs and blankets. The clothing for toddlers will be more diversified with pants, shirts, jackets, socks, shorts and sweaters.

o Shopping by season. We plan to offer seasonal and holiday clothing. We plan to design clothing that fits the season. For instance, we plan to design clothing which will incorporate holiday themes such as Christmas, Easter and Halloween.

o Gift Certificates. We plan to offer our customers an opportunity to purchase a virtual gift certificate. The customer will be able to purchase the gift certificate in any denomination. As soon as the certificate is purchased, we will send a confirming email to the purchaser or the recipient confirming the gift certificate. In order to use the certificate, the recipient will need to log onto our website in order to use the certificate.

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o Registering for birthdays and baby showers. We plan to design our website to allow for parents to register for baby showers and birthdays. The parent will log onto the website and scroll through our product offerings. Our website will eventually be designed to allow the parent to put the items in a virtual dressing room. The items will stay in the virtual dressing room until they are either purchased, the product is discontinued or sufficient time has passed.

o Fashion tips. Our president, Becky Bauer, has several years of experience in the fashion industry. We plan on reserving a section of our website for "Tog Talk" where our president will provide periodic fashion "tips" for parents. Such tips will include tips on latest innovations in fashion, trends and other industry news.

Suppliers and Manufacturers. We plan on designing our proposed products in-house. We do not plan on manufacturing our proposed products. We do plan on using our president's connections in the fashion industry to develop relationships with suppliers and manufacturers. We have not engaged in any discussions with potential suppliers or manufacturers as we are still in the design phase of our business. We plan on initiating discussions with potential suppliers and manufacturers only after we have completed the design phase of our business plan. We plan on entering into contracts with suppliers and manufacturers on an as-needed basis. The manufacturers will manufacture our brand label according to our specifications. If we are not able to arrange for manufacturing services from our president's contacts, we plan to use the services of companies which assist start-up enterprises in arranging for manufacturing of products. We have not yet contacted any such companies to arrange for manufacturing. We will attempt to use our president's connections first.

We anticipate that we will contract with suppliers and manufacturers to produce our proposed products. The principal raw materials which will be used in the production and sale of our products are plastic, paperboard and cloth. We

anticipate that raw materials will be purchased by the manufacturers who agree to manufacture or products. We may need to rely heavily on suppliers in foreign jurisdictions. As such, we may be required to order products further in advance than would generally be the case if such products were produced in the United States. As a result, we may be forced to carry significant amounts of inventory to meet rapid delivery requirements of customers and to assure us of a continuous allotment of goods from suppliers.

Distribution. To date, we have not yet started selling our apparel. We plan to store our initial inventory in a storage facility provided by our Brook Messick, our corporate secretary and a member of our Board of Directors. If we are able to generate sales sufficient to justify leasing a storage facility, we will likely lease such facility in Los Angeles, California. We anticipate the cost of such a facility will be approximately $400 a month. We will not lease a storage facility until and unless our sales justify. Therefore, we will use revenues to finance the leasing of a storage facility, when appropriate.

Until and unless volume of our sales demand otherwise, we plan to ship our products via FEDEX. If our sales require us to arrange for alternative delivery sources, we will likely subcontract with delivery companies specializing in the efficient and timely delivery of products. We have not negotiated any agreements with any such delivery service.

Our Target Markets and Marketing Strategy. Our line of children's apparel will be targeted toward the middle income to upper middle income children's wear market for infants to children age five. We plan on using innovative designs, quality fabrics, and classic styling. We will attempt to develop our brand name so that consumers associate our products with classic design and high quality. We are in the process of developing the trade name "Togs for Tykes" and we filed a state trademark application for "Togs for Tykes" with the California trademark office in March 2002. If we are granted the California trademark, we will file an application for a federal trademark. If we are able to generate sufficient interest in our products in foreign markets, we plan on applying for international trademarks. We do not yet have an indication of which foreign markets our planned apparel may be popular. Our apparel will be branded with the "Togs for Tykes" logo.

We anticipate that our website will initially be developed as our corporate presence and will be used for the marketing and sales of our products. The website will consist of our current product lines. Our products will be geared specifically towards infants and toddlers. Our designs will be practical while focusing on the needs which parents and children alike. Although we plan to design stylish, easy to wear and functional clothing, we expect to be able to accommodate the special needs of parents and infant to

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toddler-aged children by avoiding clothing designs which could be bothersome or difficult to maneuver during diaper changes. Accordingly, our designs de-emphasize the use of tights, buttons around the legs, buttons or snaps located in the back of an outfit and clothes that do not open entirely down the leg or that open only down one leg. We plan on using snaps on the front of the clothes and zippers as we believe those are the most functional designs.

Growth Strategy. Our growth strategy will focus on maximizing the lifetime value of our brand. If we are able to generate sufficient interest and sales through our website, we plan on expanding our operations to retail and wholesale outlets. In order to expand to retail and wholesale outlets, we believe we will need to generate sales of approximately $25,000. We hope to be able to establish strategic relationships with leading wholesale and retail distributors, product manufacturers and suppliers. For example, those relationships could include exclusive marketing arrangements or private label manufacturing agreements. Our goal is to become a popular for our style, quality, and customer satisfaction in infant and toddler's wear. In order to implement our growth strategy we believe we must:

- complete construction of our website and continuously upgrade our products and services;
- generate high levels of interest and awareness of the Togs for Tykes brand;
- design quality clothing which is attractive while functional;
- encourage consumers to visit our proposed website;
- encourage repeat customers by rewarding customer loyalty;
- study repeat purchasing patterns so that we can foster long-term relationships with customers; and
- enhance and form key relationships with suppliers, manufacturers and, when we are prepared to expand, with retailers and wholesalers.

As our sales increase, we plan to use the revenues that we generate in corporate and business infrastructure, which includes the establishment of a corporate storage unit and formal office facility. We plan to commit funds towards fostering strong brand name recognition by targeting certain markets for development and expansion. Specifically, we plan to initially market our apparel to large, high volume stores such as Costco, Pic-n-Save and Sav-on's. We have not yet negotiated with any such retail or wholesale stores and do not plan to do so until we establish interest in our brand primarily through our website. As discussed above, we plan to focus our initial sales efforts over the Internet. If we are able to generate revenues of approximately $50,000 and increase our brand name recognition, we plan to expand our sales efforts to retail outlets such as department stores, wholesale distributors, convenience stores, mail order catalogs and catalog stores.

Seasonality. We anticipate that our business will vary with general seasonal trends that are characteristic of the apparel and retail industries. Typically, products are designed and marketed primarily for three principal selling seasons:

Retail Sales Season	Primary Booking Period	Shipping Period
Spring/Summer	August-September	January-May
Fall/Back-to-School	January-February	June-August
Winter/Holiday	April-May	September-December

We do not believe our sales will be substantially affected by seasonal variations because our target market will be from infants to age five. Children do not typically attend school until after the age of five. However, we do anticipate that we will generally experience lower net revenues and net income, or higher net losses, in the first half of each fiscal year, as compared to the

second half of our fiscal year as a result of general seasonal trends. Specifically, we believe that the prime sales periods, where we will generally experience higher revenues and higher income will be during November and December because of the Christmas season; during August and September because of back to school purchasing; and during May and June because of summer spending. We believe that sales will drop during the months of January, February, March and April. On a quarterly basis, our operations may vary with production and shipping schedules, the introduction of new products, and variation in the timing of certain holidays from year to year. We expect to experience lower net revenues and operating income in the second quarter than in other quarters due to lower demand among retail customers typical of the apparel industry, and certain expenses that are constant throughout the year being relatively higher as a percentage of net revenues. As we continue to evolve our business

and as we expand our operations and infrastructure, our operating performance may not reflect the typical seasonality of the apparel industry. Specifically, we believe that if we can expand our operations and increase the awareness of our products, purchasers will be more likely to purchase our products even during traditionally slow purchasing periods like the first quarter of the fiscal year. We believe that if a product or brand has wide appeal, purchasers will purchase the product year round and not just for special occasions.

Government Regulation of Online Commerce. Online commerce is new and rapidly changing, and federal and state regulations relating to the Internet and online commerce are relatively new and evolving. Due to the increasing popularity of the Internet, it is possible that laws and regulations will be enacted to address issues such as user privacy, pricing, content, copyrights, distribution, antitrust matters and the quality of products and services. The adoption of these laws or regulations could reduce the rate of growth of the Internet, which could potentially decrease the usage of our proposed website and could otherwise harm our business. In addition, the applicability to the Internet on existing laws governing issues such as [material omitted] copyrights and other intellectual property issues is uncertain. Specifically, we have applied for a California state trademark for the name "Togs for Tykes". However, we have already used the name on our website and the affect of such use is uncertain. We cannot be sure what affect such use will have on any future trademark applications domestically or abroad. The uncertainty of the Internet and how it affects intellectual property rights could adversely affect our ability to protect the intellectual property rights we may acquire in the future. Most of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues of the Internet.

New laws applicable to the Internet may impose substantial burdens on companies conducting online commerce. In addition, the growth and development of online commerce may prompt calls for more stringent consumer protection laws in the United States and abroad. Specifically, the way we advertise our proposed products will likely be affected by more stringent laws in that we will be prevented from making certain representations about our products. The cost of complying with such laws could increase our cost of doing business, drive up prices and harm our ability to earn revenues. Moreover, stricter laws regarding the manufacturing and quality of clothing will likely increase the cost of doing business as we will need to adjust to such laws. For example, if we begin selling our proposed products in jurisdictions which require higher quality stitching or increased quality control, we will be forced to expend additional funds to meet such standards. The additional cost will harm our ability to earn revenues.

Taxing authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in Internet commerce. New state tax regulations may subject us to additional state sales, use and income taxes. The adoption of any of these laws or regulations may decrease the growth of Internet usage or the acceptance of Internet commerce which could, in turn, decrease the demand for our products and services, increase costs and otherwise have a material adverse effect on our ability to earn revenues. To date, we have not spent significant resources on lobbying or related government affairs issues, but we may need to do so in the future.

Several telecommunications carriers have asked the FCC to regulate telecommunications over the Internet. Due to the increasing use of the Internet and the burden it has placed on the telecommunications infrastructure, telephone carriers have requested the FCC to regulate Internet and online service providers and to impose access fees on those providers. If the FCC imposes access fees, the costs of using the Internet could increase dramatically. In this event, our margins could be negatively impacted.

Other Government Regulation. Any import operations we engage in will also subject to constraints imposed by bilateral textile agreements between the United States and a number of foreign countries. Those agreements, which have been negotiated bilaterally either under the framework established by the Arrangement Regarding International Trade in Textiles, known as the Multifiber Agreement, or other applicable statutes, impose quotas on the amounts and types of merchandise which may be imported into the United States from these countries. Those agreements also allow the signatories to adjust the quantity of imports for categories of merchandise that, under the terms of the agreements, are not currently subject to specific limits. Our imported products may also be subject to United States customs' duties. In addition, each of the countries in which our products are sold may have laws and regulations regarding import restrictions, quotas, and duties. The United States and other countries in which our products are manufactured or sold may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adversely adjust present prevailing rates, which could adversely affect our operations.

