PACIFIC MAGTRON INTERNATIONAL CORP
Form 10-Q
July 31, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2006
OR

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

For the transition period from __________ to __________

Commission file number 000-25277

PACIFIC MAGTRON INTERNATIONAL CORP.
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| Nevada | 88-0353141 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

1600 California Circle, Milpitas, California 95035
(Address of Principal Executive Offices)

(408) 956-8888
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12,13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ] N/A

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date. As of July 14, 2006, the number of shares of common stock outstanding was 10,485,062.

1



2

PACIFIC MAGTRON INTERNATIONAL CORP. ("PMIC") and Subsidiary - LIVEWAREHOUSE, INC. ("LW")
CONDENSED COMBINED STATEMENT OF NET ASSETS (LIABILITIES) IN LIQUIDATION
(LIQUIDATION BASIS)

AS OF JUNE 30, 2006
(Unaudited)

| | PMIC | LW | COMBINED TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ 8,500 | $ 103,500 | $ 112,000 |
| Pre Petition receivable from PMI, less allowance for uncollectible amount of $230,400 | -- | 2,100 | 2,100 |
| Post Petition receivable from PMI | 13,800 | -- | 13,800 |
| Post Petition receivable from PMIGA | 1,200 | -- | 1,200 |
| Post Petition receivable from PMIC | -- | 17,700 | 17,700 |
| Office and warehouse equipment | -- | 15,000 | 15,000 |
| Total assets | $ 23,500 | $ 138,300 | $ 161,800 |
| LIABILITIES | | | |
| Post Petition accounts payable and other accrued expenses | $ 38,000 | $ 1,000 | $ 39,000 |
| Post Petition payable to PMI | 22,100 | -- | 22,100 |
| Post Petition payable to PMIGA | 2,700 | -- | 2,700 |
| Post Petition payable to LW | 17,700 | -- | 17,700 |
| Estimated costs to be incurred during liquidation period | 74,500 | 38,500 | 113,000 |
| Pre Petition unsecured accounts payable | 143,400 | 13,100 | 156,500 |
| Total liabilities | 298,400 | 52,600 | 351,000 |
| NET ASETS (LIABILITIES) IN LIQUIDATION | ($274,900) | $ 85,700 | ($189,200) |

See accompanying notes to condensed combined financial statements.

1

PACIFIC MAGTRON INTERNATIONAL CORP. ("PMIC") and Subsidiaries -
PACIFIC MAGTRON, INC. ("PMI"), PACIFIC MAGTRON (GA), INC. ("PMIGA"),
And LIVEWAREHOUSE, INC. ("LW")
CONDENSED COMBINED STATEMENT OF NET ASSETS (LIABILITIES) IN LIQUIDATION
(LIQUIDATION BASIS)
AS OF DECEMBER 31, 2005

| PMI | PMIGA | LW | P |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | $ 1,351,100 | $ 158,500 | $ 30,900 | $ |
| Pre Petition receivable from PMIGA, less allowance for uncollectible amount of $431,600 (secured by Micro Technology Concepts, Inc. "MTC") | 92,700 | -- | -- | |
| Pre Petition receivable from PMI, less allowance for uncollectible amount of $230,400 | -- | -- | 159,200 | |
| Refundable previously overpaid insurance premiums (secured by MTC) | 25,500 | -- | -- | |
| Refundable real property transfer taxes | 5,500 | -- | -- | |
| Post Petition receivable from PMIGA | 9,200 | -- | -- | |
| Post Petition receivable from LW | 7,300 | -- | -- | |
| Post Petition receivable from PMIC | 13,500 | 2,700 | 1,200 | |
| Income tax refund receivable | -- | -- | -- | 73, |
| Office and warehouse equipment | 15,000 | -- | -- | |
| Total assets | $ 1,519,800 | $ 161,200 | $ 191,300 | $ 73, |
| LIABILITIES | | | | |
| Post Petition accounts payable and other accrued expenses | $ 40,500 | $ 500 | $ 300 | $ 18, |
| Post Petition payable to PMI | -- | 9,200 | 7,300 | 13, |
| Post Petition payable to PMIGA | -- | -- | -- | 2, |
| Post Petition payable to LW | -- | -- | -- | 1, |
| Estimated costs to be incurred during liquidation period | 233,000 | 17,900 | 35,600 | 90, |
| Pre Petition secured payable to MTC | 204,200 | -- | -- | |
| Pre Petition payable to LW | 389,600 | -- | -- | |
| Pre Petition payable to PMI | -- | 524,300 | -- | |
| Pre Petition unsecured accounts payable | 1,871,000 | 168,500 | 16,300 | 185, |
| Total liabilities | 2,738,300 | 720,400 | 59,500 | 313, |
| NET ASETS (LIABILITIES) IN LIQUIDATION | ($1,218,500) | ($ 559,200) | $ 131,800 | ($ 239, |

See accompanying notes to condensed combined financial statements.



PACIFIC MAGTRON INTERNATIONAL CORP. ("PMIC") and Subsidiaries - and LIVEWAREHOUSE, INC. ("LW")

CONDENSED COMBINED STATEMENT OF CHANGES OF NET ASSETS (LIABILITIES)
IN LIQUIDATION
(LIQUIDATION BASIS)
FOR THE THREE MONTHS ENDED JUNE 30, 2006
(Unaudited)

| | LW | PMIC | COMBINED TOTAL |
|---|---|---|---|
| NET ASSETS (LIABILITIES) IN LIQUIDATION, March 31, 2006 | 135,400 | (358,300) | (222,900) |
| Settlement of preference claims | | 42,400 | 42,400 |
| Increase in Post Petition receivable from PMI | | 13,800 | 13,800 |
| Increase in Post Petition receivable from PMIGA | | 1,200 | 1,200 |
| Decrease in Post Petition unsecured payables and accruals | 7,500 | (14,700) | (7,200) |
| Decrease in cash | (41,700) | (55,900) | (97,600) |
| Income from services rendered to PMI & PMIGA Creditor Trusts | | (21,800) | (21,800) |
| Costs incurred during liquidation period | 34,000 | 77,300 | 111,300 |
| Accrued estimated costs of liquidation | (49,500) | 41,000 | (8,500) |
| Others | | 100 | 100 |
| NET ASSETS (LIABILITIES) IN LIQUIDATION, June 30, 2006 | $ 85,700 | ($274,900) | ($189,200) |

See accompanying notes to condensed combined financial statements.



PACIFIC MAGTRON INTERNATIONAL CORP. ("PMIC") and Subsidiaries -
and LIVEWAREHOUSE, INC. ("LW")
CONDENSED COMBINED STATEMENT OF CHANGES OF NET ASSETS (LIABILITIES)
IN LIQUIDATION

(LIQUIDATION BASIS)
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(unaudited)

| | PMI | PMIGA | LW | |
|---|---|---|---|---|
| NET ASSETS (LIABILITIES) IN LIQUIDATION, December 31, 2005 | (1,218,500) | (559,200) | 131,800 | (2 |
| Cash distribution paid to PMI (received from PMIGA) | (89,200) | 89,200 | -- | |
| Cash distribution paid to LW (received from PMI) | 142,100 | (142,100) | -- | |
| Cash distributions paid | 395,400 | 29,900 | 425,300 | |
| Federal income tax refund received | | | | ( |
| Payment to MTC | 89,200 | | | |
| Settlement of preference claims | | | | |
| Increase in Post Petition receivable from PMI | | | | |
| Increase in Post Petition receivable from PMIGA | | | | |
| Decrease in Post Petition payable to PMI (receivable from PMIGA) | (9,200) | 9,200 | | |
| Decrease in Post Petition payable to PMI (receivable from LW) | (7,300) | | 7,300 | |
| Increase in Post Petition receivable from PMIC (payable to PMI) | 8,600 | | | |
| Increase in Post Petition receivable from PMIC (payable to LW) | | | 16,500 | ( |
| Increase in Post Petition unsecured payables and accruals | (103,300) | (5,000) | (700) | ( |
| Increase (decrease) in cash | (559,300) | (130,800) | 72,600 | |

| | | | | |
|---|---|---|---|---|
| Interest income | (1,700) | | | |
| Income from services rendered to PMI & PMIGA Creditor Trusts | | | | ( |
| Allocated administrative expenses from other debtors | | 2,000 | 1,000 | |
| Allocation of administrative expenses to others Debtors | (3,000) | | | |
| Costs incurred during liquidation period | 137,700 | 5,500 | 45,600 | 1 |
| Accrued estimated costs of liquidation | | | (49,500) | ( |
| Others | (1,500) | | 3,200 | |
| Assets and liabilities transferred to Creditor Trust: | | | | |
| Cash | (791,800) | (27,700) | | |
| Other assets | (56,600) | (2,600) | | |
| Liabilities | 2,068,400 | 589,500 | | |
| NET ASSETS (LIABILITIES) IN LIQUIDATION, June 30, 2006 | $ 0 | $ 0 | $ 85,700 | ($ 2 |

See accompanying notes to condensed combined financial statements.



