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NVE CORP /NEW/
Form 10QSB
July 24, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10QSB

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2003

Transition report under Section 13 or 15(d) of the
Securities Exchange Act.

NVE Corporation

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation)

000-12196

41-1424202

Commission File Number

I.R.S. Employer
Identification number

11409 Valley View Road, Eden Prairie, Minnesota

55344

(Address of principal executive offices)

(Zip code)

Issuer's telephone number, including area code: (952) 829-9217

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 NO

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

Common Stock, \$.01 Par Value - 4,203,678 shares outstanding as of
July 24, 2003.

PART I--FINANCIAL INFORMATION

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Item 1. Financial Statements.

NVE CORPORATION
BALANCE SHEET
JUNE 30, 2003

| | |
|---|--------------|
| Current assets: | |
| Cash | \$ 1,455,259 |
| Investment securities | 5,051,867 |
| Accounts receivable, net of allowance for uncollectible accounts of \$15,000 | 1,115,670 |
| Inventories | 941,175 |
| Prepaid expenses and other assets | 97,997 |
| | ----- |
| Total current assets | 8,661,968 |
| Fixed assets: | |
| Machinery and equipment | 2,941,637 |
| Furniture and fixtures | 35,499 |
| Leasehold improvements | 365,187 |
| | ----- |
| | 3,342,323 |
| Less accumulated depreciation | 1,982,376 |
| | ----- |
| Total fixed assets | 1,359,947 |
| | ----- |
| Total assets | \$10,021,915 |
| | ===== |
| | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Current liabilities: | |
| Accounts payable | \$ 469,766 |
| Accrued payroll and other | 485,818 |
| Deferred revenue | 877,689 |
| Capital lease obligations | 157,441 |
| | ----- |
| Total current liabilities | 1,990,714 |
| Capital lease obligations, less current portion | 182,597 |
| | ----- |
| Total liabilities | 2,173,311 |
| Shareholders' equity: | |
| Common stock | 41,847 |
| Additional paid-in capital | 12,179,019 |
| Accumulated other comprehensive income | 100,808 |
| Accumulated deficit | (4,473,070) |
| | ----- |
| Total shareholders' equity | 7,848,604 |
| | ----- |
| Total liabilities and shareholders' equity | \$10,021,915 |
| | ===== |

SEE ACCOMPANYING NOTES.

NVE CORPORATION
STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2003 AND 2002

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| | Three Months Ended June 30 | |
|--------------------------------------|----------------------------|--------------|
| | 2003 | 2002 |
| | ----- | ----- |
| Revenue | | |
| Contract research and development | \$ 1,720,906 | \$ 1,535,851 |
| Product sales | 1,098,943 | 529,188 |
| License revenue | - | 97,917 |
| | ----- | ----- |
| Total revenue | 2,819,849 | 2,162,956 |
| Cost of sales | 1,908,995 | 1,340,146 |
| | ----- | ----- |
| Gross profit | 910,854 | 822,810 |
| Expenses | | |
| Research and development | 178,669 | 328,602 |
| Selling, general & administrative | 450,863 | 446,999 |
| | ----- | ----- |
| Total expenses | 629,532 | 775,601 |
| | ----- | ----- |
| Income from operations | 281,322 | 47,209 |
| Interest income | 49,013 | 40,250 |
| Interest expense | (7,691) | (12,905) |
| Other income | 11,774 | 17,675 |
| | ----- | ----- |
| Net income | \$ 334,418 | \$ 92,229 |
| | ===== | ===== |
| Net income per share-basic | \$.08 | \$.02 |
| | ===== | ===== |
| Net income per share-diluted | \$.07 | \$.02 |
| | ===== | ===== |
| Weighted average shares outstanding: | | |
| Basic | 4,174,913 | 4,038,472 |
| Diluted | 4,571,254 | 4,342,273 |

SEE ACCOMPANYING NOTES.

