ADDVANTAGE TECHNOLOGIES GROUP INC
Form 10QSB
May 15, 2003

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

FORM 10-QSB

(Mark One)
[x] QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period ________________ to ______________

Commission File number 1-10799

ADDvantage Technologies Group, Inc.
(Exact name of small business issuer as specified in its charter)

OKLAHOMA	73-1351610
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1605 E. Iola Broken Arrow, Oklahoma	74012
(Address of principal executive office)	(Zip Code)

(918) 251-9121
(Registrant's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No _____

Shares outstanding of the issuer's $.01 par value common stock as of March 31, 2003 were 10,010,414.

Transitional Small Business Issuer Disclosure Format (Check one):
Yes _____ No X

Part I - Financial Information Page

Part II - Other Information

ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED BALANCE SHEET
March 31, 2003

Assets	
Current assets:	
Cash	$ 431,282
Accounts receivable, net of allowance of $80,273	3,748,383
Inventories	18,906,152
Deferred income taxes	98,000
Total current assets	23,183,817
Property and equipment, at cost	
Machinery and equipment	2,023,790
Land and buildings	1,323,007
Leasehold improvements	512,339
	3,859,136
Less accumulated depreciation and amortization	(1,156,702)
Net property and equipment	2,702,434
Other assets:	
Deferred income taxes	1,003,000
Goodwill, net of accumulated amortization of $428,455	1,319,626
Other assets	34,329

Total other assets	2,356,955
Total assets	$ 28,243,206

See notes to consolidated financial statements.

ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED BALANCE SHEET
March 31, 2003

Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	$ 1,776,433
Accrued expenses	550,457
Accrued income taxes	275,132
Bank revolving line of credit	3,945,833
Notes payable - current portion	200,741
Dividends payable	310,000
Stockholder notes	1,047,064
Total current liabilities	8,105,660
Notes payable	402,144
Stockholder notes	405,078
Stockholders' equity:	
Preferred stock, 5,000,000 shares authorized, $1.00 par value, at stated value:	
Series A, 5% cumulative convertible; 200,000 shares issued and outstanding with a stated value of $40 per share	8,000,000
Series B, 7% cumulative; 300,000 shares issued and outstanding with a stated value of $40 per share	12,000,000
Common stock, $.01 par value; 30,000,000 shares authorized; 10,030,414 shares issued	100,304
Common stockholders' deficit	(715,816)
	19,384,488
Less: Treasury stock, 20,000 shares at cost	(54,164)
Total stockholders' equity	19,330,324
Total liabilities and stockholders' equity	$ 28,243,206

See notes to consolidated financial statements.

ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31, 2003	Three months ended March 31, 2002	Six months ended March 31, 2003	Six months ended March 31, 2002
Net sales and service income	$ 8,570,726	$ 5,843,964	$ 16,267,704	$ 11,428,693
Cost of sales	4,873,851	2,862,187	8,946,773	5,781,358
Gross profit	3,696,875	2,981,777	7,320,931	5,647,335
Operating expenses	2,017,743	1,746,111	3,993,195	3,336,041
Income from operations	1,679,132	1,235,666	3,327,736	2,311,294
Interest expense	43,626	48,522	103,386	115,370
Income before income taxes	1,635,506	1,187,144	3,224,350	2,195,924
Provision for income taxes	586,097	407,000	1,160,766	754,000
Net income	1,049,409	780,144	2,063,584	1,441,924
Preferred dividends	310,000	310,000	620,000	620,000
Net income attributable to common stockholders	$ 739,409	$ 470,144	$ 1,443,584	$ 821,924
Earnings per share:				
Basic	$ 0.07	$ 0.05	$ 0.14	$ 0.08
Diluted	$ 0.07	$ 0.05	$ 0.14	$ 0.08

See notes to consolidated financial statements.