PACIFIC MAGTRON INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS AND SIX MONTHS ENDED
JUNE 30, 2005
(Unaudited - GOING CONCERN BASIS)

| | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2005 |
|---|---|---|
| Sales | $ 613,800 | $ 9,983,500 |
| Cost of sales | 604,800 | 9,596,100 |

| | | |
|---|---|---|
| Gross profit | 9,000 | 387,400 |
| Selling, general and administrative expenses | 590,800 | 1,685,600 |
| Loss from continuing operations before other income (expense) | (581,800) | (1,298,200) |
| Other income (expense): | | |
| Interest expense | (72,800) | (124,200) |
| Change in fair value of warrants issued | 1,200 | 2,300 |
| Loss on asset impairment | (600) | (113,000) |
| Other expense, net | (33,600) | (6,000) |
| Total other expense | (105,800) | (240,900) |
| Loss from continuing operations | (687,600) | (1,539,100) |
| Discontinued operations: | | |
| Income (loss) from discontinued operations of Pacific Magtron (GA),Inc | 14,900 | (140,000) |
| Accretion of discount and deemed dividend related to beneficial conversion of Series A Convertible Preferred Stock | (4,000) | (8,100) |
| Net Loss applicable to common shareholders | $ (676,700) | $ (1,687,200) |
| Basic and diluted loss per share: | | |
| Loss from continuing operations | $ (0.06) | $ (0.16) |
| Loss from discontinued operations | (0.00) | (0.01) |
| Net loss applicable to common shareholders | $ (0.06) | $ (0.17) |
| Shares used in basic and diluted per share calculation | 10,485,100 | 10,485,100 |

See accompanying notes to condensed consolidated financial statements.

6

PACIFIC MAGTRON INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR SIX MONTHS ENDED JUNE 30, 2005
(Unaudited - GOING CONCERN BASIS)

| | |
|---|---|
| CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES: | |
| Net loss | $(1,687,200) |
| Less: Accretion of dividend related to Series A Convertible Preferred Stock | 8,100 |
| Loss from discontinued operation | 140,000 |
| Net loss from continuing operations | (1,539,100) |

| | |
|---|---|
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 85,000 |
| Loss on asset impairment | 112,400 |
| Provision for doubtful accounts | (79,000) |
| Gain on sale of property and equipment | (1,900) |
| Change in fair value of warrants | (2,300) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 2,947,900 |
| Inventories | 2,458,900 |
| Prepaid expenses and other assets | 59,500 |
| Accounts payable | (2,488,000) |
| Accrued expenses and other liabilities | (47,000) |
| NET CASH PROVIDED BY CONTINUING OPERATIONS | 1,506,400 |
| NET CASH PROVIDED BY DISCONTINUED OPERATIONS | 148,600 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,655,000 |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES: | |
| Proceeds from sale of property and equipment | 2,000 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 2,000 |
| CASH FLOWS USED IN FINANCING ACTIVITIES: | |
| Net decrease in floor plan inventory loans | (1,993,000) |
| Decrease in restricted cash | 297,800 |
| Principal payments on notes payable | (32,400) |
| NET CASH USED IN FINANCING ACTIVITIES | (1,727,600) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (70,600) |
| CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS: | |
| Beginning of period | 543,800 |
| End of period | 473,200 |
| CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS | 184,900 |
| TOTAL CASH AND CASH EQUIVALENTS | $ 658,100 |

See accompanying notes to condensed consolidated financial statements



PACIFIC MAGTRON INTERNATIONAL CORP. ("PMIC") and Subsidiaries -
PACIFIC MAGTRON, INC. ("PMI"), PACIFIC MAGTRON (GA), INC. ("PMIGA"),
and LIVEWAREHOUSE, INC. ("LW")
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(UNAUDITED - LIQUIDATION BASIS)

THE COMPANY

The combined financial statements include Pacific Magtron International Corp. (the "Company" or "PMIC") and its subsidiaries, Pacific Magtron, Inc. ("PMI"), Pacific Magtron (GA) Inc. ("PMIGA") and LiveWarehouse, Inc. ("LW").

Our primary business had been to distribute computer peripheral products through our wholly owned subsidiaries, PMI, PMIGA and LW. Our business was organized into three divisions: PMI, PMIGA and LW. PMIGA ceased its operations on April 30, 2005.

The Company had historically relied on credit terms from its suppliers to fund inventory purchases. Our vendors progressively imposed more restrictive credit terms, such that, during the first quarter of 2005, we were unable to fund purchases and were limited to selling existing inventory with no ability to replenish or purchase inventory. In addition, we did not have the ability to draw on lines of credit to fund the shortfall caused by the elimination of terms by our vendors. Because of the reduced sales caused by the lack of new inventory, we were not able to pay our obligations on a timely basis.

On May 11, 2005 (the "Petition Date"), PMIC, PMI, PMIGA and LW filed voluntary petitions to reorganize their businesses under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Nevada (the "Court"). The Court is jointly administering these cases as "In re: Pacific Magtron International Corporation, Inc., et al., Case No.BK-S-05-14325 LBR" (the "Bankruptcy Proceedings"). Although the petition was filed for reorganization under Chapter 11 of the Bankruptcy Code, the Company did not conduct any operations after the second quarter 2005 other than those necessary to liquidate its assets.

1. BANKRUPTCY PROCEEDINGS

Upon the filing of the petition in May 2005, the Company intended to form a joint venture with General Procurement, Inc. ("GPI") to continue the business operations. On May 16, 2005, the Court approved the Interim Management Agreement with GPI. Subsequent to the hearings on May 16, 2005, Micro Technology Concepts, Inc. ("MTC"), a major secured creditor of the Company, negotiated a similar joint venture agreement with the Company to replace the one entered into with GPI. The joint venture agreement included an interim management agreement ("IMA") whereby the joint venture partner, MTC, would take over management of the Company's sales and provide the Company with inventory on a secured basis while the Company sought approval of the joint venture as part of a plan of reorganization.

8

On June 23, 2005, MTC informed the Company that it would not continue to perform under the Interim Management Agreement and would not agree to allow the Company to use MTC's cash collateral for any business purpose except for liquidating the remaining assets of the Company. The Company has been forced to cease business activities except those necessary to liquidate its remaining assets. On August 31, 2005, PMI filed a complaint against MTC alleging that MTC breached its obligation under the IMA and MTC filed a motion to convert the PMI case to a case under Chapter 7 of the United States Bankruptcy Code. On September 9, 2005, MTC filed a counterclaim against PMI.

On September 19, 2005, PMI and MTC reached a settlement by which the various issues between MTC and PMI have been settled and the litigation dismissed. The settlement agreement was approved by the Court on November 7, 2005.

On September 15, 2005, PMI entered into an agreement to sell the real property at 1600 California Circle, Milpitas, California ("Facility") to a third party for $4,389,000. The sale agreement was subject to the Court's approval. On October 14, 2005, PMI rejected the prior sale agreement and sold its Facility to another party for $4,990,000 pursuant to a Court order entered on October 28, 2005. The escrow was closed on November 23, 2005.

On July 18, 2005, the Company filed the "Disclosure Statement to Accompany Debtors' Joint Liquidating Plan of Reorganization" detailing the liquidation plan, however, the Company did not receive the Court's approval for the plan. On December 23, 2005, PMI and PMIGA filed an Amended Disclosure Statement to Accompany PMI's Second Amended Plan of Liquidation and PMIGA's Second Amended Plan of Liquidation ("the PMI & PMIGA Plan"). On January 30, 2006, the Court entered an order (Docket No. 507) ("Confirmation Order") approving and confirming the PMI & PMIGA Plan. The effective date of the PMI & PMIGA Plan was February 10, 2006 ("the Effective Date").

On January 30, 2006, PMIC and LW filed a separate Disclosure Statement to Accompany Third Amended Plans of Reorganization for PMIC and LW, however, the Company did not receive the Court's approval for the plan. On June 21, 2006, PMIC and LW filed the Fourth Amended Plans of Reorganization (the "PMIC & LW Plan") which incorporates a settlement of litigation with PMIC's former executive officers (the "Terminated Executives").

A confirmation hearing for the PMIC & LW Plan, including approval of the settlement with the Terminated Executives, was held on July 26, 2006. PMIC expects that an order confirming the Plan and approving the settlement will be entered during the week of July 31, 2006.