NVE CORPORATION
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JUNE 30, 2003 AND 2002

| | Three Months Ended June 30 | |
|----------------------|----------------------------|-----------|
| | 2003 | 2002 |
| | ----- | ----- |
| OPERATING ACTIVITIES | | |
| Net income | \$ 334,418 | \$ 92,229 |

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| | | |
|---|--------------|-------------|
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 119,164 | 106,551 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (87,380) | 131,788 |
| Inventories | (100,399) | (2,581) |
| Prepaid expenses and other | 72,323 | (61,717) |
| Accounts payable and accrued expenses | 19,171 | (136,097) |
| Deferred revenue | (11,938) | (372,034) |
| Net cash provided by (used in) operating activities | 345,359 | (241,861) |
| INVESTING ACTIVITIES | | |
| Purchases of fixed assets | (304,630) | (128,020) |
| Sales (purchases) of investment securities | 847,837 | (5,260,633) |
| Net cash provided by (used in) investing activities | 543,207 | (5,388,653) |
| FINANCING ACTIVITIES | | |
| Net proceeds from sale of common stock | 8,285 | 6,219,867 |
| Repayment of note payable and capital lease obligations | (37,360) | (252,923) |
| Net cash (used in) provided by financing activities | (29,075) | 5,966,944 |
| Increase in cash | 859,491 | 336,430 |
| Cash and cash equivalents at beginning of period | 595,768 | 537,258 |
| Cash and cash equivalents at end of period | \$ 1,455,259 | \$ 873,688 |
| | ===== | ===== |

SEE ACCOMPANYING NOTES.

NVE CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1. INTERIM FINANCIAL INFORMATION

The accompanying unaudited financial statements of NVE Corporation (the "Company") are consistent with accounting principles generally accepted in the United States and reporting with SEC regulations. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial statements. Although we believe that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed financial statements be read in conjunction with the audited financial statements and the notes included in our latest annual financial statements included in our report on Form 10-KSB. The results of operations for the three months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the full year ending March 31, 2004.

2. NATURE OF BUSINESS

We develop and sell "spintronics" devices, which rely on electron spin

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rather than electron charge to acquire, store, and transmit information.

3. REVENUE RECOGNITION

Revenue from product sales to direct customers is recognized upon shipment. Revenue from licensing and technology development programs, which is nonrefundable and for which no significant future obligations exist, is recognized when the license is signed. Revenue from licensing and technology development programs, which is refundable, recoupable against future royalties, or for which future obligations exist, is recognized when we have completed our obligations under the terms of the agreements. Revenue from royalties is recognized upon the shipment of product from our technology license partners to direct customers. Certain research and development activities are conducted for third parties and such revenue is recognized as the services are performed.

4. EARNINGS PER SHARE

We calculate our income (loss) per share pursuant to Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings Per Share. Basic earnings per share is computed based upon the weighted average number of common shares issued and outstanding during each year. Diluted net income per share amounts assume conversion, exercise or issuance of all potential common stock instruments (stock options, warrants and convertible preferred stock).

5. INVESTMENTS

We classify and account for debt and equity securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company's entire portfolio is classified as available for sale; thus, securities are recorded at fair market value and any associated unrealized gain or loss, net of tax, is included as a separate component of shareholders' equity, "Accumulated other comprehensive income."

6. COMPREHENSIVE INCOME

The components of comprehensive income (loss) are as follows:

| | Three months ended | |
|----------------------------|--------------------|------------|
| | June 30 | June 30 |
| | 2003 | 2002 |
| | ----- | ----- |
| Net income | \$ 334,418 | \$ 92,229 |
| Change in unrealized gains | 27,587 | 23,098 |
| | ----- | ----- |
| Comprehensive income | \$ 362,005 | \$ 115,327 |
| | ===== | ===== |

7. INVENTORIES

Inventories consist of the following:

| | |
|---------------------------|------------|
| Raw materials | \$ 336,568 |
| Work-in-process | 582,386 |
| Finished goods | 277,221 |
| | ----- |
| | 1,196,175 |
| Less obsolescence reserve | (255,000) |
| | ----- |
| | \$ 941,175 |

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8. STOCK SPLIT

We executed a one-for-five reverse split of our Common Stock to stockholders of record at the close of business on November 21, 2002. All share and per share amounts have been restated for the quarter ended June 30, 2002 in the accompanying financial statements.

9. STOCK-BASED COMPENSATION

We have adopted the disclosure-only provisions of SFAS Nos. 123 and 148, Accounting for Stock-Based Compensation, but apply Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for our plans. Under APB No. 25, when the exercise price of employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and income per share is required by SFAS Nos. 123 and 148, and has been determined as if we had accounted for our employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.7% for the three months ended June 30, 2003 and 2002, expected volatility of 55%, a weighted-average expected life of the options of four to seven years, and no dividend yield.

Option valuation models were developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options.