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Specifically, if we begin to sell our products into foreign jurisdictions and that particular has import quotas, our ability to export products into that jurisdiction will be harmed which will reduce our ability to earn revenues in that particular jurisdiction. Conversely, if that particular jurisdiction significantly increases quotas and reduces barriers to entry into that jurisdiction, prices may decline and our net income will be harmed. Increased duties and tariffs will increase our cost of doing business and, as a result, our ability to earn revenues will be harmed. We will likely outsource the manufacturing of our products. If we arrange for manufacturing services in foreign countries, an increase in restrictions within those countries would increase the cost of doing business. An unexpected increase in our cost of doing business and our inability to arrange for substitute manufacturing would harm our ability to earn revenues.

Furthermore, our licensed products and licensees that we develop in the future may also be subject to additional legislation. License agreements will require that our licensees operate in compliance with all applicable laws and regulations. Our compliance with Federal, State, and local environmental laws

and regulations in recent years had no material effect upon our capital expenditures, earnings, or competitive position. We do not anticipate any material capital expenditures for environmental control in either the current or succeeding fiscal years.

Our products will also be subject to the provisions of the Federal Consumer Product Safety Act, the Federal Hazardous Substances Act, as amended, the Federal Flammable Fabrics Act, and the Child Safety Protection Act, and the regulations promulgated thereunder, (collectively, the "Acts"). The Acts enable the Consumer Product Safety Commission (the "CPSC") to protect children from hazardous toys and other articles. The CPSC has the authority to exclude from the market certain consumer products that are found to be hazardous. The CPSC's determination is subject to court review. The CPSC can require the repurchase by the manufacturer of articles which are banned. The Federal Flammable Fabrics Act enables the CPSC to regulate and enforce flammability standards for fabric used in consumer products. Similar laws exist in some states and cities and in various international markets. We will endeavor to design and test our products to ensure compliance with the various federal, state and international requirements which we may be subject to. Any recall of a product could adversely affect our ability to earn revenue. Initially, we will be designing and selling clothing only. Therefore, we do not believe costs associated with compliance with the Acts will be material.

Intellectual Property Rights. Our success depends in part upon our ability to preserve our intellectual property rights we may acquire in the future. Our success will also depend in part on our ability to operate without infringing the proprietary rights of other parties. However, we may rely on certain proprietary technologies, trade secrets, and know-how that are not patentable. We currently own Internet domain name "Togsfortykes.com". Our website is currently being developed. Under current domain name registration practices, no one else can obtain a domain name identical to ours, but someone might obtain a similar name, or the identical name with a different suffix, such as ".org", or with a country designation. The regulation of domain names in the United States and in foreign countries is subject to change, and we could be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our domain names.

We currently do not have any trademarks by which we can distinguish our brand from others, although we filed a state trademark application for "Togs for Tykes" with the California trademark office in March 2002. If we are granted the California trademark, we will file an application for a federal trademark. We hope to develop and obtain a trademark for our product in the future. Obtaining a trademark will grant us the exclusive right to use or license such trademarks and will substantially assist us in the protection of our brand name and image. Once obtained, we will regard the license to use any trademarks we acquire and any other proprietary rights in and to the trademarks as valuable assets in the marketing of our products and we will actively seek to protect them against infringement. If we establish our brand, we may also create an enforcement program to control the sale of counterfeit products in the United States and in major markets abroad. Any trade names and trademarks developed can be helpful in garnering broad market awareness of our products and will be significant in marketing our products. Therefore, we propose to adopt a policy of vigorous defense of our trademarks against infringement under the laws of the Unite States and other countries.

Our Research and Development. We are not currently conducting any research and development activities except for the development of our website and the design of our products. Other than the development of our website and the design of our first line of products, we do not anticipate conducting any other such activities in the near future.

Employees. As of March 14, 2002, we had no employees, other than our officers.

Facilities. Our executive, administrative and operating offices are approximately 200 square feet and are located at 1030 Wooster, Suite 4, Los Angeles, California, 90035. Becky Bauer, our president and a member of our Board of Directors, currently provides office space to us at no charge. We do not have a written lease agreement with Ms. Bauer and we believe that she does not expect to be reimbursed for providing office space. Brook Messick, our corporate secretary and a member of our Board of Directors, has agreed to provide storage facilities for our initial inventory. The storage facility is approximately 250 square feet. We do not believe we will enter into a written lease agreement with Ms. Messick. Moreover, we do not believe that Ms. Messick will require us to reimburse her for providing storage facilities. Neither Ms. Bauer nor Ms. Messick is obligated to provide us with space for any particular period of time, or at all.

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

Information in this registration statement contains "forward looking statements" which can be identified by the use of forward-looking words such as "believes", "estimates", "could", "possibly", "probably", "anticipates", "estimates", "projects", "expects", "may", "will", or "should" or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. The following matters constitute cautionary statements identifying important factors with respect to those forward-looking statements, including certain risks and uncertainties that could cause actual results to vary materially from the future results anticipated by those forward-looking statements. Among the key factors that have a direct bearing on our results of operations are the effects of various governmental regulations, the fluctuation of our direct costs and the costs and effectiveness of our operating strategy. Other factors could also cause actual results to vary materially from the future results anticipated by those forward-looking statements.

Liquidity and Capital Resources. Our only assets at December 31, 2001 were prepaid expenses of $5,872. Those prepaid expenses were for legal expenses. Our total assets were approximately $5,872 and our total liabilities were approximately $6,718 as of December 31, 2001. Those liabilities are an amount due to a shareholder. The funds bear no interest and the stockholder has agreed to accept repayment if and when funds are available for repayment. At December 31, 2001, our liabilities exceeded our assets by $846.

Operating Expenses. For the year ended December 31, 2000, our operating expenses were $0. During the year ended December 31, 2001, our expenses increased to $15,846 due to our increased general, selling and administrative expenses associated with our emphasis on our business direction. From our inception on September 26, 1997, to December 31, 2001, our operating expenses have been $33,046.

Results of Operations. For the fiscal year ended December 31, 2001, we did not realize any revenues from operations. Our net loss from our inception on September 26, 1997 to December 31, 2001 was $33,046. Our net loss for the year ended December 31, 2001 was $15,846. We anticipate that we will begin realizing revenues by fall 2002 as we anticipate that our first line of products will be completed by fall 2002. We are in the process of designing our first line of products but have not made arrangements for the manufacture of our first product line. Our prediction regarding when we will begin realizing revenue is subject to many contingencies, including, but not limited to: unforeseen delays in the design of our first line of products; downturn in economic trends; increased cost of manufacturing; and loss of key management.

Our Plan of Operation for the Next Twelve Months. As of February 6, 2002, we had $2,400 in cash resources. We believe that our current cash resources are sufficient to pay our operating expenses through May 2002. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary as a result of a number of factors. Such factors will include those factors discussed in our "Risk Factor" section below in addition to the following factors:

- General Economic Conditions. We believe that when the economy suffers, discretionary spending suffers as well. In times of poor economic conditions, we will likely sell fewer products which will harm our ability to earn revenues. A lack of revenues will force us to use our resources more quickly than anticipated.
- Increased Operating Expenses. Our forecast is based on an estimate of our operating expenses. If we are forced to incur unforeseen legal fees, accounting fees, or other unexpected fees or if prices for raw materials rise more quickly than anticipated, our current resources may not be sufficient to cover such increased expenses.
- Delays in Production. If we are not able to bring our first product line to market as quickly as expected, our ability to earn revenue will be harmed. If we are unable to earn revenues, our current resources will be strained to cover any revenue shortfall.

There may be other unforeseen factors which affect our forecast. We will attempt to anticipate, as best as possible, such factors. Our plan of operation is materially dependent on our ability to complete the development of our website and raise additional capital to market our products by means of our proposed website. We believe that we will need approximately $10,000 to market our products. Within the next twelve months, we must complete the design of our first line of products and complete the development of our website. We believe we need approximately $12,000 to complete the design of our first line of products and the development of our website. We have hired a third party to complete the development of our website. We will need approximately $2,000 to complete our website development. We must also enter into arrangements with manufacturers to manufacture our planned product line. Finally, we must raise additional working capital either through the sale of our capital stock or through loans. There is no guarantee that we will be able to raise additional capital through the sale of our common stock. Moreover, there is no guarantee that we will be able to arrange for loans on favorable terms, or at all.

We will use our current cash resources to pay the following expenses: website development, legal and accounting and initial marketing expenses. Our inability to access the capital markets or obtain acceptable financing could have a material adverse effect on our results of operations and financial condition. To the extent that additional capital is raised through the sale of equity or equity-related securities, the issuance of such securities could result in dilution of our stockholders. We cannot guaranty that additional funding will be available on favorable terms. If adequate funds are not available within the next 12 months, we may be required to limit our proposed website development activities or to obtain funds through entering into arrangements with collaborative partners. If adequate funds are not available, we believe that our officers and directors will contribute funds to pay for our expenses. Our belief that our officers and directors will pay our expenses is based on the fact that our officers and directors collectively own 4,500,000 shares of our common stock, which equals approximately 81.34% of our total issued and outstanding common stock. We believe that our officers and directors will continue to pay our expenses as long as they maintain their ownership of our common stock. If our officers and directors loan us operating capital, we will either execute promissory notes to repay the funds or issue stock to those officers and directors. We have not formulated specific repayment terms. We will negotiate the specific repayment terms and whether repayment will be in the form of stock when, and if, funds are advanced by any of our officers and directors.

In order to raise additional working capital, we plan on conducting a private placement of 1,000,000 shares of our common stock at a purchase price of $0.05 per share in transactions which we believe will satisfy the requirements of that certain exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act and Rule 506 of Regulation D promulgated pursuant to that act by the Securities and Exchange Commission.

Our prospects must be considered speculative, considering the risks, expenses, and difficulties frequently encountered in the establishment of a new business, specifically the risks inherent in the development of electronic commerce.

Our business is subject to numerous risk factors, including the following:

Our auditors have expressed their doubt about our ability to continue operations as a "going concern." Investors may lose all of their investment if we are unable to continue operations.

We hope to obtain revenues from future product sales, but there is no commitment by any person for purchase of our products. In the absence of significant sales and profits, we may seek to raise additional funds to meet our working capital needs principally through sales of our securities. However, we cannot guaranty that we will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to us. As a result, our auditors believe that substantial doubt exists about our ability to continue operations. The presence of the "going concern" language in our financial statements may make it more difficult for us to raise working capital. Our inability to raise capital will hinder our ability to expand our operations and earn revenues.

Our success depends on our ability to anticipate and interpret trends in children's apparel.

We believe that our success depends in part on our ability to anticipate, gauge and respond to changing consumer demands and trends in a timely manner. For those products that are "staples" in infant and toddler-aged children's wear, specifically shirts and tops, pants, clothing sets, body suits, sleepers, undergarments and pajamas, we anticipate that we will attempt to reduce the risks of changing fashion trends and product acceptance by holding positions in our inventory to ensure an uninterrupted supply of finished garments and piece goods inventory. We also plan to design our products using basic colors which hold their popularity. We cannot guaranty, however, that we will be successful in this regard. Specifically, clothing trends are subject to rapid change. If our management is not paying attention to the change in trends or if Becky Bauer, our president and designer, designs clothing that does not have mass appeal, our ability to earn revenues will be harmed. Our management must constantly research the trends in children's clothing or risk losing touch with the growing trends. Moreover, the prevailing trends in Southern California may not appeal to a sufficient number of consumers outside Southern California. We must constantly keep abreast of mass trends, even those outside of Southern California or our ability to sell our proposed products to a wide audience will be harmed. If we misjudge the market for our products, we may be faced with a significant amount of unsold finished goods inventory and piece goods inventory, which could hurt our ability to earn revenue.