Financial Statement Presentation

Effective July 1, 2005, the Company adopted the liquidation basis of accounting, whereby assets are valued at their estimated net realizable values and liabilities are valued at their estimated settlement amounts. The Company has provided a liquidation basis statement of net assets (liabilities) as of June 30, 2006 and December 31, 2005 and the statements of changes in net assets (liabilities) for the three months and six months ended June 30, 2006. The valuation of assets and liabilities requires estimates and assumptions by management and there are uncertainties in carrying out the liquidation and reorganization plans. The amount and timing of future liquidating distributions to creditors and shareholders, if any, will depend upon a variety of factors including, but not limited to, the actual proceeds from the liquidation of the Company's assets, and the actual costs incurred in connection with carrying out the liquidation and reorganization plans, including administrative costs during the liquidation period, and the timing of the liquidation. These estimates may vary significantly from the final amounts. On January 30, 2006, the Court entered an order approving and confirming the PMI & PMIGA Plan. On June 21, 2006, PMIC and LW filed the PMIC & LW Plan. Both the PMI & PMIGA Plan and the PMIC & LW Plan treat the assets and debts of each of the entities as a separate case. The combined statement of net assets (liabilities) in liquidation as of June 30, 2006 and December 31, 2005 and the combined statement of changes of net assets (liabilities) in liquidation for the three months and six months ended June 30, 2006 present the assets and liabilities and the changes of net assets (liabilities) of PMI, PMIGA, LW and PMIC separately.

Prior to July 1, 2005, the Company had prepared its consolidated financial statements on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. PMIGA ceased its operation as of April 30, 2005. The activities, assets and liabilities of PMIGA were reclassified for reporting purposes as discontinued operations for all periods prior to June 30, 2005 shown in the accompanying consolidated financial statements.

9

The financial information included herein is unaudited. The interim combined/consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair presentation of the Company's combined/consolidated financial position and results of operations for the periods presented. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These combined/consolidated financial statements should be read in conjunction with the audited combined/consolidated financial statements and accompanying notes presented in the Company's Form 10-K for the year ended December 31, 2005. Interim operating results are not necessarily indicative of operating results expected for the entire year.

2. SUMMARY OF THE PMI & PMIGA PLAN

The PMI & PMIGA Plan treats the assets and debts of each of the entities as a separate case. Under the PMI & PMIGA Plan, PMI was required to disburse the funds in the formerly blocked account at Wells Fargo Bank to Micro Technology Concepts, Inc. ("MTC"), a secured Creditor, on the Effective Date. However, pursuant to a separate court order, PMI previously distributed theses funds to MTC. On the Effective Date, PMI was required to (a) make full payment to its administrative, priority and administrative convenience class creditors, (b) disburse not less than 75% of its remaining available funds to its unsecured, non-priority creditors, and (c) pay the balance of its funds to the trustee of the PMI Creditor Trust. On the Effective Date, PMIGA was required to (a) make full payment to its administrative creditors, (b) disburse not less than 75% of its available funds to its unsecured, non-priority creditors, and (c) pay the balance of its funds to the trustee of the PMIGA Creditor Trust.

10

Classification and Treatment of Claims and Interests

A. Class 1 (Priority Claims of PMI) was to be paid in full from the assets of PMI on Effective Date. These claims consisted of pre-petition employee wage and commission claims payroll taxes and employee benefits (health insurance and 401(k) contributions). Cash distributions of $932 were paid on the Effective Date.

B. Class 2 (Administrative Convenience Class of PMI) was to be paid in full from the assets of PMI on the Effective Date. These claims were those of pre-petition unsecured creditors of PMI whose claims were $100 or less or who agreed to reduce their claim to $100. Most of these claims were for rebates promised by PMI to retail customers of PMI's wholesale customers. The total amount of these claims was $43,937 and was paid on the Effective Date.

C. Class 3A (unsecured creditors of PMI including the unsecured portion of the claim of MTC) was to be paid from the liquidation of the assets of PMI. On the Effective Date, PMI (a) made a partial distribution of not less than 75% of the cash assets of PMI to holders of undisputed, allowed claims in this class and (b) reserved funds for disputed claims and administrative expenses. A total cash amount of $314,836 was distributed on the Effective Date to the holders of undisputed, allowed claims in this class, excluding MTC and LW. PMI has also reserved $84,095 for disputed claims. In addition, PMI has also withheld distribution of $478,152 from those claims filed by those creditors whom were alleged to have received preferences or other avoidable transfers or payments from PMI within 90 days of the Petition Date ("Preference Claims").

D. Class 3B consisted of the unsecured claim of LW. On the Effective Date, PMI transferred its physical assets consisting of miscellaneous computers, desks, chairs, office equipment, warehouse racks and equipment to LW for a $15,000 credit which was deducted from the payment to LW. LW shared pro rata with Class 3A after taking into account the credit for the transfer of the physical assets. LW received a cash payment $142,085 from PMI's distribution on the Effective Date.

E. Class 4 (secured creditor) consisted solely of MTC. Pursuant to the settlement agreement with MTC, MTC's pre-petition claim against PMI is set at $679,847 MTC has no lien and has no claim against PMIC, PMIGA and LW. MTC was partially secured by (a) a lien on PMI's cash, inventory, equipment and accounts receivable and their proceeds, and (b) a lien on PMI's bank accounts. Pursuant to Court order, the inventory and accounts receivable of PMI were abandoned to MTC. Pursuant to the settlement agreement with MTC, the liquidation value of the inventory and the accounts receivable was set at $200,000. In addition, MTC was secured by a lien on PMI's bank accounts (including the blocked account at Wells Fargo Bank) and the "pre-building sale" account at Union Bank, neither of which accounts held proceeds from the sale of PMI's building or the proceeds of avoidance actions. After the sale of PMI's building in November 2005, MTC had a first lien on the bank accounts. A total of $125,688 from these accounts was paid to MTC. Pursuant to the settlement agreement with MTC, it was agreed that PMI had a $524,317 claim against PMIGA and such claim was subject to MTC's security interest. MTC received a partial cash distribution of $89,217 from PMIGA on the Effective Date. MTC is also to receive a refund from PMI's workers compensation insurer in the approximate amount of $25,500. Thus, MTC had received $440,405 on its collateral and had an unsecured claim of $239,442. Pursuant to the settlement agreement with MTC, MTC reduced its unsecured claim by $150,000. MTC had an unsecured claim of $89,442 and is treated as a Class 3 claim. On the Effective Date, MTC received $35,880 cash distribution from PMI as a Class 3 unsecured creditor.

11

F. Class 5 (unsecured creditors of PMIGA) was to be paid from PMIGA's funds after reducing for administrative expenses with payment in full for claims of any government creditors and partial distribution of not less than 75% of the cash assets of PMIGA to holders of undisputed, allowed claims in this class. Pursuant to the settlement agreement with MTC, it was agreed that PMI has a $524,317 claim against PMIGA and such claim was subject to MTC's security interest. Funds amounting to $5,896 were reserved for disputed claims and administrative expenses. On the Effective Date, $89,217 was distributed to MTC as a Class 5 creditor and $28,470 was distributed to other Class 5 creditors.

G. Class 6 (PMIC, the sole shareholder of PMI) retained nothing.

H. Class 7 (PMI, the sole shareholder of PMIGA) retained nothing.

On the Effective Date, the remaining balances of the assets of PMI and PMIGA and the reserve for the disputed claims and Preference Claims would be delivered to the PMI Creditor Trust and PMIGA Creditor Trust. The remaining assets of PMI and PMIGA on the Effective Date were approximately $848,400 and $30,300, respectively.

PMI has filed claims against various vendors who received payment within 90 days of the Petition Date. These payments are called "Preferences." A Preference occurs when a debtor treats one creditor more favorably than another. A creditor receiving a Preference may be forced to restore it to the debtor's estate. Any preferences recovered will be paid to the PMI Creditors Trust to be distributed to Class 3.