The pro forma information is as follows:

| | Three Months Ended June 30 2003 | 2002 |
|---|------------------------------------|-------------|
| | ----- | ----- |
| Net income applicable to common shares: | | |
| As reported | \$ 334,418 | \$ 92,229 |
| Pro forma adjustment for stock options | (81,325) | (164,709) |
| | ----- | ----- |
| Pro forma net income (loss) | \$ 253,093 | \$ (72,480) |
| | ===== | ===== |
| Earnings per share: | | |
| Basic - as reported | \$ 0.08 | \$ 0.02 |
| Basic - pro forma | \$ 0.06 | \$ (0.02) |
| Diluted - as reported | \$ 0.07 | \$ 0.02 |
| Diluted - pro forma | \$ 0.06 | \$ (0.02) |

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10. TECHNOLOGY EXCHANGE AGREEMENT

On April 19, 2002 the Company closed a technology exchange agreement accompanied by an investment by Cypress Semiconductor Corporation ("Cypress"). Cypress purchased 686,849 shares of NVE Common Stock for \$6.228 million. Cypress also received a warrant for the purchase of up to an additional 400,000 shares of Common Stock for \$15.00 per share for a term of three years.

Item 1. Legal Proceedings.
None.

Item 2. Management's Discussion and Analysis or Plan of Operation.

General

We develop and sell "spintronics" devices, which are integrated circuit type devices that rely on electron spin rather than electron charge to acquire, store, and transmit information in electronic systems. We derive revenue from three sources:

- 1) contract spintronics research and development (principally government contracts);
- 2) commercial sales of spintronic sensor and coupler products; and
- 3) licenses for our magnetic random-access memory (MRAM) intellectual property.

Critical accounting policies

It is important to understand our significant accounting policies in order to understand our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. These accounting principles require us to make estimates and assumptions that affect amounts reported in our consolidated financial statements and the accompanying notes. Actual results are likely to differ from those estimates, but we do not believe such differences will materially affect our financial position or results of operations for the periods presented in this report.

Revenue recognition

Revenue from product sales to direct customers is recognized upon shipment. Revenue from licensing and technology development programs, which is nonrefundable and for which no significant future obligations exist, is recognized when the license is signed. Revenue from licensing and technology development programs, which is refundable, recoupable against future royalties, or for which future obligations exist, is recognized when we complete our obligations under the terms of the agreements. Revenue from royalties is recognized upon the shipment of product from our technology license partners to direct customers. Certain research and development activities are conducted for third parties and such revenue is recognized as the services are performed. Payments received from licensing and technology development programs relating to future obligations as well as prepayments for future discounts on product sales are recorded as deferred revenue.

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Bad Debt

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. 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.

Inventory

We reduce the stated value of our inventory for excess quantities or obsolescence in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional reductions in stated value may be required.

Income Taxes

In determining the carrying value of our net deferred tax assets, we must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions to realize the benefit of these assets. Our management evaluates the realizability of the deferred assets quarterly and assesses the need for valuation allowances or reduction of existing allowances quarterly.

The table below summarizes the percentage of revenue for the various items for the periods indicated:

| | Three Months Ended June 30 | |
|--------------------------|----------------------------|--------|
| | 2003 | 2002 |
| | ----- | ----- |
| Revenue: | | |
| Research and development | 61.0 % | 71.0 % |
| Product sales | 39.0 | 24.5 |
| License fees | - | 4.5 |
| | ----- | ----- |
| Total revenue | 100.0 | 100.0 |
| Cost of sales | 67.7 | 62.0 |
| | ----- | ----- |
| Gross profit | 32.3 | 38.0 |
| Total expenses | 20.4 | 33.8 |
| | ----- | ----- |
| Net income | 11.9 % | 4.2 % |
| | ===== | ===== |

Revenue for the three months ended June 30, 2003 ("Fiscal 2003") was

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\$2,819,849, an increase of 30% from revenue of \$2,162,956 for the three months ended June 30, 2002. The revenue increase was due to increases in commercial product sales and research and development revenue. Commercial product sales increased 108% to \$1,098,943 from \$529,188. Research and development revenue increased 12% to \$1,720,906 from \$1,535,851 due to increased government contract revenue, partially offset by the completion of revenue recognized under our agreement with Agilent Technologies, Inc. Such revenues from Agilent were \$150,000 for the three months ended June 30, 2002. Increases in commercial product sales and research and development revenue were partially offset by a decrease in license revenue due to completion of revenue recognition for our MRAM license agreements. Such MRAM license agreements contributed \$97,917 in revenues for the three months ended June 30, 2002.