Competition is strong in the areas of the children's apparel industry in which we intend to operate.

The children's apparel industry is highly competitive and consists of a number of domestic and foreign companies. The apparel industry is also highly fragmented, and is subject to rapidly changing consumer demands and preferences. We believe that our success depends in large part upon our ability to anticipate, gauge and respond to changing consumer demands and children's fashion trends in a timely manner. We also believe that our success will depend on our ability to generate brand awareness. If we do not generate sufficient brand awareness, the appeal of our products will suffer and our ability to earn revenues will be harmed.

The apparel industry requires that a marketer recognize clothing trends and adequately provide products to meet such trends. If we are going to compete, it will have to be in one of the following areas: quality, price, service, style, and with respect to branded product lines, consumer recognition. We intend to focus attention on the issues of brand name recognition and style, and hope to deliver designs that will be popular with parents of infants and toddler-aged children. We plan on competing with our larger and better financed competitors on the basis of style and functionality.

We expect our share of the overall children's wear market will be quite small. This is due to the diverse structure of the market where there is no truly dominant producer of children's garments across all size ranges and garment types. Our online competitors include major department stores and children's retailers, such as Limited Too, Baby GAP, Guess Kids, and smaller designers, such as Anna-Bean and Classy Kid. Among traditional retailers, there are also numerous competitors who either sell or manufacture their own brands or carry well-known brands of children's clothing. For example, competitors in this category include general and specialty retailers such as Old Navy, J.C. Penney, Mervyn's, Sears, and Target Stores, plus Gymboree and Osh Kosh B'Gosh, who sell either their own house brands, such as Arizona, Honors, along with other manufacturers' brands of children's clothing, such as Carter's, Osh Kosh B'Gosh, Healthtex, Winnie the Pooh, Levi's, Baby Lulu, Disney, Cakewalk, Jordan Marie, The Children's Place, Land's End, and Tommy Hilfiger.

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If we are unable to compete with the other children's apparel manufacturers, our ability to sell products will be hindered. If consumers do not perceive our products as equivalent to, or better than, our competition, they will purchase our competitors products instead of ours. Our inability to sell our products will hurt our ability to earn revenues. If we are unable to earn revenues, our ability to expand our operations will be harmed. If we cannot expand our operations, the ability to maintain or increase our brand awareness will be harmed and our ability to earn revenues will suffer.

We must establish awareness of our brand among our target customers to promote our products and operate profitably. If we are not able to establish and increase our brand awareness, our ability to earn revenue will be harmed.

We currently do not have any trademarks by which we can distinguish our brand from others. We hope to develop and obtain a trademark for our product in the future. Obtaining a trademark will grant us the exclusive right to use or license such trademarks and will substantially assist us in the protection of our brand name and image. Once obtained, we will regard the license to use our trademarks and any other proprietary rights in and to the trademarks as valuable assets in the marketing of our proposed products, and will actively seek to protect them against infringement. Once our brand is established, we may also create an enforcement program to control the sale of counterfeit products in the United States and in major markets abroad. Our inability to obtain trademarks could reduce the impact of our brand which would result in our decreased ability to earn revenues. Moreover, if we are forced to engage in complicated and expensive litigation to protect any proprietary rights we may have, our working capital will be diverted from business development to litigation expenses. Such diversion of funds will harm our ability to move forward with our business plans which will result in a reduced ability to earn revenues.

If we are not able to raise additional capital to complete development of our website and promote our products, our ability to earn revenue will be severely harmed.

To complete our website development and market our products, we anticipate that we will be required to raise additional funds. We believe that we may be able to acquire additional financing through the sale of our common stock our through loans at commercially reasonable rates. We cannot guaranty that we will be able to obtain additional financing at commercially reasonable rates, or at all. We believe that we will need approximately $2,000 to complete our website development. Our failure to obtain additional financing would significantly limit or eliminate our ability to fund our sales and marketing activities as those activities will initially be conducted via the Internet. Our inability to arrange for additional financing will harm our ability to earn revenues.

We anticipate that we may seek additional funding through public or private sales of our securities, including equity securities, or through commercial or private financing arrangements. However, adequate funds, whether through financial markets or collaborative or other arrangements with corporate partners or from other sources, may not be available when needed or on terms acceptable to us. In the event that we are not able to obtain additional funding on a timely basis, we may be required to scale back any proposed operations or

eliminate certain or all of our marketing programs, either of which could have a material adverse effect on our results of operations.

We will depend on third-party providers to manufacture our proposed products. A disruption or termination of those services coupled with our inability to arrange for alternative sources of such services will significantly harm our ability to earn revenues.

We will be dependent upon various third parties for one or more services required for the promotion, sale, distribution and supply of our proposed products. We anticipate that such services will be provided to our business pursuant to agreements with service providers and will include, but will not be limited to, third-party supply, manufacturing and shipping agreements. Inasmuch as the capacity for certain services by certain third parties may be limited, our inability, for economic or other reasons, to continue to receive services from providers or to obtain similar products or services from additional providers could harm our business in that, without such providers, we will not be able to market and sell our proposed products.

We anticipate that our apparel line will use a variety of raw materials, principally consisting of woven and knitted fabrics and yarns. We anticipate that our manufacturers will purchase the raw materials from third party providers. We cannot guaranty that our manufacturers will avoid difficulty in obtaining raw materials, or that certain suppliers will be able to provide needed items on a timely basis. Difficulties arising from procurement of various raw materials could result in our manufacturers' inability to manufacture our products and, as a result, our inability to market and sell our products and earn revenue.

We do not own any production equipment or facilities. All of our products will be manufactured to our specifications. We may arrange for the manufacture of our products in our outside of the United States. The inability of a manufacturer to ship our products in a timely manner could result in us missing certain retailing seasons and opportunities with respect to some or all of our proposed products. Our dependence on independent contractors includes additional risks, such as limited control over costs and quality standards. The inability of a manufacturer to perform according to our expectations or our inability to maintain good relations with our manufacturers could harm our ability to earn revenues.

We are dependent on the efforts and abilities of certain of our senior management.

The interruption of the services of key management could disrupt our operations, reduce our future profits and hinder our future development, if suitable replacements are not promptly obtained. Specifically, we rely on Becky Bauer, our president and a member of our board of directors, for design services. She has extensive design experience and a loss of her services would harm our ability to continue our design activities. We have not entered into employment agreements with any of our key executives, including Ms. Bauer. We cannot guaranty that each executive will remain with us. In addition, our success depends, in part, upon our ability to attract and retain other talented personnel. Although we believe that our relations with our personnel are good

and that we will continue to be successful in attracting and retaining qualified personnel, we cannot guaranty that we will be able to continue to do so. Our officers and directors will hold office until their resignation or removal.

Our officers, directors and principal security holders own approximately 81.34% of our outstanding shares of common stock which has the affect of giving our officers and directors control over matters which require shareholders vote and reduce the ability of minority shareholders to control matters requiring shareholders vote.

Our directors, officers and principal (greater than 5%) security holders, taken as a group, together with their affiliates, beneficially own, in the aggregate, approximately 81.34% of our outstanding shares of common stock. Certain principal security holders are our directors or executive officers. Such concentrated control of us may adversely affect the price of our common stock. These security holders may also be able to exert significant influence, or even control, matters requiring approval by our security holders, including the election of directors, as a result of such ownership. In addition, certain provisions of Nevada law could have the effect of making it more difficult or more expensive for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us.

We lack a public market for shares of our common stock, which may make it difficult for investors to sell their shares which makes an investment in us illiquid.

There is no public market for shares of our common stock and no assurance can be given that an active public market will develop or be sustained. Therefore, holders of our stock may not be able to find purchasers for their shares of our common stock. Should there develop a significant market for our securities, the market price for those securities may be significantly affected by such factors as our financial results and introduction of new products and services. Factors such as announcements of new or enhanced products by us or our competitors and quarter-to-quarter variations in our results of operations, as well as market conditions in the high technology sector may have a significant impact on the market price of our shares. Further, the stock market has experienced extreme volatility that has particularly affected the market prices of equity securities of many companies and that often has been unrelated or disproportionate to the operating performance of such companies. Investors should not invest in us unless they are prepared to hold onto their securities for a significant period of time.

Item 3. Description of Property.

Property held by Us. As of the dates specified in the following table, we held the following property in the following amounts:

Property	February 6, 2002
Cash and equivalents	$2,400

We define cash equivalents as all highly liquid investments with a maturity of 3 months or less when purchased. We do not presently own any interests in real

estate. We do not presently own any inventory or equipment.

Our Facilities. Our executive, administrative and operating offices are located at 1030 Wooster, Suite 4, Los Angeles, California, 90035. Becky Bauer, our president and a member of our Board of Directors, currently provides office space to us at no charge. We do not have a written lease agreement with Ms. Bauer and we believe that she does not expect to be reimbursed for providing office space. Brook Messick, our corporate secretary and a member of our Board of Directors, has agreed to provide storage facilities for our initial inventory. We do not believe we will enter into a written lease agreement with Ms. Messick. Moreover, we do not believe that Ms. Messick will require us to reimburse her for providing storage facilities. Neither Ms. Bauer nor Ms. Messick is obligated to provide us with space for any particular period of time, or at all.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

Security Ownership of Certain Beneficial Owners. Other than directors and officers, there are no beneficial owners of 5% or more of our issued and outstanding common stock.

Security Ownership by Management. The following table specifies the number of shares of common stock owned by our officers and directors.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Owner
Common Stock	Becky Bauer, president, secretary, director	3,000,000 shares
Common Stock	Brook Messick, secretary, treasurer, director	1,500,000 shares
Common Stock		All directors and named executive officers as a group

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. In accordance with Securities and Exchange Commission rules, shares of our common stock which may be acquired upon exercise of stock options or warrants which are currently exercisable or which become exercisable within 60 days of the date of the table are deemed beneficially owned by the optionees. Subject to community property laws, where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of our common stock indicated as beneficially owned by them.

Changes in Control. We are not aware of any arrangements which may result in "changes in control" as that term is defined by the provisions of Item 403 of Regulation S-B.

Item 5. Directors, Executive Officers, Promoters and Control Persons.

Executive Officers and Directors. [material omitted]

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The following table sets forth information regarding our executive officers and directors as well as other key members of our management.

Name	Age	Position
Becky Bauer	35	President and a Director
Brook Messick	32	Secretary, Treasurer and a Director

Becky Bauer. Ms. Bauer has been our president and one of our directors since June 2001. Ms. Bauer has over 12 years of experience in the retail and fashion industry and has been involved in all facets of production from inception of design to selling the finished product at trade shows and in house sales. From 1995 to 1997, Ms. Bauer worked as a sales associate for Nordstrom department store in Costa Mesa, California. From 1997 to 2000, Ms. Bauer worked as a store manager and sales representative for Tommy Hilfiger in Beverly Hills, California. Beginning in 1999 and ending in 2000, Ms. Bauer worked for Comptoir Sud Pacifique in Beverly Hills, California. From 2000 to the present, Ms. Bauer has worked as a store manager Liz Lange Maternity in Beverly Hills, California. Ms. Bauer attended Platt College of Graphic Design where she earned an Associate of Arts degree in 1996 with an emphasis on fashion design. Ms. Bauer is not an officer or a director of any reporting company.