3. SUMMARY OF THE PMIC & LW PLAN

The PMIC & LW Plan treats the assets and debts of each of PMIC and LW separately. Under the PMIC & LW Plan, non-insider Creditors holding Allowed Unsecured Claims against PMIC will receive a fifty percent (50%) initial distribution on account of such claims, provided that the total distribution to be made to holders of Allowed Claims other than Class 1 shall not exceed $120,000, which shall be distributed pro rata to the creditors of PMIC. On the effective date of the PMIC & LW Plan, PMIC will merge with Herborium Inc. ("Herborium"), a provider of proprietary, natural and complimentary healthcare products, and shall be the surviving operating entity post-merger (the "Herborium Merger"). LW will be reorganized and remain a wholly-owned subsidiary of PMIC. Advanced Communications Technologies, Inc. ("ACT"), a 61.56% shareholder of PMIC, shall contribute up to $50,000 on behalf of PMIC's shareholders to effectuate the PMIC & LW Plan. The existing stock of PMIC shall be cancelled and new stock shall be issued. With respect to the Class 6 equity interest of ACT, new stock shall be issued directly to the shareholders of ACT subject to the dilution of such interests upon plan consummation and the corresponding merger of Herborium with PMIC as provided in the PMIC & LW Plan. The existing Series A Convertible Preferred Stock of PMIC shall be converted to 800,000 shares of PMIC common stock or 0.74% of post-merger PMIC/Herborium. ACT's shareholders and two former executives shall own 10.55% of post-merger PMIC/Herborium. PMIC's current common stockholders other than ACT shall own 3.71% of post-merger PMIC/Herborium; and Herborium's current stockholders shall own 85% of post-merger PMIC/Herborium.

12

Classification and Treatment of Claims and Interests

PMIC

A. Unclassified Claims

Allowed administrative claims and priority tax claims (except as to the claim of the Internal Revenue Service ("IRS") treated under Class 3) are not classified for purposes of voting or receiving distributions under the PMIC & LW Plan. Unclassified claims will be paid in full.

B. Class 1

Class 1 claims consist of priority claims other than the unclassified claims as described above and will be paid in full in cash.

C. Class 2

Class 2 claims are allowed unsecured claims of PMIC and will be paid in cash an initial distribution equal to 50% of the claim amounts.

D. Class 3

Class 3 claim consist of the claim of the IRS. Such claim was amended by the IRS to $0.00 in November 2005.

E. Class 4

Class 4 claims consist of the subordinated claims of 2 former executives ("Terminated Executives") of PMIC. Under the PMIC & LW Plan, no distributions would be made to the Class 4 claims.

F. Class 5

Class 5 claim consists of the claim of Hartford Insurance Company for pre-petition workers compensation premiums for employees of PMI. This claim is disallowed under the PMIC & LW Plan.

G. Class 6

Class 6 claims consist of the equity interests of PMIC shareholders other than the holder of PMIC's Series A Convertible Preferred Stock. ACT shall contribute up to $50,000 on behalf of its shareholders to effectuate the PMIC Plan. The existing common shares of PMIC will be cancelled and new stock in merged PMIC/Herborium will be issued. With respect to the Class 6 equity interest of ACT, new stock shall be issued directly to the shareholders of ACT. ACT's shareholders and the Terminated Executives shall own 10.55% of post-merger PMIC/Herborium. PMIC's current common stockholders other than ACT shall own 3.71% of post-merger PMIC/Herborium.

H. Class 7

Class 7 claim consists of the equity interests of the holder of PMIC preferred stock. The existing preferred stock will be converted into 800,000 shares of PMIC common stock. These shares will represent 0.74% of the post-merger PMIC/Herborium.

LW

A. Unclassified Claims

Allowed administrative claims and priority tax claims are not classified for purposes of voting or receiving distributions under the PMIC & LW Plan. Unclassified claims will be paid in full.



B. Class 1

Class 1 claims consist of allowed priority claims other than the unclassified claims as described above and will be paid in full in cash. LW estimated that the amount of the allowed claims in this class is zero.

C. Class 2

Class 2 claims are allowed unsecured claims of LW and will be paid in full. The total distributions to be paid to the Class 2 claims holders shall not exceed $5,000.

D. Class 3

Class 3 shall consist of PMIC's equity interest in LW. PMIC shall retain such interest. LW will distribute all its remaining cash to PMIC.

4. DISTRIBUTIONS AND TRANSFER OF ASSETS AND LIABILITIES TO CREDITOR TRUSTS

On the Effective Date, PMIGA distributed cash of $89,200 to PMI and $29,900 to other unsecured creditors. Upon the receipt of the distribution of $89,200 from PMIGA, PMI immediately transferred the $89,200 to MTC in compliance with the Confirmation Order. On the Effective Date, PMI distributed cash of $142,100 to LW and $35,900 to MTC and $359,500 to other unsecured creditors. In addition, PMI transferred all its physical assets for a value of $15,000 to LW. On the Effective Date, PMI and PMIGA transferred all their remaining assets and liabilities to the PMI Creditor Trust and PMIGA Creditor Trust, respectively. The following are the assets and liabilities transferred to the PMI Creditor Trust and PMIGA Creditor Trust on the Effective Date:

| | PMI | PMIGA |
|---|---|---|
| Cash | $ 791,800 | $ 27,700 |
| Other assets | 56,600 | 2,600 |

| | | |
|---|---|---|
| Total assets | 848,400 | 30,300 |
| Liabilities | 2,068,400 | 589,500 |
| Net liabilities | $1,220,000 | $ 559,200 |

5. INCOME TAX REFUND RECEIVABLE

As of December 31, 2005, PMIC anticipated a federal income tax refund resulting from carrying back tax losses in 2002 to 1998. On March 3, 2006, PMIC received a federal income tax refund of $73,485 plus interest of $6,001.

6. ESTIMATED COSTS TO BE INCURRED DURING LIQUIDATION PERIOD

The Company estimated the cost to be incurred to complete the liquidation of its assets. The actual costs incurred are also dependent of the length of time to liquidate the assets and might be materially different from the estimated amount. The amounts of accrued estimated costs of liquidation and costs incurred and other income and expenses for the six months ended June 30, 2006 are as follow:



| | PMI | PMIGA | LW | P |
|---|---|---|---|---|
| Estimated costs to be incurred during liquidation as of December 31, 2005 | $ 233,000 | $ 17,900 | $ 35,600 | $ 90 |
| Accrued estimated costs of liquidation | | | 49,500 | 78 |
| Other income and costs incurred during liquidation period from January 1, 2006 to June 30, 2006: | | | | |
| Interest and other income | 1,700 | | | 6 |
| Income from services rendered to PMI & PMIGA Creditor Trusts | | | | 21 |
| Other costs incurred during liquidation period | (137,700) | (5,500) | (45,600) | (122 |
| Administrative costs allocated from other debtors | | (2,000) | (1,000) | |
| Administrative costs allocated to other debtors | 3,000 | | | |
| Transfer of liabilities to Creditor Trust | (100,000) | (10,400) | | |
| Estimated costs to be incurred during liquidation as of June 30, 2006 | 0 | 0 | 38,500 | 74 |

7. SETTLEMENT WITH FORMER EXECUTIVES

On April 12, 2006, ACT and Theodore S. Li and Cynthia Lee (also referred to herein collectively as the "Former Executives") entered into binding letter agreements with respect to the settlement of certain litigation proceedings and potential claims involving ACT, PMIC, Encompass Group Affiliates, Inc., the Former Executives, Martin Nielson and Wayne Danson. The parties subsequently entered into a more formal Mutual Settlement Agreement and Release based on the terms of the binding letter agreement. PMIC's obligations under the settlement are contingent on bankruptcy court approval.

The litigation proceedings covered by this settlement include the following:

- the suit filed on May 11, 2005 by ACT in the United States District Court for the Southern District of New York against Mr. Li and Ms. Lee for the recovery of damages and costs for securities fraud, breach of contract, misrepresentation and other counts in connection with the Stock Purchase Agreement pursuant to which Mr. Li and Ms. Lee sold shares of PMIC's common stock to ACT (the "New York Action"); and

15

- the suit brought in January 2006 by Mr. Li and Ms. Lee in the California Superior Court, Santa Clara County against ACT and Encompass and certain of their officers and directors alleging, among other things, fraud, intentional misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, violation of the California Labor Code, violation of the Business of Professions Code of California, and defamation (the "California Action").

The provisions of this settlement have been incorporated into a Settlement Agreement to which PMIC and its subsidiaries will be a party upon Bankruptcy Court approval. The material terms of this settlement are as follows:

- Upon the closing of the Herborium Merger and the occurrence of the effective date of the PMIC & LW Plan, ACT will pay Mr. Li and Ms. Lee $325,000. PMIC will reimburse ACT for a portion of this payment using available cash or other assets remaining in the PMIC bankruptcy estate after final distribution under the PMIC & LW Plan, as amended.