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ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended March 31, 2003	Six months ended March 31, 2002
Cash Flows from Operating Activities		
Net income	$ 2,063,584	$ 1,441,924
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	121,683	148,918
Provision for deferred income taxes	6,000	89,813
Change in:		

Receivables	(243,085)	225,336
Inventories	(1,321,915)	256,500
Other assets	(7,471)	(117,467)
Accounts payable and accrued liabilities	543,752	(1,002,382)
Net cash provided by operating activities	1,162,548	1,042,642
Cash Flows from Investing Activities		
Additions to property and equipment	(611,549)	(379,960)
Net cash used in investing activities	(611,549)	(379,960)
Cash Flows from Financing Activities		
Net repayments under line of credit	(527,848)	(147,473)
Payments on stockholder loans	(107,207)	(40,000)
Proceeds on notes payable	359,598	20,997
Payments of preferred dividends	(620,000)	(620,000)
Net cash used in financing activities	(895,457)	(786,476)
Net decrease in cash	(344,458)	(123,794)
Cash, beginning of period	775,740	230,558
Cash, end of period	$ 431,282	$ 106,764

See notes to consolidated financial statements.

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ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended March 31, 2003	2002
Supplemental Cash Flow Information		
Cash paid for interest	$ 102,893	$ 115,370
Cash paid for income taxes	$ 734,300	$ 1,204,898

See notes to consolidated financial statements.

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NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 - Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements.

However, the information furnished reflects all adjustments, consisting only of normal recurring adjustments which are, in the opinion of management, necessary in order to make the financial statements not misleading.

Note 2 - Description of Business

ADDvantage Technologies Group, Inc., through its subsidiaries TULSAT Corporation, ADDvantage Technologies Group of Nebraska, (dba "Lee Enterprise"), NCS Industries Inc. ("NCS"), ADDvantage Technologies Group of Missouri, (dba "Comtech Services"), ADDvantage Technologies Group of Texas, (dba "Tulsat - Texas"), and Tulsat - Atlanta LLC ("Tulsat - Atlanta")(collectively, the "Company"), sells new, surplus, and refurbished cable television equipment throughout North America in addition to being a repair center for various cable companies. The Company operates in one business segment.

Note 3 - Earnings per Share

	Three months ended March 31, 2003	Three months ended March 31, 2002	Six months ended March 31, 2003	Six months ended March 31, 2002
Net income attributable to common stockholders	$ 739,409	$ 470,144	$ 1,443,584	$ 821,924
Basic and Diluted EPS Computation:				
Weighted average outstanding common shares	10,010,414	9,991,716	10,007,298	9,991,716
Earnings per Share	$ 0.07	$ 0.05	$ 0.14	$ 0.08

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Note 4 - Line of Credit, Stockholder Loans, and Notes Payable

At March 31, 2003, a $3,945,833 balance is outstanding under a $9.0 million line of credit due June 30, 2003, with interest payable monthly at Chase Manhattan Prime less 1 1/4% (3.0% at March 31, 2003). Borrowings under the line of credit are limited to the lesser of $7.0 million or the sum of 80% of qualified accounts receivable and 40% of qualified inventory for working capital purposes and $2.0 million for future acquisitions meeting Bank of Oklahoma credit guidelines. The line of credit agreement provides that the Company's net worth must be greater than $14.0 million and net income greater than $2.0 million. The line of credit is collateralized by inventory, accounts receivable, equipment and fixtures, and general intangibles.

Cash receipts are applied from the Company's lockbox account directly against the bank line of credit, and checks clearing the bank are funded from the line

of credit. The resulting overdraft balance, consisting of outstanding checks, is $94,783 at March 31, 2003 and is included in the bank revolving line of credit.

Stockholder loans of $950,000 bear interest at rates that correspond with the line of credit (3.0% at March 31, 2003) and are subordinate to the bank notes payable. The notes are due on demand and are classified as current. Stockholder notes, which were issued for purchases of real estate, total $502,142. Two of these notes totaling $441,829 bear interest at 7.5% and are due in monthly payments through 2011. Another note of $60,313 bears interest at 5.5% and is due in one installment in May 2003. Notes payable to unrelated parties totaled $602,885, of which $166,667 is due in quarterly payments through March 2004, with $66,667 of this amount bearing interest at 7%. The remaining note of $436,218 is due in monthly payments through 2013 with interest at 5.5% through 2008, converting thereafter to prime minus 1/4%.