Gross profit margins decreased to 32% for the three months ended June 30, 2003 as compared to 38% for the three months ended June 30, 2002. The decrease was due to \$97,917 in license revenue and \$150,000 in revenue recognized under our agreement with Agilent Technologies, Inc. for the three months ended June 30, 2002 which have not recurred. The decreases in gross profit were partially offset by higher commercial product margins due to successful yield improvement programs.

Research and development expenses decreased by 46% to \$178,669 for the three months ended June 30, 2003 as compared to \$328,602 for the three months ended June 30, 2002. The decrease was due to completion of the development of some of our commercial products.

Selling, general and administrative expenses for the three months ended June 30, 2003 increased by 1% to \$450,863 compared to \$446,999 for the three months ended June 30, 2002.

Net income totaled \$334,418 for the three months ended June 30, 2003 compared to \$92,229 for the three months ended June 30, 2002. The increase in net income was due to higher revenues and higher commercial product margins.

Liquidity and capital resources

At June 30, 2003 we had \$5,051,867 in available-for-sale securities, consisting of marketable fixed-income investments. We had cash on June 30, 2003 of \$1,455,259 and working capital of \$6,671,254.

Cash plus available-for-sale securities were \$6,507,126 at June 30, 2003, compared to 6,475,865 at March 31, 2003. The increase was due to net income partially offset by investments in machinery and equipment and increases accounts receivable and inventories related to the growth of our commercial product sales.

We expect to continue to invest in machinery and equipment in the balance of the fiscal year to continue to increase our manufacturing capacity. We believe our working capital is adequate to meet our requirements for at least the next twelve months.

Outlook

We expect to broaden our sensor and coupler product lines, and to improve the effectiveness of our domestic manufacturers' representative network. We expect commercial product revenues to continue to grow in the rest of Fiscal 2004 and we expect to continue to be profitable in Fiscal 2004.

Item 4. Internal Controls and Procedures.

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(a) Disclosure Controls and Procedures: Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

(b) Internal Controls: There were no significant changes in our internal controls or, to our knowledge, in other factors which could significantly affect these controls subsequent to the date of their evaluation.

PART II--OTHER INFORMATION

Item 5. Other Information

SHARE REPURCHASE PROGRAM EXPIRED

On November 11, 2002, we announced that our board of directors had authorized the repurchase of up to 50,000 shares of our Common Stock. The program expired May 25, 2003 and we did not repurchased any shares under the program.

SBIR ELIGIBILITY RESTORED

On July 1, 2003, we announced that the U.S. Small Business Administration (SBA) had found us to be ineligible for Small Business Innovation Research (SBIR) awards because of the Company's ownership structure. Specifically, 13 CFR Section 121.702(a) requires a business concern to be at least 51% owned and controlled by one or more individuals to be eligible to compete for SBIR awards.

Our largest shareholder, Norwest Equity Partners, transferred most of its holdings to an individual to facilitate recertification, and on July 21, 2003 we were notified we had been recertified as eligible to compete for SBIR awards.

We do not expect the brief period of SBIR ineligibility to have a significant impact on our SBIR revenue or total revenue, however we rely on government contracts for a large percentage of our revenues, and there can be no assurance that these contracts will continue at their current level. Disqualification from or a material decrease in U.S. government funding research would cause serious setbacks and would likely hamper our future research and development activity.

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

a. Exhibits.

- 99.1 Certification by Daniel A. Baker pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification by Richard L. George pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of

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2002.

b. Reports on Form 8-K.

We submitted a Form 8-K on April 24, 2003 including our press release reporting results from the quarter and the year ended March 31, 2003. This information was provided under Item 12, Results of Operations and Financial Condition.

We submitted a Form 8-K on June 20, 2003 including a transcript of a radio interview with our CEO. This information was provided under Item 9, Regulation FD Disclosure.

We submitted a Form 8-K on June 27, 2003 including our 2003 Letter to Shareholders. This information was provided under Item 9, Regulation FD Disclosure.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

NVE CORPORATION

Date: July 24, 2003

By /s/ Daniel A. Baker

Daniel A. Baker
President and Chief Executive Officer

By /s/ Richard L. George

Richard L. George
Chief Financial Officer

CERTIFICATIONS PURSUANT TO SECTION 302

I, Daniel A. Baker, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NVE Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

- a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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

Date: July 24, 2003

/s/ Daniel A. Baker

Daniel A. Baker
President and Chief Executive Officer

I, Richard L. George, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of NVE Corporation.
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its

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consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

- a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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

Date: July 24, 2003

/s/ Richard L. George

Richard L. George
Chief Financial Officer
10QSB Quarter Ended 6/30/03
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