Brook Messick. Ms. Messick has been our secretary, treasurer and one of our directors since June 2001. From 1994 to 1996, Ms. Messick worked as a sales consultant for Epicuren in Mission Viejo, California. From 1996 to 1997, Ms. Messick worked as a sales consultant for Eddie Bauer department store. From 1997 to 1998, Ms. Messick worked for Mr. Plant. From 1998 to 2000, Ms. Messick worked for On the Border. From 2000 to present, Ms. Messick has worked for Liz Lange Maternity in Beverly Hills, California. Ms. Messick is not an officer or a director of any reporting company.

There is no family relationship between any of our officers or directors. There are no orders, judgments, or decrees of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining any of our officers or directors from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business or of theft or of any felony, nor are any of the officers or directors of any corporation or entity affiliated with us so enjoined.

Item 6. Executive Compensation.

Any compensation received by our officers, directors, and management personnel will be determined from time to time by our Board of Directors. Our officers, directors, and management personnel will be reimbursed for any out-of-pocket expenses incurred on our behalf.

Summary Compensation Table. The table set forth below summarizes the annual and long-term compensation for services in all capacities to us for the year ended payable to our President and our other executive officers during the year ending December 31, 2002. Our Board of Directors may adopt an incentive stock option plan for our executive officers which would result in additional compensation.

Name and Principal Position	Year	Annual Salary ($)	Bonus ($)	Other Annual Compensation ($)
Becky Bauer, President, Director	2002	None	None	None
Brook Messick, Secretary, Treasurer, Director	2002	None	None	None

Compensation of Directors. Our directors who are also our employees receive no extra compensation for their service on our Board of Directors.

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Compensation of Officers. As of March 15, 2002, our officers have received no compensation for their services provided to us.

Employment Contracts. We do not anticipate that we will enter into any employment contracts with any of our employees.

Stock Option Plan. We anticipate that we will adopt a stock option plan, pursuant to which shares of our common stock will be reserved for issuance to satisfy the exercise of options. The stock option plan will be designed to retain qualified and competent officers, employees, and directors. Our Board of Directors, or a committee thereof, shall administer the stock option plan and will be authorized, in its sole and absolute discretion, to grant options thereunder to all of our eligible employees, including officers, and to our directors, whether or not those directors are also our employees. Options will be granted pursuant to the provisions of the stock option plan on such terms, subject to such conditions and at such exercise prices as shall be determined by our Board of Directors. Our stock option plan and the stock option agreements will provide that options granted pursuant to the stock option plan shall not be exercisable after the expiration of ten years from the date of grant.

Item 7. Certain Relationships and Related Transactions.

Conflicts Related to Other Business Activities. The persons serving as our officers and directors have existing responsibilities and, in the future, may have additional responsibilities, to provide management and services to other entities in addition to us. As a result, conflicts of interest between us and the other activities of those persons may occur from time to time. Specifically, Becky Bauer, our president and a member of our board of directors, and Brook Messick, our secretary and a member of our board of directors, both work at Liz Lange Maternity. Their responsibilities to Liz Lange Maternity may interfere

with their responsibilities to us as they may be forced to spend less time on our business if they are forced to devote more time to Liz Lange Maternity.

We will attempt to resolve any such conflicts of interest in our favor. Our officers and directors are accountable to us and our shareholders as fiduciaries, which requires that such officers and directors exercise good faith and integrity in handling our affairs. A shareholder may be able to institute legal action on our behalf or on behalf of that shareholder and all other similarly situated shareholders to recover damages or for other relief in cases of the resolution of conflicts in any manner prejudicial to us.

Related Party Transactions. There have been no related party transactions, except for the following:

Becky Bauer, our president and a member of our board of directors, currently provides office space to us at no charge. We do not have a written lease agreement with Ms. Bauer. We do not believe that she will require that we reimburse her for providing office space.

Brook Messick, our corporate secretary and a member of our board of directors, has agreed to provide storage facilities for our initial inventory. We do not believe we will enter into a written lease agreement with Ms. Messick. Moreover, we do not believe that Ms. Messick will require us to reimburse her for providing storage facilities.

Paul Jantzen, our shareholder, lent us $10,000 to use as working capital. The funds bear no interest and the stockholder has agreed to accept repayment if and when funds are available for repayment.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions, including, but not limited to, the following:

- disclosing such transactions in prospectuses where required;
- disclosing in any and all filings with the Securities and Exchange Commission, where required;
- obtaining disinterested directors consent; and
- obtaining shareholder consent where required.

Item 8. Description of Securities.

Common Stock. Our authorized capital stock consists of 20,000,000 shares of $.001 par value common stock, of which 5,532,000 were issued and outstanding as of March 15, 2002. Each shareholder of our common stock is entitled to a pro rata share of cash distributions made to shareholders, including dividend payments. The holders of our common stock are entitled to one vote for each share of record on all matters to be voted on by shareholders. There is no cumulative voting with respect to the election of our directors or any other matter. Therefore, the holders of more than 50% of the shares voted for the election of those directors can elect all of the directors. The holders of our common stock are entitled to receive dividends when, as and if declared by our Board of Directors from funds legally available therefore. Cash dividends are at

the sole discretion of our Board of Directors. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining available for distribution to them after payment of our liabilities and after provision has been made for each class of stock, if any, having any preference in relation to our common stock. Holders of shares of our common stock have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to our common stock.

Preferred Stock. Our authorized capital stock also consists of 5,000,000 shares of $.001 par value preferred stock, of which no such shares are issued and outstanding as of March 15, 2002.

Stock Split. On December 26, 2001, our Board of Directors authorized a forward split of 3 to 1. Prior to the split, 1,844,000 shares of our common stock were issued and outstanding. After the split, 5,532,000 shares of our common stock were issued and outstanding. Our board of directors authorized the forward split at that time because we plan on conducting a private placement of 1,000,000 shares of our common stock at a purchase price of $0.05 per share. Our board of directors believed it was in the best interest of our current shareholders to increase the number of issued and outstanding shares prior to the offering.

Dividend Policy. We have never declared or paid a cash dividend on our capital stock. We do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, for use in our business. Any dividends declared in the future will be at the discretion of our Board of Directors and subject to any restrictions that may be imposed by our lenders.

PART II

Item 1. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

Reports to Security Holders. Our securities are not listed for trading on any exchange or quotation service. We are not required to comply with the timely disclosure policies of any exchange or quotation service. The requirements to which we would be subject if our securities were so listed typically include the timely disclosure of a material change or fact with respect to our affairs and the making of required filings. Although we are not required to deliver an annual report to security holders, we intend to provide an annual report to our security holders, which will include audited financial statements.

We will be a reporting company pursuant to the Securities and Exchange Act of 1934 following the expiration of 60 days after the filing of this Registration Statement on Form 10-SB. As such, we will be required to provide an annual report to our security holders, which will include audited financial statements, and quarterly reports, which will contain unaudited financial statements. The public may read and copy any materials filed with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street NW, Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission. The address of that site is http://www.sec.gov.

There are no outstanding options or warrants to purchase, or securities convertible into, shares of our common stock. There are no outstanding shares of our common stock that we have agreed to register under the Securities Act for sale by security holders. The approximate number of holders of record of shares of our common stock is twenty-nine (29).

There have been no cash dividends declared on our common stock. Dividends are declared at the sole discretion of our Board of Directors.

On December 26, 2001, our Board of Directors authorized a forward split of 3 to 1.

Penny Stock Regulation. Shares of our common stock will probably be subject to rules adopted the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in "penny stocks". Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission, which contains the following:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities' laws;
- a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the "bid" and "ask" price;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the Securities and Exchange Commission shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitably statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares

because our common stock will probably be subject to the penny stock rules.

Item 2. Legal Proceedings.

There are no legal actions pending against us nor are any legal actions contemplated by us at this time.

Item 3. Changes in and Disagreements with Accountants.

There have been no changes in or disagreements with our accountants since our formation required to be disclosed pursuant to Item 304 of Regulation S-B.

Item 4. Recent Sales of Unregistered Securities.

There have been no sales of unregistered securities within the last three (3) years which would be required to be disclosed pursuant to Item 701 of Regulation S-B, except for the following:

On June 30, 2001, we issued 1,000,000 shares of our common stock to Becky Bauer, our president and one of our directors, and 500,000 shares of our common stock to Brook Messick, our secretary, treasurer and one of our directors, in a transaction which we believe satisfies the requirements of that certain exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act. The shares were issued in exchange for services provided to us, which included the development of our new business plan and the design of our first line of clothing products. We valued the services at $15,000.

Item 5. Indemnification of Directors and Officers.

Article VI of our Articles of Incorporation provides, among other things, that our officers or directors shall not be personally liable to us or our shareholders for monetary damages for breach of fiduciary duty as an officer or director, except for liability

- for any breach of such director's duty of loyalty to us or our security holders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for unlawful payments of dividends or unlawful stock purchase or redemption by the corporation; or
- for any transaction from which such officer or director derived any improper personal benefit.

Accordingly, our officers or directors may have no liability to our shareholders for any mistakes or errors of judgment or for any act or omission, unless such act or omission involves intentional misconduct, fraud, or a knowing violation of law or results in unlawful distributions to our shareholders.

Indemnification Agreements. We anticipate that we will enter into indemnification agreements with each of our executive officers pursuant to which we will agree to indemnify each such person for all expenses and liabilities,

including criminal monetary judgments, penalties and fines, incurred by such person in connection with any criminal or civil action brought or threatened against such person by reason of such person being or having been our officer or director or employee. In order to be entitled to indemnification by us, such person must have acted in good faith and in a manner such person believed to be in our best interests and, with respect to criminal actions, such person must have had no reasonable cause to believe his or her conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

PART F/S

Copies of the financial statements specified in Regulation 228.310 (Item 310) are filed with this Registration Statement, Form 10-SB.

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TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Togs for Tykes, Inc.
Los Angeles, California

We have audited the accompanying balance sheet of Togs for Tykes, Inc. (A Development Stage Company) as of December 31, 2001 and the related statements of operations, stockholders' deficit and cash flows for the two year period then ended and for the period from September 26, 1997 (inception) to December 31, 2001. These financials statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Togs for Tykes, Inc. as of December 31, 2001 and the results of its operations and its cash flows for the two year period then ended and for the period from September 26, 1997 (inception) to December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the accompanying financial statements, the Company has no established source of revenue, which raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also discussed in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Stonefield Josephson, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Santa Monica, California
January 15, 2002

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET - DECEMBER 31, 2001

ASSETS

Current assets - prepaid expenses		$ 5,

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities - due to stockholder		$ 6,
Stockholders' deficit:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, none issued	$ -	
Common stock, $0.001 par value; 20,000,000 shares authorized; 5,532,000 shares issued and outstanding	5,532	
Additional paid-in-capital	26,368	
Deficit accumulated during the development stage	(33,046)	
Total stockholders' deficit		(
		$ 5,

See accompanying independent auditors' report and notes to financial statements.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

S

	Year ended December 31, 2001	2000
Revenue	$ -	$ -
General, selling and administrative expenses	15,846	-
Loss before taxes	(15,846)	-
Provision for income taxes	-	-
Net loss	$ (15,846)	$ -
Net loss per common share - basic and diluted	$ (0.01)	$ -
Weighted average number of common shares outstanding - basic and diluted	3,282,000	1,032,000

See accompanying independent auditors' report and notes to financial statements.