- PMIC will issue Mr. Li and Ms. Lee an aggregate of 1,750,000 freely-tradable shares of Herborium common stock ("Herborium Stock") with a minimum value of $.10 per share subject to the following conditions:

    (a) such shares will be subject to a lock-up period of 150 days after issuance during which Mr. Li and Ms. Lee may only sell the shares for $.10 per share or greater; if the price per share is less than $.10 per share at the end of the lock-up period, then ACT will "top up" the value provided to Mr. Li and Ms. Lee by delivering either:

        - cash equal to $.10 minus the price per share on said date times the number of shares still held, or

        - additional shares of Herborium Stock which would otherwise be issued to ACT or its stockholders under the Fourth Amended Plan having a value equal to said the same amount;

    (b) ACT's obligation to "top up" Mr. Li's and Ms. Lee's shares of Herborium Stock shall be collateralized by 1,750,000 shares of

Herborium Stock held by ACT which will be placed in escrow upon the earliest date that such shares can be issued following the Herborium Merger;

(c) in the event that the Herborium Merger does not occur, Mr. Li and Ms. Lee will receive the $325,000 and $175,000 worth of shares of ACT's common stock, respectively, on the 76th day following execution of the Settlement Agreement; on the date upon which the Bankruptcy Court approves this settlement, 87,500,000 shares of ACT's common stock will be placed in escrow at an estimated value of $.002 per share, which shares will be deemed to be issued pursuant to the convertible notes issued to Mr. Li and Ms. Lee in connection with the Stock Purchase Agreement pursuant to which they sold shares of PMIC common stock to ACT. The shares will be released from escrow to Mr. Li and Ms. Lee based upon the closing price as of the 75th day or the next preceding business day and shall be "topped up" to $.002 per share if the arms length third party closing price is below $.002. If the Herborium Merger occurs these shares shall immediately be released to ACT.



o Mr. Li and Ms. Lee will each receive a reference letter from PMIC relating to the circumstances of their employment with PMIC.

o Mr. Li and Ms. Lee will execute broad general releases in favor of ACT, PMIC, Encompass and each of their subsidiaries and their directors, employees, heirs, insurers, attorneys and agents from any and all claims, including but not limited to those that have or could have been brought in connection with the New York Action, the California Action or in any of the Bankruptcy Proceedings or under the Stock Purchase Agreement or the Employment Agreements entered into among each of Mr. Li and Ms. Lee and PMIC, ACT and Encompass in connection with the Stock Purchase Agreement. ACT, PMIC and Encompass and each of their subsidiaries will execute similar releases in favor of Mr. Li and Ms. Lee. This settlement will not be construed as an admission of liability by any party. The parties further agree not to instigate or participate in any future litigation or proceeding against any released party based upon events occurring prior to settlement.

o The parties agree to cause any and all pending litigation between them to be dismissed with prejudice as soon as practical following the payment of consideration contemplated by this settlement.

o This settlement will be subject to approval by the Bankruptcy Court in the Bankruptcy Proceedings and will be incorporated in the PMIC & LW Plan, and the Bankruptcy Court will retain jurisdiction to enforce the settlement. Mr. Li and Ms. Lee will withdraw their proofs of claims in the PMIC Bankruptcy Proceedings and their objections to the confirmation of the PMIC & LW Plan.

o Each party will bear its own costs and attorneys' fees incurred in connection with this settlement and the pending litigation between the parties except as follows: ACT will pay (and has paid) the mediation fees incurred in connection with the parties' mediation on April 12, 2006, and in the event of a breach of the letter agreement, the prevailing party in any ensuing litigation will be entitled to reasonable attorneys' fees and costs.



PACIFIC MAGTRON INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended June 30, 2005
(Unaudited - GOING CONCERN BASIS)

1. THE COMPANY

The consolidated financial statements of Pacific Magtron International Corp. (the "Company" or "PMIC") include its subsidiaries, Pacific Magtron, Inc. ("PMI"), Pacific Magtron (GA) Inc. ("PMIGA") and LiveWarehouse, Inc. ("LW"). PMI and PMIGA's principal activity consisted of the importation and wholesale distribution of electronics products, computer components, and computer peripheral equipment throughout the United States. LW distributed certain computer and electronics products and sold consumer computer products on the internet. PMIGA ceased its operation as of April 30, 2005.

Financial Statement Presentation

Effective July 1, 2005, the Company adopted the liquidation basis of accounting, whereby assets are valued at their estimated net realizable values and liabilities are valued at their estimated settlement amounts. Prior to July 1, 2005, the Company had prepared its consolidated financial statements on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. PMIGA ceased its operation as of April 30, 2005. The activities, assets and liabilities of PMIGA were reclassified for reporting purposes as discontinued operations for all periods prior to June 30, 2005 shown in the accompanying condensed consolidated financial statements.

The Company relied on credit terms from its suppliers to fund inventory purchases. Certain vendors had progressively imposed more restrictive credit terms, such that, beginning in March 2005, the Company was unable to fund purchases. The Company's business was limited to selling its existing inventory with no ability to obtain credit to replenish or purchase other items our customers might need. The Company did not have the ability to fund the shortfall caused by the elimination of terms by vendors. Because of the reduced sales caused by the lack of new inventory, the Company was not able to pay its obligations on a timely basis. On May 11, 2005, the Company filed voluntary petitions to reorganize the business under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court.

On June 23, 2005, Micro Technology Concepts, Inc. ("MTC"), a secured creditor, informed the Company that it would not continue to perform under the Interim Management Agreement and would not agree to allow the Company to use MTC's cash collateral for any business purpose except for liquidating the remaining assets of the Company. The Company was forced to cease business activities except those necessary to liquidate its remaining assets.

The interim financial information contained herein is unaudited, however, in management's opinion, all adjustments necessary for fair presentation of such financial information have been included. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes presented in the Company's Form 10-K for the year ended December 31, 2005. Interim operating results are not necessarily indicative of operating results expected for the entire year.



The accompanying condensed consolidated financial statements include the accounts of PMIC and its wholly-owned subsidiaries, PMI, PMIGA, and LW.

Inter-company accounts and transactions have been eliminated in consolidation. PMIGA ceased its operation as of April 30, 2005. The activities, assets and liabilities of PMIGA were reclassified for reporting purposes as discontinued operations for all periods shown in the accompanying condensed consolidated financial statements.

2. LOSS PER SHARE

Basic loss per share is computed by dividing loss applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities, using the treasury stock method, that could share in the earnings of an entity. During the three months and six months ended June 30, 2005, options and warrants to purchase shares of the Company's common stock and shares of common stock issuable upon conversion of Series A Preferred Stock were excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

3. DISCONTINUED OPERATIONS

On April 30, 2005, the Company ceased its operations in PMIGA. The operating results of PMIGA for the three months and six months ended June 30, 2005 were as follows:

| | Three months Ended June 30, 2005 | Six months Ended June 30, 2005 |
|---|---|---|
| Net sales | $ 34,300 | $ 1,023,200 |
| Net income (loss) | $ 14,900 | $ (140,000) |

4. STATEMENTS OF CASH FLOWS

Cash was paid during the six months ended June 30, 2005 for:

| | |
|---|---|
| State income taxes | $ 3,500 |
| Interest | $ 124,200 |

The following are the non-cash financing activities for the six months ended June 30, 2005:

| | |
|---|---|
| Accretion of preferred stock dividend | $ 8,100 |

5. SEGMENT INFORMATION

The Company had two reportable segments: PMI and LW.

19

PMI imported and distributed electronic products, computer components, and computer peripheral equipment to various distributors and retailers throughout the United States. LW sold similar products to end-users and resellers through a website. PMIGA ceased its business as of April 30, 2005. The activities of PMIGA for all periods were reclassified for reporting purposes as discontinued operations.

The accounting policies of the segments are the same as those described in the notes to consolidated financial statements presented in the Company's Form 10-K for the year ended December 31, 2005. The Company evaluated performance based on income or loss before income taxes, not including nonrecurring gains or losses. Inter-segment transfers between reportable segments had been insignificant. The Company's reportable segments were separate strategic business units. They were managed separately because each business required different technology and/or marketing strategies. Sales to foreign countries were approximately $1,800,000 for the six months ended June 30, 2005.

The following table presents information about reported continuing segment profit or loss for the three months and six months ended June 30, 2005:

| | Three Months Ended June 30, 2005 | Six Months Ended June 30, 2005 |
|---|---|---|
| Revenues from external customers: | | |
| PMI | $ 608,400 | $ 9,930,400 |
| LW | 5,400 | 53,100 |
| Total | $ 613,800 | $ 9,983,500 |
| Segment income (loss) before income taxes: | | |
| PMI | $ (690,200) | $(1,449,800) |
| LW | 3,400 | (87,600) |
| Loss before income taxes for reportable segments | (686,800) | (1,492,600) |
| Change in fair value of warrants issued | 1,200 | 2,300 |
| Amortization of warrant issuance costs | (2,000) | (4,000) |
| Consolidated loss from continuing operations | $ (687,600) | $(1,539,100) |

20

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Certain matters in this Form 10-Q, including, without limitation, certain matters discussed under Part I -- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "intends," "estimates," "will," "continue," "seeks" and similar expressions. In addition, any statements that refer to expectations or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of performance and that matters referred to in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Pacific Magtron International Corp. and each of its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, risks and uncertainties discussed throughout Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Part II, Item 1A - Risk Factors of this Form 10-Q and in Part I, Item 1A - Risk Factors in the report on Form 10-K of Pacific Magtron International Corp. for the year ended December 31, 2005. Pacific Magtron International Corp. undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW AND BANKRUPTCY PROCEEDINGS

As used herein and unless otherwise indicated, the terms "Company," "we," and "our" refer to Pacific Magtron International Corp. and each of its subsidiaries, Pacific Magtron, Inc. ("PMI"), Pacific Magtron (GA) Inc. ("PMIGA") and LiveWarehouse, Inc. ("LW"). .