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

Overview

We specialize in the refurbishment of previously owned cable television ("CATV") equipment and the distribution of new and surplus equipment to CATV operators and other broadband communication companies. Within the last two years, we have become distributors for a number of different manufacturers of equipment and other products. It is through our development of these relationships that we have focused our initiative to market our products and services to the larger cable multiple system operators (MSO's). As a result, our overall sales and profits are dramatically up for the first six months of 2003, while adding approximately $1.3 million of inventory to further enhance our product offerings. We continue to believe that as cable companies look at expanding their services in key markets and to recover from or address the effects of a slow economy and depressed capital markets, there will be an emphasis on minimizing their costs, thus creating a higher demand for the Company's repair services and surplus-new equipment.

Results of Operations

Comparison of Results of Operations for the Three Months Ended March 31, 2003 And March 31, 2002

Net Sales. Net sales increased $2.73 million, or 46.7%, to $8.6 million in the second quarter of fiscal 2003, from $5.8 million for the same period in fiscal 2002, primarily due to the positive results of our marketing initiatives and distributor relationships discussed in the previous paragraph. New equipment sales were up 99.5% to $5.8 million for the current period, compared with $2.89 million for the same period of fiscal 2002. Sales from remanufactured equipment decreased by 5.9% to $2.58 million for the current period, compared with $2.75 million in the same period last year. Repair service revenues were up 23.7% to $1.10 million for the current quarter, compared with $891,000 for the same period last year. The increase in repair services was due to the continued focus of being a leading repair service provider and the expansion of our repairs sales to our new Atlanta operations which began in June of 2002.

Cost of Sales. Cost of sales increased to $4.87 million for the second quarter of fiscal 2003 from $2.86 million for the same period of fiscal 2002. The increase was primarily due to the increase in sales for the period.

Gross Profit. Gross profit climbed $715,000 or 24.0% to $3.70 million for the second quarter of fiscal 2003 from $2.98 million for the same period in fiscal 2002. The gross margin percentage was 43.1% for the current quarter, compared to 51.0% for the same quarter last year. The percentage decrease was primarily due to an increase in sales of new and surplus equipment which is accompanied by margins lower than that of re-manufactured equipment or repairs.

Operating Expenses. Operating expenses increased by $272,000 in the second quarter of fiscal 2003, to $2.02 million from $1.75 million for the same period in 2002, an increase of 15.6%. The increase in operating expenses was primarily due to the commencement of the operations of TULSAT-Atlanta in June 2002, coupled with an expanding sales force and other added expenses incurred to meet the marketing initiatives described previously.

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Income from Operations. Income from operations rose $448,000, or 35.9% to $1.68 million for the second quarter of fiscal 2003 from $1.24 million for the same period last year. This increase was primarily due to increases in sales to the larger MSO's.

Comparison of Results of Operations for the Six Months Ended March 31, 2003 and March 31, 2002

Net Sales. Net sales increased $4.84 million, or 42.3%, to $16.3 million in the first six months of fiscal 2003, from $11.4 million for the same period in fiscal 2002, primarily due to the positive results of our marketing initiatives and distributor relationships discussed above. New equipment sales were up 96.1% to $10.1 million for the current period, compared with $5.1 million for the same period of fiscal 2002. Sales from remanufactured equipment were relatively flat at $5.56 million for the current period, compared with $5.61 million in the same period last year. Repair service revenues were up 28.6% to $2.32 million for the current period, compared with $1.80 million for the same period last year. The increase in repair services was due to the continued focus of being a leading repair service provider and the expansion of our repairs sales to our new Atlanta operations which began in June of 2002.

Cost of Sales. Cost of sales increased to $8.9 million for the first six months of fiscal 2003 from $5.8 million for the same period of fiscal 2002. The increase was primarily due to the increase in sales for the period.

Gross Profit. Gross profit climbed $1.67 million or 29.6% to $7.3 million for the first six months of fiscal 2003 from $5.6 million for the same period in fiscal 2002. The gross margin percentage was 45.0% for the current quarter, compared to 49.4% for the same quarter last year. The percentage decrease was primarily due to an increase in sales of new and surplus equipment which is accompanied by margins lower than that of re-manufactured equipment or repairs.