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TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' DEFICIT

	Common stock Shares	Amount	Additional paid-in capital	Defi accumu dur devel sta
Balance at September 26, 1997	-	$ -	$ -	$
Issuance of shares for cash and				

services:				
November 11, 1997 at $0.017	900,000	900	14,100	
November 24, 1997 at $0.017	132,000	132	2,068	
Net loss	-	-	-	
Balance at December 31, 1997	1,032,000	1,032	16,168	
Net loss	-	-	-	
Balance at December 31, 1998	1,032,000	1,032	16,168	
Net loss	-	-	-	
Balance at December 31, 1999	1,032,000	1,032	16,168	
Net loss	-	-	-	
Balance at December 31, 2000	1,032,000	1,032	16,168	
Issuance of shares for services				
June 30, 2001 at $0.003	4,500,000	4,500	10,500	
Net loss	-	-	-	
Balance at December 31, 2001	5,532,000	$ 5,532	$ 26,668	$

See accompanying independent auditors' report and notes to financial statements.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2001	2000
Cash flows provided by (used for) operating activities:		

Net loss	$ (15,846)	$ -
Adjustments to reconcile net loss to net cash provided by operating activities:		
Shares issued for services	15,000	-
Increase in prepaid expenses	(5,872)	-
Net cash used in operating activities	(6,718)	-
Cash flows provided by financing activities:		
Advances from stockholder	6,718	-
Issuance of common stock for cash	-	-
Net cash provided by financing activities	6,718	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	$ -	$ -
Supplemental disclosure of cash flow information:		
Interest	$ -	$ -
Income taxes	$ -	$ -

Supplemental disclosure of non-cash investing and financing transactions -
See Note 3 - Stockholders' Equity.

See accompanying independent auditors' report and notes to financial statements.

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TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

(1) Summary of Significant Accounting Policies:

Nature of Operations:

Togs for Tykes, Inc. (the "Company") is currently a development stage company under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7. The Company was

incorporated under the laws of the State of Nevada on September 26, 1997. In 2001, the Board of Directors approved the change of the Company's name from Aztec Ventures, Inc. to Togs for Tykes, Inc. Management is currently developing a business plan to design and market children's clothing.

Basis of Presentation:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has no established source of revenue. This matter raises substantial doubt about the Company's ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management plans to take the following steps that it believes will be sufficient to provide the Company with the ability to continue in existence:

- The Company intends to conduct a private placement of 1,000,000 shares of our common stock at a purchase price of $0.10 per share in transactions which we believe satisfy the requirements of that certain exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act and Rule 506 of Regulation D promulgated pursuant to that act by the Securities and Exchange Commission. The Company believes that it will be able to sell a sufficient number of shares to pay the Company's expenses for the next twenty-four months.

- The Company believes that its officers and directors will assist the Company in paying its expenses in the short term should the Company's cash resources fall short. That is based on the fact that the Company's officers and directors collectively own 4,500,000 shares of the Company's common stock, which equals approximately 81.34% of the Company's issued and outstanding common stock. The Company believes that its officers and directors will continue to pay the Company's expenses as long as they maintain their significant ownership of the Company's common stock.

- The Company is developing its line of children's clothing and anticipates that its line will be available for sale by fall 2002. Therefore, the Company believes that it will generate revenues from the sale of that line of clothing in fall 2002.

See accompanying independent auditors' report.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(1) Summary of Significant Accounting Policies, Continued:

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Loss Per Share:

In accordance with SFAS No. 128, "Earnings Per Share", the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The Company has no potentially dilutive securities.

Comprehensive Income:

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As of December 31, 2001 and 2000, the Company has no items that represent other comprehensive income and, therefore, has not included a schedule of comprehensive income in the consolidated financial statements.

New Accounting Pronouncements:

In July 2001, the FASB issued SFAS No. 141 "Business Combinations." SFAS No. 141 supersedes Accounting Principles Board ("APB") No. 16 and requires that any business combinations initiated after June 30, 2001 be accounted for as a purchase; therefore, eliminating the pooling-of-interest

method defined in APB 16. The statement is effective for any business combination initiated after June 30, 2001 and shall apply to all business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001 or later. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations since the Company has not participated in such activities covered under this pronouncement.

See accompanying independent auditors' report.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(1) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangibles." SFAS No. 142 addresses the initial recognition, measurement and amortization of intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) and addresses the amortization provisions for excess cost over fair value of net assets acquired or intangibles acquired in a business combination. The statement is effective for fiscal years beginning after December 15, 2001, and is effective July 1, 2001 for any intangibles acquired in a business combination initiated after June 30, 2001. The Company is evaluating any accounting effect, if any, arising from the recently issued SFAS No. 142, "Goodwill and Other Intangibles" on the Company's financial position or results of operations.

In October 2001, the FASB recently issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires companies to record the fair value of a liability for asset retirement obligations in the period in which they are incurred. The statement applies to a company's legal obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, and development or through the normal operation of a long-lived asset. When a liability is initially recorded, the company would capitalize the cost, thereby increasing the carrying amount of the related asset. The capitalized asset retirement cost is depreciated over the life of the respective asset while the liability is accreted to its present value. Upon settlement of the liability, the obligation is settled at its recorded amount or the company incurs a gain or loss. The statement is effective for fiscal years beginning after June

30, 2002. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Statement 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets. The statement provides a single accounting model for long-lived assets to be disposed of. New criteria must be met to classify the asset as an asset held-for-sale. This statement also focuses on reporting the effects of a disposal of a segment of a business. This statement is effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

(2) Related Party Transactions:

Office and Administrative Expenses

The Company neither owns nor leases any real or personal property. A stockholder provides office services without charge. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein.

See accompanying independent auditors' report.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Related Party Transactions, Continued:

Due to Stockholder

A stockholder of the Company has advanced non-interest bearing funds for the Company to use for financing short-term working capital.

(3) Stockholders' Equity

The aggregate number of stock that the Company has authority to issue is 25,000,000 shares, of which 20,000,000 shares shall be common stock at a par value of $0.001 and 5,000,000 shares shall be preferred stock at a par value of $0.001.

The Board of Directors shall have the authority from time to time to divide the preferred shares into series and to fix by resolution the voting powers, designation, preferences, and relative participating, and other special rights, qualifications, limitations or restrictions of the shares of any series established. As December 31, 2001, the Board of Directors has not established any series of preferred shares.

On November 11, 1997, the Company sold 900,000 shares of the Company's common stock, which was valued at $15,000, to the officers and directors for $300. In connection with this sale the Company recognized a compensation expense of $14,700. Also, during November 1997, the Company completed a private placement selling 132,000 shares of the Company's common stock for $2,200.

In June 2001, the Company issued 1,500,000 shares of its common stock, which was valued at $15,000, to officers and directors for services. In connection with this issuance the Company recognized compensation expense of $15,000.

In December 2001, the Board of Directors authorized a forward stock split of the Company's common stock 3:1, thus increasing the number of issued and outstanding shares of the Company's common stock from 1,844,000 to 5,532,000. All applicable share and per share data presented have been adjusted for the stock split.

See accompanying independent auditors' report.

PART III

Item 1. Index to Exhibits

Exhibits.

Copies of the following documents are filed with this Registration Statement on Form 10-SB, as exhibits:

3.1	Articles of Incorporation *	E-1 through E-3
3.2	Certificate of Amendment of Articles of Incorporation *	E-4
3.3	Bylaws *	E-5 through E-11

* Filed as an attachment to the original Form 10-SB filed on February 8, 2002

SIGNATURES

In accordance with the provisions of Section 12 of the Securities Exchange Act of 1934, we have duly caused this Registration Statement on Form 10-SB to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of Newport Beach, California, on March 15, 2002.

Togs for Tykes, Inc.,
a Nevada corporation

By: /s/ Becky Bauer

Becky Bauer
Its: President and Director

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(43)

Accounts Payable

353

(182)

Accrued Compensation

(140)

(910)

Accrued Commissions and Sales Incentives

(499)

(1,114)

Other Liabilities

1,343

197

Net Cash Provided by (Used In) Operating Activities

5,018

(1,060)

Cash Flows from Investing Activities:

Capital Expenditures

(38)

-

Net Cash Used in Investing Activities

(38)

-

Net Increase (Decrease) in Cash and Cash Equivalents	4,980	(1,060)
Translation effect on cash	64	42
Cash and Cash Equivalents Beginning of Period	3,476	2,209
Cash and Cash Equivalents End of Period	$ 8,520	$ 1,191

Supplemental Disclosure of Cash Flow Information

Cash paid for Income Taxes	$ 47	$ 367

Cash paid for Interest	$ -	$ -

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

OMEGA FLEX, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Omega Flex, Inc. (Omega) and its subsidiaries (collectively the Company). The Company s unaudited condensed consolidated financial statements for the quarter ended March 31, 2012 have been prepared in accordance with accounting principles generally accepted in the United States (GAAP), and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company s latest shareholders annual report (Form 10-K). All material inter-company accounts and transactions have been eliminated in consolidation. It is Management s opinion that all adjustments necessary for a fair statement of the results for the interim periods have been made, and that all adjustments are of a normal recurring nature or a description is provided for any adjustments that are not of a normal recurring nature.

Description of Business

The Company is a leading manufacturer of flexible metal hose, which is used in a variety of applications to carry gases and liquids within their particular applications. These applications include carrying liquefied gases in certain processing applications, fuel gases within residential and commercial buildings and vibration absorbers in high vibration applications. In addition, our flexible metal piping is used to carry other types of gases or fluids in a number of industrial applications where the customer requires a degree of flexibility, an ability to carry corrosive compounds or mixtures, a double containment system, or piping to carry gases or fluids at very high or very low (cryogenic) temperatures.

The Company manufactures flexible metal hose at its facility in Exton, Pennsylvania, with a minor amount of manufacturing performed in the United Kingdom. The Company sells its product through distributors, wholesalers and to original equipment manufacturers (OEMs) throughout North America, and in certain European markets.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to revenue recognition and related sales incentives, accounts receivable valuations, inventory valuations, goodwill valuation, product liability reserve and accounting for income taxes. Actual amounts could differ significantly from these estimates.

Revenue Recognition

The Company s revenue recognition activities relate almost entirely to the manufacture and sale of flexible metal hose and pipe. Under GAAP, revenues are considered to have been earned when the Company has substantially accomplished what it must do to be entitled to the benefits represented by the revenues. The following criteria represent preconditions to the recognition of revenue:

.

Persuasive evidence of an arrangement for the sale of product or services must exist.

.

Delivery has occurred or services rendered.

.

The sales price to the customer is fixed or determinable.

.

Collection is reasonably assured.

The Company recognizes revenue upon shipment in accordance with the above principles.

Gross sales are reduced for all consideration paid to customers for which no identifiable benefit is received by the Company. This includes promotional incentives, which includes various programs including year-end rebates and discounts. The amounts of certain incentives are known with reasonable certainty at the time of sale, while others are projected based upon the most reliable information available at the reporting date.

Commissions, for which the Company receives an identifiable benefit, are accounted for as a sales expense.

Accounts Receivable

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. The estimated allowance for uncollectible amounts is based primarily on specific analysis of accounts in the receivable portfolio and historical write-off experience.

While management believes the allowance to be adequate, if the financial condition of the

Company s customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Inventory

Inventories are valued at the lower of cost or market. Cost of inventories is determined by the first-in, first-out (FIFO) method. The Company generally considers inventory quantities beyond two-years usage, measured on a historical usage basis, to be excess inventory and reduces the gross carrying value of inventory accordingly.

Goodwill and Intangible Assets

In accordance with FASB ASC Topic 350 Intangibles Goodwill, the Company performed an annual impairment test in accordance with this guidance as of December 31, 2011. This analysis did not indicate any impairment of goodwill. There are no circumstances that indicate that Goodwill might be impaired at March 31, 2012.