As set forth in more detail below, the Company has filed a petition in bankruptcy. Although the petition was filed for reorganization under Chapter 11 of the Bankruptcy Code, the Company is currently not conducting any operations other than those necessary to liquidate its assets.

On May 11, 2005 (the "Petition Date"), PMIC, PMI, PMIGA and LW filed voluntary petitions to reorganize their businesses under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Nevada (the "Bankruptcy Court"). The Bankruptcy Court is jointly administering these cases as "In re: Pacific Magtron International Corporation, Inc., et al., Case No.BK-S-05-14325 LBR" (the "Bankruptcy Proceedings").

On July 18, 2005, the Company filed the "Disclosure Statement to Accompany Debtors' Joint Liquidating Plan of Reorganization" detailing the liquidation plan; however, the Company did not receive the Court's approval for the plan. On December 23, 2005, PMI and PMIGA filed an Amended Disclosure Statement to Accompany PMI's Second Amended Plan of Liquidation and PMIGA's Second Amended Plan of Liquidation ("the PMI & PMIGA Plan"). On January 30, 2006, the Court entered an order (Docket No. 507) ("Confirmation Order") approving and confirming the PMI & PMIGA Plan. The effective date of the PMI & PMIGA Plan was February 10, 2006 ("the Effective Date").

21

On June 21, 2006, PMIC and LW filed a separate Fourth Amended Plans of Reorganization for PMIC and LW ("the PMIC & LW Plan").

A confirmation hearing for the PMIC & LW Plan, including approval of the settlement with the Terminated Executives, was held on July 26, 2006. PMIC expects that an order confirming the Plan and approving the settlement will be entered during the week of July 31, 2006.

Financial Statement Presentation

Effective July 1, 2005, the Company adopted the liquidation basis of accounting, whereby assets are valued at their estimated net realizable values and liabilities are valued at their estimated settlement amounts. The Company has provided an estimated liquidation basis statement of net assets (liabilities) in its Form 10-Q as of June 30, 2006 and December 31, 2005, and the statement of changes in net assets (liabilities) for the three months and six months ended June 30, 2006. The valuation of assets and liabilities requires estimates and assumptions by management and there are substantial uncertainties in carrying out the liquidation plan. The amount and timing of future liquidating distribution to creditors and shareholders, if any, will depend upon a variety of factors including, but not limited to, the actual proceeds from the sale of the Company's assets, and the actual costs incurred in connection with carrying out the liquidation plan, including administrative costs during the liquidation period, and the timing of the liquidation. These estimates may vary significantly from the final amounts.

Prior to July 1, 2005, the Company had prepared its consolidated financial statements on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. PMIGA ceased its operation as of April 30, 2005. The activities, assets and liabilities of PMIGA were reclassified for reporting purposes as discontinued operations for all periods prior to June 30, 2005 shown in the accompanying condensed consolidated financial statements. The Company has been forced to cease business activities effective July 1, 2005, except those necessary to liquidate its remaining assets.

CHANGES IN NET ASSETS (LIABILITIES) IN LIQUIDATION

Income From Services Rendered

During the three months ended June 30, 2006, PMIC rendered certain accounting services to the PMI Creditor Trust and PMIGA Creditor Trust for a total income of $21,800.

22

Costs Incurred During Liquidation Period

The amounts of costs incurred during the liquidation for the three months ended June 30, 2006 were $34,000 and $77,300 for LW and PMIC, respectively. The costs incurred primarily consist of $29,000 and $16,900 in salaries and related costs for LW and PMIC, respectively. PMIC also incurred $39,000 accounting fees and $15,900 travel expenses for the three months ended June 30, 2006. During the three months ended June 30, 2006, LW has accrued an additional estimated cost of $49,500 and PMIC has decreased $41,000 of the estimated costs for the liquidation period.

The amounts of costs incurred during the liquidation for the six months ended June 30, 2006 were $137,700, $5,500, $45,600 and $122,200 for PMI, PMIGA, LW and PMIC, respectively. The costs incurred primarily consist of $26,300, $29,000 and $45,900 in salaries and related costs for PMI, LW and PMIC, respectively, and $138,800 in legal fees of which $113,800, $5,500, $8,500 and $11,000 was allocated to PMI, PMIGA, LW and PMIC, respectively. PMIC also incurred $39,000 accounting fees and $16,900 travel expenses for the six months ended June 30, 2006. During the six months ended June 30, 2006, LW and PMIC have accrued an additional estimated cost of $49,500 and $119,000, respectively, for the liquidation period.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2006, LW and PMIC had cash in the amounts of $103,500 and $8,500, respectively. For the quarter ended June 30, 2006, LW and PMIC have incurred costs of $34,000 and $77,300, respectively. As of June 30, 2006, LW and PMIC had unpaid Post-Petition payables and accruals of $1,000 and $38,000, respectively. As of June 30, 2006, PMIC also had a Post-Petition payable of $22,100, $2,700 and $17,700 to PMI, PMIGA and LW, respectively. During the three months ended June 30, 2006, PMIC rendered certain accounting services to the PMI Creditor Trust and PMIGA Creditor Trust for a total income of $21,800. As of June 30, 2006, PMIC had a receivable of $13,800 and $1,200 from the PMI Creditor Trust and PMIGA Creditor Trust, respectively.

On the Effective Date, PMIGA distributed cash of $89,200 to PMI and $29,900 to other unsecured creditors. Upon the receipt of the distribution of $89,200 from PMIGA, PMI immediately transferred the $89,200 to Micro Technology Concepts, Inc. ("MTC") in compliance with the Confirmation Order. On the Effective Date, PMI distributed cash of $142,100 to LW and $35,900 to MTC and $359,500 to other unsecured creditors. In addition, PMI transferred all its physical assets for a value of $15,000 to LW. On the Effective Date, PMI and PMIGA transferred all their remaining assets and liabilities to the PMI Creditor Trust and PMIGA Creditor Trust, respectively. The following are the assets and liabilities transferred to the PMI Creditor Trust and PMIGA Creditor Trust on the Effective Date:

| | PMI | PMIGA |
|---|---|---|
| Cash | $ 791,800 | $ 27,700 |
| Other assets | 56,600 | 2,600 |
| Total assets | 848,400 | 30,300 |
| Liabilities | 2,068,400 | 589,500 |
| Net liabilities | $1,220,000 | $ 559,200 |



PMIC had anticipated a federal income tax refund resulting from carrying back tax losses in 2002 to 1998. On March 3, 2006, PMIC received a federal income tax refund of $73,485 plus $6,001 interest for a total of $79,486.

The PMIC & LW Plan treats the assets and debts of each of PMIC and LW separately. Under the PMIC & LW Plan, non-insider Creditors holding Allowed Unsecured Claims against PMIC will receive a fifty percent (50%) initial distribution on account of such claims, provided that the total distribution to be made to holders of Allowed Claims other than Class 1 shall not exceed $120,000, which shall be distributed pro rata to the creditors of PMIC. On the effective date of the PMIC & LW Plan, PMIC will merge with Herborium Inc. ("Herborium"), a provider of proprietary, natural and complimentary healthcare products, and shall be the surviving operating entity post-merger (the "Herborium Merger"). LW will be reorganized and remain a wholly-owned subsidiary of PMIC. ACT shall contribute up to $50,000 on behalf of PMIC's shareholders to effectuate the PMIC & LW Plan. The existing stock of PMIC shall be cancelled and new stock shall be issued. With respect to the Class 6 equity interest of ACT, new stock shall be issued directly to the shareholders of ACT subject to the dilution of such interests upon plan consummation and the corresponding merger of Herborium with PMIC as provided in the PMIC & LW Plan. The existing Series A Convertible Preferred Stock of PMIC shall be converted to 800,000 shares of PMIC common stock or 0.74% of post-merger PMIC/Herborium. ACT's shareholders and two former executives shall own 10.55% of post-merger PMIC/Herborium; PMIC's current common stockholders shall own 3.71% of post-merger PMIC/Herborium; and Herborium's current stockholders shall own 85% of post-merger PMIC/Herborium.