Operating Expenses. Operating expenses increased by $657,000 in the first six months of fiscal 2003, to $3.99 million from $3.34 million for the same period in 2002, an increase of 19.7%. The increase in operating expenses was primarily due to the commencement of the operations of TULSAT-Atlanta in June 2002, coupled with an expanding sales force and other added expenses incurred to meet the marketing initiatives described previously.

Income from Operations. Income from operations rose $1.0 million, or 44.0% to $3.33 million for the first six months of fiscal 2003 from $2.31 million for the same period last year. This increase was primarily due to increases in sales to the larger MSO's.

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Critical Accounting Policies

Note 1 to the Consolidated Financial Statements in Form 10-KSB for fiscal year 2002 includes a summary of the significant accounting policies or methods used in the preparation of our Consolidated Financial Statements. Some of those significant accounting policies or methods require us to make estimates and assumptions that affect the amounts reported by us. We believe the following items require the most significant judgments and often involve complex estimates.

General

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates and judgments on historical experience, current market conditions, and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant estimates and assumptions relate to the carrying value of our inventory and, to a lesser extent, the adequacy of our allowance for doubtful accounts.

Inventory Valuation

Inventory consists of new and used electronic components for the cable television industry. Inventory is stated at the lower of cost or market. Market is defined principally as net realizable value. Cost is determined using the weighted average method.

We market our products primarily to MSO's and other users of cable television equipment who are seeking products for which manufacturers have discontinued production, or are seeking shipment on a same-day basis. Our position in the industry requires us to carry large inventory quantities relative to quarterly sales, but also allows us to realize high overall gross profit margins on our sales. Carrying these large inventories represents the Company's largest risk. For individual inventory items, we may carry inventory quantities that are excessive relative to market potential, or we may not be able to recover our acquisition costs for sales we are able to make in a reasonable period.

In order to address the risks associated with our investment in inventory, we regularly review inventory quantities on hand and reduce the carrying value when the loss of usefulness of an item or other factors, such as obsolete and excess inventories, indicate that cost will not be recovered when an item is sold. Demand for some of the items in our inventory has been impacted by recent economic conditions present in the cable industry. We wrote certain items in inventory down to their estimated market values at September 30, 2002, which resulted in a charge to cost of sales of $1.4 million for fiscal 2002. Any significant, unanticipated changes in product demand, technological developments or continued economic trends affecting the cable industry could have a significant impact on the value of our inventory and operating results.

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Accounts Receivable Valuation

Management judgments and estimates are made in connection with establishing the allowance for doubtful accounts. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms. Significant changes in customer concentration or payment terms, deterioration of customer credit-worthiness, as in the case of the bankruptcy of Adelphia and its affiliates, or weakening in economic trends could have a significant impact on the collectibility of receivables and our operating results. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. At March 31, 2003, accounts receivable, net of allowance for doubtful accounts of $80,000, amounted to $3.7 million.

Goodwill

In July, 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. SFAS 142 was adopted by the Company on October 1, 2002, the date of the annual impairment review. The adoption of this pronouncement had no impact on the Company's carrying value of its goodwill. If SFAS 142 had been adopted in 2002, the Company's earnings would have been improved because of reduced amortization, as described below:

	Net Income	Basic and Diluted Earnings Per Share
Reported Net Income attributable to Common Shareholders	$ 951,234	$ 0.10
Add Amortization, Net of Tax	107,102	$ 0.01
Adjusted Net Income attributable to Common Shareholders	$ 1,058,336	$ 0.11

Liquidity and Capital Resources

The Company has a line of credit with the Bank of Oklahoma under which we are authorized to borrow up to $9.0 million at a borrowing rate of 1.25% below Chase Manhattan Prime (3.0% at March 31, 2003). This line of credit will provide the lesser of $7.0 million or the sum of 80% of qualified accounts receivable and 40% of qualified inventory in a revolving line of credit for working capital purposes and $2.0 million for future acquisitions meeting Bank of Oklahoma credit guidelines. The line of credit is collateralized by inventory, accounts receivable, equipment and fixtures, and general intangibles and had an outstanding balance at March 31, 2003 of $3.9 million, due June 30, 2003. We intend to renew the agreement at the maturity date under similar terms.