Product Liability Reserves

Product liability reserves represent the unpaid amounts under the Company s insurance policies with respect to Claims that have been resolved. The Company uses the most current available data to estimate claims. As explained more fully under Contingencies, for various product liability claims covered under the Company s general liability insurance policies, the Company must pay certain defense costs within its deductible or self-insured retention limits, ranging from $25,000 to $250,000 per claim, depending on the terms of the policy in the applicable policy year, up to an aggregate amount. The Company is vigorously defending against all known claims.

Fair Value of Financial and Nonfinancial Instruments

The Company measures financial instruments in accordance with Financial Accounting Standards Board (FASB) ASC Topic 820, Fair Value Measurements and Disclosures. The accounting standard defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard creates a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs that reflect the Company s own assumptions about the assumptions market participants would use in pricing the

asset or liability. The Company relies on its actively traded share value a level 1 input in determining the fair value of the reporting unit in its annual impairment test as described in the FASB ASC Topic 350 Goodwill and Intangibles.

Earnings per Common Share

Basic earnings per share have been computed using the weighted-average number of common shares outstanding. For the periods presented, there are no dilutive securities. Consequently, basic and dilutive earnings per share are the same.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing on the balance sheet dates. The Statements of Income are translated into U.S. dollars at average exchange rates for the period. Adjustments resulting from the translation of financial statements are excluded from the determination of income and are accumulated in a separate component of shareholders equity. Exchange gains and losses resulting from foreign currency transactions are included in operations (other income (expense)) in the period in which they occur.

Income Taxes

The Company accounts for taxes in accordance with the FASB ASC Topic 740 Income Taxes. Under this method the Company records income tax expense and the related deferred taxes and tax benefits.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period in which the rate is enacted. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain. No valuation reserve was deemed necessary at March 31, 2012 or at December 31, 2011. Also, in accordance with FASB ASC Topic 740 (formerly FIN 48), the Company had reserves on the books for uncertainties in tax positions of $140,000 at March 31, 2012, and $135,000 at December 31, 2011. These reserves are reviewed each quarter.

Other Comprehensive Income (Loss)

For the quarter ended March 31, 2012 and 2011, respectively, the sole component of Other Comprehensive Income (Loss) was a foreign currency translation adjustment.

New Accounting Pronouncements

Accounting Standards Update (ASU) 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. In September 2011, the FASB issued guidance to amend and simplify the rules related to testing goodwill for impairment. The revised guidance allows an entity to make an initial qualitative evaluation, based on the entity s events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have any effect on the Company s consolidated financial statements.

ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. In June 2011, the FASB issued new accounting guidance related to the presentation of comprehensive income that eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company adopted this guidance in the quarter ended March 31, 2012. The adoption of this guidance did not have any impact on the Company's financial position, results of operations or cash flows and only impacted the presentation of other comprehensive income in the financial statements.

3. INVENTORIES

Inventories, net of reserves consisted of the following:

	March 31, 2012	December 31, 2011
	(dollars in thousands)	
Finished Goods	$ 4,971	$ 4,824
Raw Materials	1,899	1,641
Total Inventory	$ 6,870	$ 6,465

4. LINE OF CREDIT

On December 30, 2010, the Company agreed to a new Revolving Line of Credit Note and Loan Agreement with Sovereign Bank, NA (Sovereign). The Company established a line of credit facility in the maximum amount of $10,000,000, maturing on December 31, 2014, with

funds available for working capital purposes and other cash needs. The loan is collateralized by all of the Company s tangible and intangible assets. The loan agreement provides for the payment of any borrowings under the agreement at an interest rate range of either LIBOR plus 1.75% to plus 2.75% (for borrowings with a fixed term of 30, 60, or 90 days), or, Prime less 0.50% to plus 0.50% (for borrowings with no fixed term other than the December 31, 2014 maturity date), depending upon the Company s then existing financial ratios. At March 31, 2012, the Company s ratio would allow for the most favorable rate under the agreement s range, which would be a rate of 2.22% (LIBOR plus 1.75%). The Company is required to pay an annual commitment fee for the access to the funds, and is also obligated to pay a Line Fee ranging from 17.5 to 35.0 basis points of the average unused balance on a quarterly basis, depending again upon the Company s then existing financial ratios. The Company may terminate the line at any time during the four year term, as long as there are no amounts outstanding.

As of March 31, 2012, and December 31, 2011, the Company had no outstanding borrowings on its line of credit.

As of March 31, 2012 and December 31, 2011, the Company was in compliance with all debt covenants.

5. COMMITMENTS AND CONTINGENCIES

Commitments:

Under a number of indemnity agreements between the Company and each of its officers and directors, the Company has agreed to indemnify each of its officers and directors against any liability asserted against them in their capacity as an officer or director, or both. The Company s indemnity obligations under the indemnity agreements are subject to certain conditions and limitations set forth in each of the agreements. Under the terms of the Agreement, the Company is contingently liable for costs which may be incurred by the officers and directors in connection with claims arising by reason of these individuals roles as officers and directors. The Company has obtained directors and officers insurance policies to fund certain of the Company s obligations under the indemnity agreements.

The Company has salary continuation agreements with one current employee, and one former employee who retired at the end of 2010. These agreements provide for monthly payments to each of the employees or their designated beneficiary upon the employee s retirement or death. The payment benefits range from $1,000 per month to $3,000 per month with the term of such payments limited to 15 years after the employee s retirement at age 65. The agreements also provide for survivorship benefits if the employee dies before attaining age 65, and severance payments if the employee is terminated without cause; the amount of which is dependent on the length of company service at the date of termination. The net present value of the retirement payments associated with these agreements is $456,000 at March 31, 2012, of which $444,000 is included in Other Long Term Liabilities, and the remaining current portion of $12,000 is included in other liabilities, associated with the retired employee previously noted who is now receiving benefit payments.

The December 31, 2011 liability of $468,000, had $456,000 reported in Other Long Term Liabilities, and a current portion of $12,000 in Other Liabilities.

The Company has obtained and is the beneficiary of three whole life insurance policies with respect to the two employees discussed above, and one other policy. The cash surrender value of such policies (included in Other Long Term Assets) amounts to $807,000 at March 31, 2012 and $756,000 at December 31, 2011.

Contingencies:

The Company s general liability insurance policies are subject to deductibles or retentions, ranging from $25,000 to $250,000 per claim, (depending on the terms of the policy and the applicable policy year) up to an aggregate amount. The Company is insured on a first dollar basis for workers compensation subject to statutory limits.

In the ordinary and normal conduct of the Company s business, it is subject to periodic lawsuits, investigations and claims (collectively, the Claims). There has been an increase in the frequency of those Claims over the past two years relating to product liability. The Company does not believe that the Claims have legal merit, and is therefore vigorously defending against those Claims. The Company has in place commercial general liability insurance policies that cover the Claims, as noted above, including those alleging damages as a result of product defects. Litigation is subject to many uncertainties and management is unable to predict the outcome of the pending suits and claims. It is possible that the results of operations or liquidity and capital resources of the Company could be adversely affected by the ultimate outcome of the pending litigation or as a result of the costs of contesting such lawsuits, potentially materially. The Company is currently unable to estimate the ultimate liability, if any, that may result from the pending litigation and, accordingly, no provision for any liability (except for accrued legal costs for services and claim settlements previously rendered) has been made in the consolidated financial statements. Those liabilities were estimated to be $456,000 and $414,000, at March 31, 2012 and December 31, 2011, respectively, and are included in Other Liabilities.

In 2007, the Company instituted a legal complaint against a former insurer, seeking reimbursement of amounts paid in defense of a class action litigation, as well as supplementary payments made in connection with the class action. In January 2011, an appellate court found in the Company s favor, establishing the insurer s legal obligation to reimburse the Company for the defense costs. Subsequently, in March of 2012, the Company and the insurer settled the litigation for $4,700,000, with receipt of the cash occurring during that same month. For clarity regarding this item, it is defined as the Insurance Legal Recovery on the accompanying condensed consolidated statement of income for the period of March 31, 2012.

In February of 2012, the Company was made aware of a fraud perpetrated by an outside party involving approximately $400,000 of insurance related premiums that the Company had prepaid for umbrella coverage. The assets are currently secured by a governmental agency who is investigating the case, and being held in a custodial account. It is possible that not all of those funds will be returned to the Company, or the Company may need to incur additional costs to procure collection, but the outcome is currently not known or able to be estimated. The

Company is currently pursing all avenues in an effort to bring closure to the event, reclaim the assets, and replace the insurance coverage. These assets, which are included in Other Long Term Assets, were $376,000 at March 31, 2012.

Warranty Commitments:

Gas transmission products such as those made by the Company carry potentially serious personal injury risks in the event of failures in the field. As a result, the Company performs extensive internal testing and other quality control procedures. Historically, due to the extensive nature of these quality controls the Company has not had a meaningful warranty claim rate, and the warranty expense is *de minimis.* Accordingly, the Company does not maintain a warranty reserve beyond a nominal amount.

6. STOCK BASED PLANS

Phantom Stock Plan

Plan Description. On April 1, 2006, the Company adopted the Omega Flex, Inc. 2006 Phantom Stock Plan (the Plan). The Plan authorizes the grant of up to one million units of phantom stock to employees, officers or directors of the Company and of any of its subsidiaries. The phantom stock units ("Units") each represent a contractual right to payment of compensation in the future based on the market value of the Company s common stock. The Units are not shares of the Company s common stock, and a recipient of the Units does not receive any of the following:

§

ownership interest in the Company

§

shareholder voting rights

§

other incidents of ownership to the Company s common stock

The Units are granted to participants upon the recommendation of the Company s CEO, and the approval of the Compensation Committee. Each of the Units that are granted to a participant will be initially valued by the Compensation Committee, and at a minimum, the Unit s value will be equal to the closing price of the Company s common stock on the grant date. The Units follow a vesting schedule, with a maximum vesting of 3 years after the grant date. Upon vesting, the Units represent a contractual right of payment for the value of the Unit. The Units will be paid on their maturity date, one year after all of the Units granted in a particular award have fully vested, unless an acceptable event occurs under the terms of the Plan prior to one year, which would allow for earlier payment. The amount to be paid to the participant on the maturity date is dependent on the type of Unit granted to the participant.

The Units may be *Full Value,* in which the value of each Unit at the maturity date, will equal the closing price of the Company s common stock as of the maturity date; or *Appreciation Only*, in which the value of each Unit at the maturity date will be equal to the closing price of the Company s common stock at the maturity date *minus* the closing price of the Company s common stock at the grant date.

On December 9, 2009, the Board of Directors authorized an amendment to the Plan to pay an amount equal to the value of any cash or stock dividend declared by the Company on its common stock to be accrued to the phantom stock units outstanding as of the record date of the common stock dividend. The dividend equivalent will be paid at the same time the underlying phantom stock units are paid to the participant.

In certain circumstances, the Units may be immediately vested upon the participant s death or disability. All Units granted to a participant are forfeited if the participant is terminated from his relationship with the Company or its subsidiary for cause, which is defined under the Plan. If a participant s employment or relationship with the Company is terminated for reasons other than for cause, then any vested Units will be paid to the participant upon termination. However, Units granted to certain specified employees as defined in Section 409A of the Internal Revenue Code will be paid approximately 181 days after termination.