On April 12, 2006, ACT and Theodore S. Li and Cynthia Lee (also referred to herein collectively as the "Former Executives") entered into binding letter agreements with respect to the settlement of certain litigation proceedings and potential claims involving ACT, PMIC, Encompass Group Affiliates, Inc. , the Former Executives, Martin Nielson and Wayne Danson. The provisions of this settlement are being incorporated into a Settlement Agreement to which PMIC and its subsidiaries will be a party upon Bankruptcy Court approval.

The litigation proceedings covered by this settlement include the following:

- o the suit filed on May 11, 2005 by ACT in the United States District Court for the Southern District of New York against Mr Li and Ms. Lee for the recovery of damages and costs for securities fraud, breach of contract, misrepresentation and other counts in connection with the Stock Purchase Agreement pursuant to which Mr. Li and Ms. Lee sold shares of PMIC's common stock to ACT (the "New York Action"); and

- o the suit brought in January 2006 by Mr. Li and Ms. Lee in the California Superior Court, Santa Clara County against ACT and Encompass and certain of their officers and directors alleging, among other things, fraud, intentional misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, violation of the California Labor Code, violation of the Business of Professions Code of California, and defamation (the "California Action").



The material terms of the settlement are set forth below.

o Upon the closing of the Herborium Merger and the occurrence of the effective date of the PMIC & LW Plan, ACT will pay Mr. Li and Ms. Lee $325,000. PMIC will reimburse ACT for a portion of this payment using available cash or other assets remaining in the PMIC bankruptcy estate after final distribution under the PMIC & LW Plan, as amended.

o PMIC will issue Mr. Li and Ms. Lee an aggregate of 1,750,000 freely-tradable shares of Herborium common stock ("Herborium Stock") with a minimum value of $.10 per share subject to the following conditions:

(a) such shares will be subject to a lock-up period of 150 days after issuance during which Mr. Li and Ms. Lee may only sell the shares for $.10 per share or greater; if the price per share is less than $.10 per share at the end of the lock-up period, then ACT will "top up" the value provided to Mr. Li and Ms. Lee by delivering either:

- o cash equal to $.10 minus the price per share on said date times the number of shares still held, or

- o additional shares of Herborium Stock which would otherwise be issued to ACT or its stockholders under the Fourth Amended Plan having a value equal to said the same amount;

(b) ACT's obligation to "top up" Mr. Li's and Ms. Lee's shares of Herborium Stock shall be collateralized by 1,750,000 shares of Herborium Stock held by ACT which will be placed in escrow upon the earliest date that such shares can be issued following the Herborium Merger;

(c) in the event that the Herborium Merger does not occur, Mr. Li and Ms. Lee will receive the $325,000 and $175,000 worth of shares of ACT's common stock, respectively, on the 76th day following execution of the Settlement Agreement; on the date upon which the Bankruptcy Court approves this settlement, 87,500,000 shares of ACT's common stock will be placed in escrow at an estimated value of $.002 per share, which shares will be deemed to be issued pursuant to the Convertible Notes issued to Mr. Li and Ms. Lee in connection with the Stock Purchase Agreement. The shares will be released from escrow to Mr. Li and Ms. Lee based upon the closing price as of the 75th day or the next preceding business day and shall be "topped up" to $.002 per share if the arms length third party closing price is below $.002. If the Herborium Merger occurs, these shares shall immediately be released to ACT.

o Mr. Li and Ms. Lee will each receive a reference letter from PMIC relating to the circumstances of their employment with PMIC.



o Mr. Li and Ms. Lee will execute broad general releases in favor of ACT, PMIC, Encompass and each of their subsidiaries and their directors, employees, heirs, insurers, attorneys and agents from any and all claims, including but not limited to those that have or could have been brought in connection with the New York Action, the California Action or in any of the bankruptcy proceedings or under the Stock Purchase Agreement or the employment agreements entered into by each of Mr. Li and Ms. Lee with us, ACT and Encompass. ACT, PMIC and Encompass and each of their subsidiaries will execute similar releases in favor of Mr. Li and Ms. Lee. This settlement will not be construed as an admission of liability by any party. The parties further agree not to instigate or participate in any future litigation or proceeding against any released party based upon events occurring prior to settlement.

o The parties agree to cause any and all pending litigation between them to be dismissed with prejudice as soon as practical following the payment of consideration contemplated by this settlement.

o This settlement will be subject to approval by the Bankruptcy Court in the Bankruptcy Proceedings and will be incorporated in the PMIC & LW Plan, as amended, and the Bankruptcy Court will retain jurisdiction to enforce the settlement. Mr. Li and Ms. Lee will withdraw their proofs of claims in the PMIC Bankruptcy Proceedings and their objections to the confirmation of the PMIC & LW Plan.

o Each party will bear its own costs and attorneys' fees incurred in connection with this settlement and the pending litigation between the parties except as follows: ACT will pay (and has paid) the mediation fees incurred in connection with the parties' mediation on April 12, 2006, and in the event of a breach of the letter agreement, the prevailing party in any ensuing litigation will be entitled to reasonable attorneys' fees and costs.

OFF-BALANCE ARRANGEMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, and the Company does not have any non-consolidated special purpose entities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not exposed to material risk based on exchange rate fluctuation or commodity price fluctuation.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report. Based on this evaluation, our principal executive officer and principal financial officer concluded, as of the end of such period, that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods.

(b) Changes in Internal Controls Over Financial Reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) identified in connection with the evaluation of our internal control performed during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



PART II

ITEM 1. - LEGAL PROCEEDINGS

We are not involved as a party to any legal proceeding or settlement other than various claims and lawsuits arising in the course of the Bankruptcy Proceedings. The discussion set forth under Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations under the headings Overview and Bankruptcy Proceedings and Liquidity and Capital Resources is incorporated by reference herein.

ITEM 1A. - RISK FACTORS.

IN ADDITION TO THE OTHER INFORMATION INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q, YOU SHOULD CAREFULLY REVIEW AND CONSIDER THE FACTORS DISCUSSED IN PART I, ITEM 1A - RISK FACTORS IN OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2005, CERTAIN OF WHICH HAVE BEEN UPDATED AS SET FORTH BELOW. THESE FACTORS COULD MATERIALLY AFFECT RECOVERY UNDER THE BANKRUPTCY PROCEEDINGS IN WHICH WE ARE INVOLVED, THE PRICE OF OUR COMMON STOCK AND THE PROPOSED MERGER OF HERBORIUM WITH AND INTO OUR COMPANY. THE RISKS, UNCERTAINTIES AND OTHER FACTORS DESCRIBED IN OUR ANNUAL REPORT ON FORM 10-K ARE NOT THE ONLY ONES PERTINENT TO OUR COMPANY AND OUR CREDITORS. ADDITIONAL RISKS, UNCERTAINTIES AND OTHER FACTORS NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO AFFECT RECOVERY UNDER THE BANKRUPTCY PROCEEDINGS IN WHICH WE ARE INVOLVED, THE PRICE OF OUR COMMON STOCK AND THE PROPOSED MERGER OF HERBORIUM WITH AND INTO OUR COMPANY.

RISKS RELATED TO THE BANKRUPTCY PROCEEDINGS

THE AMOUNT AND TIMING OF FUTURE DISTRIBUTIONS TO OUR CREDITORS AND STOCKHOLDERS WILL DEPEND UPON OUR ACTUAL PROCEEDS FROM LIQUIDATION AND OUR ACTUAL COSTS OF CARRYING OUT THE LIQUIDATION.

The amount and timing of future liquidating distributions to our creditors and stockholders, if any, will depend upon a variety of factors including, but not limited to, the actual proceeds that we receive from liquidating our assets, and the actual costs that we incur in connection with carrying out our liquidation and reorganization plans, including administrative costs during the liquidation period, and the timing of the liquidation. As of June 30, 2006, our estimated costs of liquidation were as follows:

| | PMI | PMIGA | LW | PMIC | COM |
|---|---|---|---|---|---|
| Estimated costs to be incurred during liquidation as of June 30, 2006 | 0 | 0 | 38,500 | 74,500 | 11 |

Our estimates may vary significantly from the actual amounts.

THERE IS NO ASSURANCE OF ADDITIONAL RECOVERY FOR PAYMENT TO UNSECURED CREDITORS UNDER THE PMI & PMIGA PLAN.