The Company finances its operations primarily through internally generated funds and a bank line of credit. Quarterly payments of principal for obligations related to the NCS purchase total $167,000 in the next 12 months. Monthly payments of principal for loans used to purchase buildings total $71,000 in the next 12 months. A $60,000 note in conjunction with a building purchase is due in one installment in May 2003. The Company expects to fund these payments through cash flows from operations.

Stockholder loans include a $950,000 note, due on demand, bearing interest at the same rate as the Company's bank line of credit, and is subordinate to the bank notes payable. It is not expected that this note will be called within the next year.

Forward Looking Statements

Certain statements included in this report which are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates, assumptions and beliefs of management; and words such as "expects," "anticipates," "intends," "plans," "believes," "projects", "estimates" and similar expressions are intended to identify such forward looking statements. These forward-looking statements involve risks and uncertainties, including, but not limited to, the future prospects for the business of the Company, the Company's ability to generate or to raise sufficient capital to allow it to make additional business acquisitions, changes or developments in the cable television business that could adversely affect the business or operations of the Company, general economic conditions, the availability of new and used equipment and other inventory and the Company's ability to fund the costs thereof, and other factors which may affect the Company's ability to comply with future obligations. Accordingly, actual results may differ materially from those expressed in the forward-looking statements.

Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Within 90 days prior to this report, with the participation of management, our principal executive officer and principal financial officer evaluated our disclosure controls and procedures. Based on this evaluation, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures are effective in timely alerting him to material information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(b) Changes in internal controls.

Subsequent to April 1, 2003 through the date of this filing of Form 10-QSB for the quarter ended March 31, 2003, there have been no significant changes in our internal controls or in other factors that could significantly affect those controls, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

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PART II-OTHER INFORMATION

OTHER INFORMATION

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

The annual meeting of shareholders of the Company was held in Broken Arrow, Oklahoma at the Corporate Offices of ADDvantage Technologies Group, Inc. on March 4, 2003. At the meeting, the following directors were elected for one year terms (with the votes as indicated):

	FOR	WITHHELD
Kenneth A. Chymiak	9,938,602	3,350
David E. Chymiak	9,938,602	3,350
Stephen J. Tyde	9,941,102	850
Freddie H. Gibson	9,941,602	350
Gary W. Young	9,941,602	350
Randy L. Weideman	9,938,502	3,450

The shareholders also approved the ratification of appointment of Tullius, Taylor, Sartain & Sartain as the Company's auditors for the 2002 fiscal year by a vote of 9,916,077 shares in favor and 500 against.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibit No. Description

99.1 Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 8 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K for the quarter ended March 31, 2003:

The Company filed a current report on Form 8-K on March 7, 2003 reporting under Item 9 the issuance of a press release announcing voting results and management comments at Annual Meeting. A copy of the press release was an exhibit to the report.

The Company filed a current report on Form 8-K on March 12, 2003 reporting under Item 9 the issuance of a press release announcing its expanded role with Scientific Atlanta. A copy of the press release was an exhibit to the report.

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.

ADDVANTAGE TECHNOLOGIES GROUP, INC.
(Registrant)

/S/ Kenneth A. Chymiak

Date: May 14, 2003

Kenneth A. Chymiak,
Director and President
(Principal Executive Officer and
Principal Financial Officer)

/S/ Dee Cooper

Date: May 14, 2003

Dee Cooper,
Controller
(Principal Accounting Officer)

CERTIFICATION

I, Kenneth A. Chymiak, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of ADDvantage Technologies Group, Inc, (the "Company");

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

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

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have;

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

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

c. Presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent functions):

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

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

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

Date: May 14, 2003

/S/ Kenneth A. Chymiak

Kenneth A. Chymiak,
Director and President
(Principal Executive Officer and
Principal Financial Officer)