Grants of Phantom Stock Units. As of March 31, 2012, the Company had 16,790 unvested units outstanding, all of which were granted at *Full Value*. On February 16, 2012, the Company granted an additional 8,690 *Full Value* Units with a fair value of $14.44 per unit on grant date, using historical volatility. In all cases, the grant price was equal to the closing price of the Company s common stock at the grant date. In March 2012, the Company paid $77,000 for the 5,076 fully vested and matured units that were granted on March 6, 2008.

The Company uses the Black-Scholes option pricing model as its method for determining fair value of the Units. The Company uses the straight-line method of attributing the value of the stock-based compensation expense relating to the Units. The compensation expense (including adjustment of the liability to its fair value) from the Units is recognized over the vesting period of each grant or award.

The FASB ASC Topic 718 Stock Compensation requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates in order to derive the Company s best estimate of awards ultimately to vest.

Forfeitures represent only the unvested portion of a surrendered Unit and are typically estimated based on historical experience. Based on an analysis of the Company s historical data, which has limited experience related to any stock-based plan forfeitures, the Company applied a 0% forfeiture rate to Plan Units outstanding in determining its Plan Unit compensation expense as of March 31, 2012.

The total Phantom Stock related liability as of March 31, 2012 was $224,000 of which $123,000 is included in other liabilities, as it is expected to be paid in March 2013, and the balance of $101,000 is included in other long term liabilities.

In accordance with FASB ASC Topic 718 Stock Compensation, the Company recorded compensation expense of approximately $2,000 and $22,000 related to the Phantom Stock Plan for the three months ended March 31, 2012 and 2011, respectively.

The following table summarizes information about the Company s nonvested phantom stock Units at March 31, 2012:

	Units	Weighted Average Grant Date Fair Value
Number of Phantom Stock Unit Awards:		
Nonvested at December 31, 2011	16,381	$ 10.38
Granted	8,690	$ 14.44
Vested	(8,281)	($11.07)
Forfeited	(---)	($---)
Canceled	(---)	($---)
Nonvested at March 31, 2012	16,790	$ 12.14
Phantom Stock Unit Awards Expected to Vest	16,790	$ 12.14

The total unrecognized compensation costs calculated at March 31, 2012 are $174,000 which will be recognized through March of 2015. The Company will recognize the related expense over the weighted average period of 2.13 years.

7. NONCONTROLLING INTERESTS

The Company owns 100% of all subsidiaries, except for its UK subsidiary Omega Flex, Limited, of which it owns 95%. A noncontrolling interest owns the other 5%, and held a value of $113,000 at December 31, 2011. The total equity of the Company including the non-controlling interest was $22,917,000 at December 31, 2011.

For the three months ended March 31, 2012, the operations of Omega Flex, Limited generated income of $52,000. The noncontrolling interest s portion of the income was $3,000.

The noncontrolling interest must also recognize its share of any currency translation adjustment, since the subsidiary s functional currency is British Pounds, and the local books are translated into US Dollars for consolidation purposes. The noncontrolling interest s share of foreign currency translation income was $4,000 as of March 31, 2012.

At March 31, 2012, after considering the income and foreign currency translation components described above, the balance of the noncontrolling interest was $120,000.

8. SHAREHOLDERS EQUITY

As of March 31, 2012 and December 31, 2011, the Company had authorized 20,000,000 common stock shares with par value of $0.01 per share. For both periods, the number of shares issued was 10,153,633, and the total number of outstanding shares was 10,091,822, with the

61,811 variance representing shares held in Treasury.

On April 4, 2012, the Company s Board of Directors authorized an extension of its stock repurchase program without expiration, up to a maximum amount of $1,000,000. The original program established in December of 2007 authorized the purchase of up to $5,000,000 of its common stock. The purchases may be made from time-to-time in the open market or in privately negotiated transactions, depending on market and business conditions. The Board retained the right to cancel, extend, or expand the share buyback program, at any time and from time-to-time. Since inception, the Company has purchased a total of 61,811 shares for approximately $932,000, or approximately $15 per share. The Company did not make any stock repurchases during the first three months of 2012, or during 2011.

In connection with the aforementioned share buyback program, on December 15, 2009 the Company entered into an amendment of its Rule 10b5-1 Repurchase Plan (the Plan) dated December 15, 2008 with Hunter Associates, Inc. (Hunter), by which Hunter will continue to implement the share buyback program by purchasing shares of the Company s common stock in accordance with the terms of the Plan and within the safe harbor afforded by Rule 10b5-1.

9.

SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred through the date on of this filing. During this period, the Company did not have any material subsequent events that impacted its condensed consolidated financial statements.

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

This report contains forward-looking statements, which are subject to inherent uncertainties. These uncertainties include, but are not limited to, variations in weather, changes in the regulatory environment, customer preferences, general economic conditions, increased competition, the outcome of outstanding litigation, and future developments affecting environmental matters. All of these are difficult to predict, and many are beyond the ability of the Company to control.

Certain statements in this Quarterly Report on Form 10-Q that are not historical facts, but rather reflect the Company s current expectations concerning future results and events, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words believes , expects , intends , plans , anticipates , hopes , likely , will , and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management s view only as of the date of this Form 10-Q. The Company undertakes no obligation to update the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

OVERVIEW

The Company is a leading manufacturer of flexible metal hose, and is currently engaged in a number of different markets, including construction, manufacturing, transportation, petrochemical, pharmaceutical and other industries.

The Company s business is managed as a single operating segment that consists of the manufacture and sale of flexible metal hose and accessories. The Company s products are concentrated in residential and commercial construction, and general industrial markets. The Company s primary product, flexible gas piping, is used for gas piping within residential and commercial buildings. Through its flexibility and ease of use with patented fittings distributed under the trademark AutoFlare®, TracPipe® and TracPipe® CounterStrike® flexible gas piping allows users to substantially cut the time required to install gas piping, as compared to traditional methods. Most of the Company s products are manufactured at the Company s Exton, Pennsylvania facility with a minor amount of manufacturing performed in the UK. A majority of the Company s sales across all industries are generated through independent outside sales organizations such as sales representatives, wholesalers and distributors, or a combination of both. The Company has a broad distribution network in North America and to a lesser extent in other global markets.

CHANGES IN FINANCIAL CONDITION

Cash and cash equivalents were $8,520,000 at March 31, 2012, compared to $3,476,000 at December 31, 2011, increasing $5,044,000 (145.1%) during the quarter. As stated in a Form 8-K/A filed with the SEC in March of 2012, and previously in Note 5, Commitments and Contingencies, the Company received $4,700,000 as part of the Insurance Legal Recovery during March of 2012, which accounts for a majority of the change between periods.

Other Current Assets have decreased $328,000 (26.5%), while Taxes Payable have increased by $1,884,000, when comparing the March 31, 2012 balance to December 31, 2011. The difference is largely related to the timing of tax payments. The Company had a tax liability recorded as of March 31, 2012, with an increase in the amount of tax payable required with the Insurance Legal Recovery, less any ancillary offsetting charges associated with the Insurance Legal Recovery such as incentive compensation, defined hereafter as the Net Insurance Legal Recovery . In contrast, the Company had prepaid tax payments recorded in Other Current Assets at December 31, 2011.

Accounts Payable has increased $367,000 (36%), ending at $1,386,000 at March 31, 2012, from a balance of $1,019,000 at December 31, 2011. The majority of the change is timing related, with more payments due to vendors outstanding at the quarter end then experienced at December 31, 2011.

Accrued Commissions and Sales Incentives decreased $498,000 (23.7%), being $1,600,000 at March 31, 2012, compared to $2,098,000 at December 31, 2011. The decrease mostly pertained to the payment of annual sales incentive programs earned in 2011 and paid in 2012, offset partially by the recording of the new 2012 program obligations. Additionally, annual programs make up for a greater portion of the overall sales incentive payment structure, and therefore the balance at the end of a year is typically more significant than during a particular quarter.

Other Liabilities were $1,709,000 at March 31, 2012, compared to $2,143,000 at December 31, 2011. The $434,000 (20.3%) decrease is primarily associated with the payment of various year end accruals, with the most significant being the Company s contribution to profit sharing for the benefit of the Company s employees.

RESULTS OF OPERATIONS

Three-months ended March 31, 2012 vs. March 31, 2011

The Company reported comparative results from continuing operations for the three-month period ended March 31, 2012 and 2011 as follows:

	Three-months ended March 31, (in thousands)			
	2012 ($000)	**2012**	**2011 ($000)**	**2011**
Net Sales	$ 14,548	100.0%	$ 11,498	100.0%
Gross Profit	$ 7,455	51.2%	$ 5,954	51.8%
Operating Profit	$ 5,998	41.2%	$ 1,264	11.0%

The Company s 2012 first quarter sales increased $3,050,000 (26.5%) over the same period in 2011, ending at $14,548,000 for the three months ended March 31, 2012, compared to $11,498,000 for the same three months in 2011.

The Company has experienced growth over the prior year in most of its products during the first quarter of 2012. The Company s TracPipe® CounterStrike® product, a highly advanced corrugated stainless steel tubing system used mostly for fuel gas applications, easily eclipsed its previous year s sales. Additionally, the Company s strategy of further diversification is beginning to bear fruit as its emerging products, such as DoubleTrac® and DEF-Trac® double-containment flexible piping systems, have expanded sales over the comparable period. The Company s growth in sales occurred both in the United States and internationally, most notably in the United Kingdom. Volume, or units sold, accounts for the majority of the 26.5% increase compared to the prior year quarter, with very little impact related to pricing.

The Company s gross profit margins are very similar for the two periods, being 51.2% and 51.8% for the three-months ended March 31, 2012 and 2011, respectively.

Selling Expenses. Selling expenses consist primarily of employee salaries and associated overhead costs, commissions, and the cost of marketing programs such as advertising, trade shows and related communication costs, and freight. Selling expense was $2,956,000 and $2,358,000 for the three-months ended March 31, 2012 and 2011, respectively, representing an increase of $598,000. Commissions and Freight increased largely in step with the increase in sales volume, accounting for about half of the variance from last year. The Company also had additional costs in advertising over the prior year relating to various initiatives, and had an addition to the sales staff. Sales expense was however largely on par with the prior year when compared as a percent of net sales, being 20.3% for the three-months ended March 31, 2012, and 20.5% for the three-months ended March 31, 2011.

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General and Administrative Expenses. General and administrative expenses consist primarily of employee salaries, benefits for administrative, executive and finance personnel, legal and accounting, and corporate general and administrative services. General and administrative expenses were $2,566,000 and $1,744,000 for the three-months ended March 31, 2012 and 2011, respectively. The change of $822,000 between periods was largely the result of an increase in incentive compensation related to increased profits this year, as well as those profits generated from the Insurance Legal Recovery. As a percentage of sales, general and administrative expenses increased to 17.6% for the three months ended March 31, 2012 from 15.2% for the three months ended March 31, 2011.

Insurance Legal Recovery As previously disclosed in the Form 8-K/A filed with the Securities and Exchange Commission on March 15, 2012, the Company agreed to settle a legal dispute relating to insurance coverage and received $4,700,000 as part of the settlement during the same month. This receipt was all recorded as income during the first quarter of 2012. There was no comparable event during the previous year, and thus the change between periods is $4,700,000. This event also impacted incentive compensation, which is included in the General and Administrative Expenses, and Income Tax Expenses, increasing both significantly compared to last year.