The PMI & PMIGA Plan involves some risk of reduced payment. The total recovery by unsecured creditors (Class 3 and 5) will depend upon:

27

o the recovery of "preferences"; and

o the recovery in PMIGA's accounts receivable by the PMIGA Creditor Trust

As part of our bankruptcy proceedings, we have claims against vendors who received payments within 90 days of the bankruptcy petition date. These payments are called "preferences." No assurance can be made there will be a substantial recovery from any of these sources. In addition, on April 12, 2006, we reached settlement with respect to litigation proceedings and potential claims involving us, our majority stockholder, Advanced Communications Technologies, Inc. (also referred to as "ACT"), its wholly-owned subsidiary Encompass Group Affiliates, Inc., and our former executives Theodore S. Li and Cynthia Lee. Under the terms of this settlement, we obtained no recovery from Mr. Li or Ms. Lee although the PMI & PMIGA Plan contemplated possible recovery from them.

IF APPROVED BY THE BANKRUPTCY COURT, THE SETTLEMENT WITH OUR FORMER EXECUTIVES MAY RESULT IN A DIMINUTION OF THE RECOVERY OF SOME OF OUR CREDITORS, NAMELY ACT AND ITS STOCKHOLDERS.

The litigation proceedings covered by this settlement include the following:

o the suit filed on May 11, 2005 by ACT in the United States District Court for the Southern District of New York against Mr. Li and Ms. Lee for the recovery of damages and costs for securities fraud, breach of contract, misrepresentation and other counts in connection with the Stock Purchase Agreement pursuant to which Mr. Li and Ms. Lee sold shares of PMIC's common stock to ACT. We refer to this litigation as the "New York Action"); and

o the suit brought in January 2006 by Mr. Li and Ms. Lee in the California Superior Court, Santa Clara County against ACT and Encompass and certain of their officers and directors alleging, among other things, fraud, intentional misrepresentation, breach of contract, breach of implied covenant of good faith and fair dealing, violation of the California Labor Code, violation of the Business of Professions Code of California, and defamation. We refer to this litigation as the "California Action".

The material terms of the settlement reached among us, ACT, Encompass and Mr. Li and Ms. Lee on April 12, 2006 are as follows:

o Upon the closing of the merger of Herborium with and into us and the occurrence of the effective date of plans of reorganization for us and our subsidiary LW, as may be amended, ACT will pay Mr. Li and Ms. Lee $325,000. We will reimburse ACT for a portion of this payment using available cash or other assets remaining in our bankruptcy estate after final distribution under our plan of reorganization.

o We will issue Mr. Li and Ms. Lee an aggregate of 1,750,000 freely-tradable shares of Herborium common stock with a minimum value of $.10 per share subject to the following conditions:

28

(a) such shares will be subject to a lock-up period of 150 days after issuance during which Mr. Li and Ms. Lee may only sell the shares for $.10 per share or greater; if the price per share is less than $.10 per share at the end of the lock-up period, then ACT will "top up" the value provided to Mr. Li and Ms. Lee by delivering either:

  o cash equal to $.10 minus the price per share on said date times the number of shares still held, or

  o additional shares of Herborium common stock which would otherwise be issued to ACT or its stockholders under our plan of reorganization, as amended, having a value equal to said the same amount;

(b) ACT's obligation to "top up" Mr. Li's and Ms. Lee's shares of Herborium common stock shall be collateralized by 1,750,000 shares of Herborium common stock held by ACT which will be placed in escrow upon the earliest date that such shares can be issued following the merger with Herborium;

(c) in the event that the merger with Herborium does not occur, Mr. Li and Ms. Lee will receive the $325,000 and $175,000 worth of shares of ACT's common stock, respectively, on the 76th day following execution of the Settlement Agreement; on the date upon which the Bankruptcy Court approves this settlement, 87,500,000 shares of ACT's common stock will be placed in escrow at an estimated value of $.002 per share, which shares will be deemed to be issued pursuant to the convertible notes issued to Mr. Li and Ms. Lee in connection with the Stock Purchase Agreement in which Mr. Li and Ms. Lee sold an aggregate of 6,454,300 shares of our common stock to ACT for the aggregate purchase price of $500,000.. The shares of ACT's common stock will be released from escrow to Mr. Li and Ms. Lee based upon the closing price as of the 75th day or the next preceding business day and shall be "topped up" to $.002 per share if the arms length third party closing price is below $.002. If the merger with Herborium occurs, these shares shall immediately be released to ACT.

o Mr. Li and Ms. Lee will each receive a reference letter from us relating to the circumstances of their employment with us.

o Mr. Li and Ms. Lee will execute broad general releases in favor of us, ACT, Encompass and each of our and their subsidiaries and our and their directors, employees, heirs, insurers, attorneys and agents from any and all claims, including but not limited to those that have or could have been brought in connection with the New York Action, the California Action or in any of the Bankruptcy Proceedings or under the Stock Purchase Agreement or the Employment Agreements that Mr. Li and Ms. Lee entered into with us, ACT and Encompass in connection with the Stock Purchase Agreement. We, ACT and Encompass and each of our and their subsidiaries will execute similar releases in favor of Mr. Li and

Ms. Lee. This settlement will not be construed as an admission of liability by any party. The parties further agree not to instigate or participate in any future litigation or proceeding against any released party based upon events occurring prior to settlement.



o The parties agree to cause any and all pending litigation between them to be dismissed with prejudice as soon as practical following the payment of consideration contemplated by this settlement.

o This settlement will be subject to approval by the Bankruptcy Court in the Bankruptcy Proceedings and will be incorporated in the amended reorganization plans of us and LW, and the Bankruptcy Court will retain jurisdiction to enforce the settlement. Mr. Li and Ms. Lee will withdraw their proofs of claims in our bankruptcy proceedings and their objections to the confirmation of our plan of reorganization.

o Each party will bear its own costs and attorneys' fees incurred in connection with this settlement and the pending litigation between the parties except as follows: ACT will pay (and has paid) the mediation fees incurred in connection with the parties' mediation on April 12, 2006, and in the event of a breach of the letter agreement, the prevailing party in any ensuing litigation will be entitled to reasonable attorneys' fees and costs.

We have filed the fourth amended plans of organization with the bankruptcy court on June 21, 2006. Under the amended plan of reorganization, the settlement with Mr. Li and Ms. Lee will affect the recovery of only ACT and its stockholders; our other creditors will not be affected by the settlement. As discussed above, any stock to be issued to Mr. Li and Ms. Lee under the settlement will come directly from ACT's distribution or, in the event that the merger of Herborium with and into us is not consummated, ACT's common stock will be issued in place of the common stock of Herborium. Our cash reimbursement obligation under the settlement is triggered only after all distributions to all of our other creditors have been made and adequate funds have been reserved for disputed claims. As a party to the settlement, ACT has agreed to the modified treatment.

ITEM 6. - EXHIBITS

| EXHIBIT NUMBER | DESCRIPTION* |
| --- | --- |
| 2.1 | Settlement Agreement Affecting Adversary Proceeding, Payment of Claims and Plans of Reorganization (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q on November 14, 2005). |
| 2.2 | Amended Disclosure Statement to Accompany Pacific Magtron, Inc.'s Second Amended Plan of Liquidation and Pacific Magtron (GA), Inc.'s Second Amended Plan of Liquidation (filed as Exhibit 2.1 to our Current Report on Form 8-K on February 3, 2006). |
| 2.3 | Disclosure Statement to Accompany Third Amended Plans of Reorganization for Pacific Magtron International Corp. and Livewarehouse, Inc. (filed as Exhibit 99.1 to our Current Report on Form 8-K on February 3, 2006). |
| 2.4 | Fourth Amended Plans of Reorganization for Pacific Magtron International Corp. and Livewarehouse, Inc. (filed herewith). |

30

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|---|---|
| 3.1 | Articles of Incorporation, as Amended and Restated (filed as an exhibit to our Form 10-12G, File No. 000-25277). |
| 3.2 | Bylaws, as Amended and Restated (filed as an exhibit to our Form 10-12G, File No. 000-25277). |
| 3.3 | Amended and Restated Certificate of Designation of Preferences, Rights and Limitations of Series A Redeemable Convertible Preferred Stock (filed as an exhibit to our Form 8-K on January 5, 2005). |
| 31.1 | Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |

* In the case of incorporation by reference to documents filed by the Registrant under the Securities Exchange Act of 1934, as amended, the Registrant's file number under the Exchange Act is 000-25277.

## 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.

PACIFIC MAGTRON INTERNATIONAL CORP.,
a Nevada corporation

Date: July 31, 2006

By /s/ Martin Nielson
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Martin Nielson
President and Chief Executive Officer

31

## EXHIBIT INDEX

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| 3.1 | Articles of Incorporation, as Amended and Restated (filed as an exhibit to our Form 10-12G, File No. 000-25277). |
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