Engineering Expense. Engineering expenses consist of development expenses associated with the development of new products and enhancements to existing products, and manufacturing engineering costs. Engineering expenses increased $47,000. They were $635,000 and $588,000 for the three months ended March 31, 2012 and 2011, respectively. Engineering expenses as a percentage of sales were 4.4% for the three months ended March 31, 2012 and 5.1% for the three months ended March 31, 2011.

Operating Profits. Reflecting all of the factors mentioned above, Operating Profits were almost four times higher than last year, or 374.5%, increasing by $4,734,000 to a profit of $5,998,000 in the three-month period ended March 31, 2012, from a profit of $1,264,000 in the three-month period ended March 31, 2011. Excluding the Net Insurance Legal Recovery noted above, operating profits were still over 60% higher than in the prior year.

Interest Income (Expense)-Net. Interest income is recorded on cash investments, and interest expense is recorded at times when the Company has debt amounts outstanding on its line of credit. The interest income was nominal for the first quarter of 2012 and 2011, and both periods had similar amounts of income.

Other Income (Expense)-Net. Other Income (Expense)-net primarily consists of foreign currency exchange gains (losses) on transactions with Omega Flex Limited, our U.K. subsidiary.

Income Tax Expense. Income Tax Expense was $2,137,000 for the first three months of 2012, compared to $482,000 for the same period in 2011. Of the $1,655,000 increase in tax expense, approximately $1,400,000 was the result of the receipt of the Net Insurance Legal Recovery, with the remainder driven by an increase in profits over last year from general

operations. The Company s effective tax rate in 2012 does however approximate the 2011 rate and does not differ materially from expected statutory rates.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Financial Reporting Release No. 60, released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 2 of the Notes to the Condensed Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our condensed Consolidated Financial Statements. The following is a brief discussion of the Company s more significant accounting policies.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to revenue recognition and related sales incentives, accounts receivable valuations, inventory valuations, goodwill valuation, product liability reserve and accounting for income taxes. Actual amounts could differ significantly from these estimates.

Our critical accounting policies and significant estimates and assumptions are described in more detail as follows:

Revenue Recognition

The Company s revenue recognition activities relate almost entirely to the manufacture and sale of flexible metal hose and pipe. Under GAAP, revenues are considered to have been earned when the Company has substantially accomplished what it must do to be entitled to the benefits represented by the revenues. The following criteria represent preconditions to the recognition of revenue:

.

Persuasive evidence of an arrangement for the sale of product or services must exist.

.

Delivery has occurred or services rendered.

.

The sales price to the customer is fixed or determinable.

.

Collection is reasonably assured.

The Company recognizes revenue upon shipment in accordance with the above principles.

Gross sales are reduced for all consideration paid to customers for which no identifiable benefit is received by the Company. This includes promotional incentives, which includes various programs including year-end rebates and discounts. The amounts of certain incentives are known with reasonable certainty at the time of sale, while others are projected based upon the

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most reliable information available at the reporting date.

Commissions, for which the Company receives an identifiable benefit, are accounted for as a sales expense.

Accounts Receivable

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. The estimated allowance for uncollectible amounts is based primarily on specific analysis of accounts in the receivable portfolio and historical write-off experience. While management believes the allowance to be adequate, if the financial condition of the Company s customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Inventory

Inventories are valued at the lower of cost or market. Cost of inventories is determined by the first-in, first-out (FIFO) method. The Company generally considers inventory quantities beyond two-years usage, measured on a historical usage basis, to be excess inventory and reduces the gross carrying value of inventory accordingly.

Goodwill and Intangible Assets

In accordance with FASB ASC Topic 350 Intangibles Goodwill, the Company performed an annual impairment test in accordance with this guidance as of December 31, 2011. This analysis did not indicate any impairment of goodwill. There are no circumstances that indicate that Goodwill might be impaired at March 31, 2012.

Product Liability Reserves

Product liability reserves represent the unpaid amounts under the Company s insurance policies with respect to Claims that have been resolved. The Company uses the most current available data to estimate claims. As explained more fully under Contingencies, for various product liability claims covered under the Company s general liability insurance policies, the Company must pay certain defense costs within its deductible or self-insured retention limits, ranging from $25,000 to $250,000 per claim, depending on the terms of the policy in the applicable policy year, up to an aggregate amount. The Company is vigorously defending against all known claims.

Fair Value of Financial and Nonfinancial Instruments

The Company measures financial instruments in accordance with Financial Accounting Standards Board (FASB) ASC Topic 820, Fair Value Measurements and Disclosures. The accounting standard defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in

the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard creates a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs that reflect the Company s own assumptions about the assumptions market participants would use in pricing the asset or liability. The Company relies on its actively traded share value a level 1 input in determining the fair value of the reporting unit in its annual impairment test as described in the FASB ASC Topic 350 Goodwill and Intangibles.

Earnings per Common Share

Basic earnings per share have been computed using the weighted-average number of common shares outstanding. For the periods presented, there are no dilutive securities. Consequently, basic and dilutive earnings per share are the same.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing on the balance sheet dates. The Statements of Income are translated into U.S. dollars at average exchange rates for the period. Adjustments resulting from the translation of financial statements are excluded from the determination of income and are accumulated in a separate component of shareholders equity. Exchange gains and losses resulting from foreign currency transactions are included in operations (other income (expense)) in the period in which they occur.

Accounting for Income Taxes

The Company accounts for federal tax liabilities in accordance with ASC Topic 740, Income Taxes. Under this method the Company recorded tax expense and related deferred taxes and tax benefits.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain. No valuation allowance was deemed necessary at March 31, 2012 or at December 31, 2011. Also, in accordance with FASB ASC Topic 740, the Company had reserves on the books for uncertainties in tax positions of $140,000 at March 31, 2012, and

$135,000 at December 31, 2011. These reserves are reviewed each quarter.

Other Comprehensive Income (Loss)

For the quarter ended March 31, 2012 and 2011, respectively, the sole component of Other Comprehensive Income (Loss) was a foreign currency translation adjustment.

LIQUIDITY AND CAPITAL RESOURCES

Three-months ended March 31, 2012

The Company s cash balance at March 31, 2012 was $8,520,000 compared to $3,476,000 at December 31, 2011, which represents an increase of $5,044,000 between periods.

Operating Activities

The company s cash from operations increased $6,078,000 over the prior year, with $5,018,000 of cash provided being during the first three months of 2012, while the first three months of 2011 inversely had used cash of $1,060,000. The Insurance Legal Recovery of $4,700,000 that was received during the first quarter of 2012 was the primary reason for this change. Although there was a depletion in cash related to accounts receivables, there were numerous other favorable items that contributed to the increase in cash, as described below.

Cash related to accounts receivable and its applicable reserves is unfavorable by $793,000 compared to last year. There was a sizable decrease last year in net receivables between the period of March 31, 2011 and December 31, 2010, generally related to increased cash collections during that period. There was very little change in net receivables between March 31, 2012 and December 31, 2011.

Accrued compensation changed favorably by $770,000, largely because the Company has recorded additional incentive compensation during the first quarter of 2012 associated with the previously noted Insurance Legal Recovery, but will not expend the cash until the first quarter of 2013, consistent with historical payouts. The first quarter of 2011 simply consisted of the payout of incentive compensation earned during 2010, offset by the first three months accrual for 2011 awards, and was thus of a more normal nature and therefore less significant.

Accrued commissions and sales incentives required $615,000 less cash. In 2010, numerous customers were able to reach growth tiers and earn higher annual rebates, including our most significant customer, which were paid out during the first quarter of 2011. Although sales in 2011 were stronger than in 2010, the number of customers that achieved growth tiers was not as dramatic, and therefore the payouts made during the first quarter of 2012 relative to sales incentives earned in 2011 had decreased.

Other Liabilities shows cash provided of $1,343,000 for the first three months of 2012,

compared to $197,000 provided in the first three months of the prior year. The majority of the $1,146,000 change is attributable to additional accrued taxes of approximately $1,400,000 stemming from the Net Insurance Legal Recovery. Those taxes were still payable at the end of the first quarter, and therefore there was no cash outlay, so the change represents an addition to cash when reconciling cash to net income. There was however additional cash outflows between years related to fringe benefits, largely associated with the timing of profit sharing payments, which offsets a portion of the gain in cash.

Investing Activities

Cash used in investing activities for the first three months of 2012 was $38,000, all related to capital expenditures. There were no investing activities during the first three months of 2011.

Financing

There were no financing activities relative to the first three months of 2012 or 2011.

CONTINGENT LIABILITIES AND GUARANTEES

See Note 5 to the Company s financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

Refer to Item 7 of the Company s 2011 year-end Form 10-K under the caption Tabular Disclosure of Contractual Obligations and Off-Balance Sheet Arrangements .

Item 3. Quantitative And Qualitative Information About Market Risks

The Company does not engage in the purchase or trading of market risk sensitive instruments. The Company does not presently have any positions with respect to hedge transactions such as forward contracts relating to currency fluctuations. No market risk sensitive instruments are held for speculative or trading purposes.

Item 4 Controls And Procedures

(a)

Evaluation of Disclosure Controls and Procedures.

At the end of the fiscal first quarter of 2012, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company s disclosure controls and procedures are designed to ensure that the Company records, processes, summarizes and reports in a timely manner the information required to be disclosed in the periodic reports filed by the Company with the Securities and Exchange Commission. The Company s management, including the chief executive officer and chief financial officer, have conducted an evaluation of the effectiveness of the design and operation of the Company s Disclosure Controls and Procedures as defined in the Rule 13a-15(e) of Securities Exchange Act of 1934. Based on

that evaluation, the chief executive officer and chief financial officer have concluded that, as of the date of this report, the Company s disclosure controls and procedures are effective to provide reasonable assurance of achieving the purposes described in Rule 13a-15(e), and no changes are required at this time.

(b)

Changes in Internal Controls.

There was no change in the Company s internal control over financial reporting (as defined in rule 13a-15(f) of the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934 that occurred during the three-month period covered by this Report on Form 10-Q that has materially affected or is reasonably likely to materially affect the Company s internal control over financial reporting subsequent to the date the chief executive officer and chief financial officer completed their evaluation.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

The Company is not presently involved in any litigation that it believes could materially and adversely affect its financial condition or results of operations.

In October 2010, the Company took the first case relating to CSST and lightning to trial. At trial the Company proved that it was not negligent in the product design, but the jury did find the Company liable under strict product liability. However, the company has appealed the jury verdict. The final outcome of the case is not yet determined.

In 2007, the Company instituted a legal complaint against a former insurer, seeking reimbursement of amounts paid in defense of a class action litigation, as well as supplementary payments made in connection with the class action. In January 2011, an appellate court found in the Company s favor, establishing the insurer s legal obligation to reimburse the Company for the defense costs. Subsequently, in March of 2012, the Company and the insurer settled the litigation for $4,700,000, with receipt of the cash occurring during that same month.

Item 4 Submission of Matter to a Vote of the Security Holders

No matters were submitted to the security holders of the Company for a vote during the first quarter of 2012.

Item 6 - Exhibits

Exhibit

No.

Description

31.1

Certification of Chief Executive Officer of Omega Flex, Inc. pursuant to Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.

31.2

Certification of Chief Financial Officer of Omega Flex, Inc. pursuant to 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.

32.1

Certification of Chief Executive Officer and Chief Financial Officer of Omega Flex, Inc., pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

OMEGA FLEX, INC.
(Registrant)

Date: May 9, 2012

By: /S/ Paul J. Kane
Paul J. Kane
Vice President Finance
and Chief Financial Officer