

CHAMPION ENTERPRISES INC

Form 11-K

June 30, 2003

**Table of Contents**

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 11-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File number 1-9751**

**CHAMPION ENTERPRISES, INC.  
SAVINGS PLAN  
(Full title of the plan)**

**CHAMPION ENTERPRISES, INC.  
2701 Cambridge Court, Suite 300  
Auburn Hills, Michigan 48326  
(Name of issuer of the securities held pursuant to the plan  
and the address of its principal executive office)**

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**TABLE OF CONTENTS**

Financial Statements

Report of Independent Accountants

Statements of Net Assets Available for Benefits as of December 31, 2002 and 2001

Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2002

Notes to Financial Statements

Schedule

Schedule of Assets Held for Investment Purposes as of December 31, 2002 Form 5500, Schedule H,  
Part IV, line 4i

Consent of Independent Accountants

906 Certification of Chief Executive Officer

906 Certification of Chief Financial Officer

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**Table of Contents**

The following financial statements and exhibits are filed as part of this annual report:

| <b><u>Financial Statements</u></b>   | <b><u>Page</u></b> |
|--|--------------------|
| Report of Independent Accountants  | 4                  |
| Statements of Net Assets Available for Benefits as of December 31, 2002 and 2001               | 5                  |
| Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2002 | 6                  |
| Notes to Financial Statements  | 7-11               |

| <b><u>Schedule*</u></b>   | <b><u>Schedule</u></b> |
|---|------------------------|
| Schedule of Assets Held for Investment Purposes as of December 31, 2002 Form 5500, Schedule H, Part IV, line 4i | A                      |

| <b><u>Exhibits</u></b>   | <b><u>Exhibit No.</u></b> |
|--|---------------------------|
| Consent of Independent Accountants   | 23.1                      |
| Certification of Chief Executive Officer of the Champion Enterprises, Inc. Savings Plan (the Plan ), dated June 30, 2003, relating to the Plan s Annual Report on Form 11-K for the year ended December 31, 2002 | 99.1                      |
| Certification of Chief Financial Officer of the Champion Enterprises, Inc. Savings Plan (the Plan ), dated June 30, 2003, relating to the Plan s Annual Report on Form 11-K for the year ended December 31, 2002 | 99.2                      |

\* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the Employee Benefits Administration Committee have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

CHAMPION ENTERPRISES, INC.  
SAVINGS PLAN

Date: June 30, 2003

By: /s/ Richard P. Hevelhorst

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Richard P. Hevelhorst  
Member, Employee Benefits  
Administration Committee

**Table of Contents**

**Report of Independent Accountants**

To the Participants and Administrator of  
Champion Enterprises, Inc. Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Champion Enterprises, Inc. Savings Plan (the Plan ) at December 31, 2002 and December 31, 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Assets Held for Investment Purposes as of December 31, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan  
May 9, 2003

**Table of Contents****Champion Enterprises, Inc. Savings Plan  
Statements of Net Assets Available for Benefits  
(In thousands)**

|   | <b>December<br/>31,<br/>2002</b> |   | <b>December<br/>31,<br/>2001</b> |   |
|---|----------------------------------|---|----------------------------------|---|
| <i>Assets</i>   |                                  |   |                                  |   |
| Non-interest-bearing cash                             | \$ 11                            |   | \$ 78                            |   |
| Interest-bearing cash                                 | 56                               |   | 78                               |   |
| Participant-directed investments                      |                                  |   |                                  |   |
| Champion Enterprises, Inc. Common Stock               | 3,717                            |   | 7,139                            | * |
| Fidelity Magellan Fund                                | 15,181                           | * | 21,104                           | * |
| Fidelity Retirement Government Money Market Portfolio | 13,864                           | * | 14,248                           | * |
| Fidelity Managed Income Portfolio                     | 10,866                           | * | 11,678                           | * |
| Fidelity Contrafund                                   | 8,150                            | * | 9,896                            | * |
| Fidelity Intermediate Bond Fund                       | 7,931                            | * | 7,178                            | * |
| Fidelity Equity-Income Fund                           | 6,532                            | * | 8,296                            | * |
| Fidelity Capital Appreciation Fund                    | 3,594                            |   | 4,359                            |   |
| Fidelity Low-Priced Stock Fund                        | 2,065                            |   | 1,549                            |   |
| Fidelity Asset Manager                                | 1,594                            |   | 1,778                            |   |
| Fidelity Diversified International Fund               | 1,361                            |   | 1,283                            |   |
| Fidelity Puritan Fund                                 | 1,187                            |   | 1,251                            |   |
| Fidelity Aggressive Growth Fund                       | 381                              |   | 333                              |   |
| Fidelity Freedom 2020 Fund                            | 222                              |   | 127                              |   |
| Fidelity Freedom 2010 Fund                            | 220                              |   | 147                              |   |
| Fidelity Freedom 2000 Fund                            | 160                              |   | 187                              |   |
| Fidelity Freedom 2030 Fund                            | 125                              |   | 109                              |   |
| Fidelity Freedom Income Fund                          | 73                               |   | 12                               |   |
| Fidelity Freedom 2040 Fund                            | 55                               |   | 15                               |   |
| Loans to participants                                 | 3,938                            |   | 4,136                            |   |
|   | <u>81,216</u>                    |   | <u>94,825</u>                    |   |
| Receivables   |                                  |   |                                  |   |
| Participants contributions                            | 7                                |   | 86                               |   |
| Employer's contributions                              | 4                                |   | 37                               |   |
| Loan repayments and interest                          |                                  |   | 26                               |   |
| Other   |                                  |   | 23                               |   |
|   | <u>11</u>                        |   | <u>172</u>                       |   |
| Total assets  | <u>81,294</u>                    |   | <u>95,075</u>                    |   |
| <i>Liabilities</i>                                    |                                  |   |                                  |   |
| Amounts to be refunded to participants (Note 3)       | 152                              |   |                                  |   |
| Other liabilities                                     | 15                               |   | 24                               |   |
|   | <u>152</u>                       |   | <u>24</u>                        |   |

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|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Total liabilities                 | 167               | 24                |
|                                   | <u>          </u> | <u>          </u> |
| Net assets available for benefits | \$ 81,127         | \$ 95,051         |
|                                   | <u>          </u> | <u>          </u> |

\* Investment balance represents 5% or more of the Plan's net assets available for benefits.  
The accompanying notes are an integral part of these financial statements.



**Table of Contents**
**Champion Enterprises, Inc. Savings Plan**  
**Statement of Changes in Net Assets Available for Benefits**  
**(In thousands)**

|   | <b>For the<br/>Year Ended<br/>December 31,<br/>2002</b> |
|---|---|
| <i>Additions</i>                                  |   |
| Additions to net assets attributed to:            |   |
| Contributions                                     |   |
| Participants                                      | \$ 8,572  |
| Employer's  | 3,627   |
| Rollover  | 365   |
|   | <hr/>   |
| Total contributions                               | 12,564  |
| Investment income (loss)                          |   |
| Interest and dividends                            | 1,935   |
| Net depreciation in fair value of investments     |   |
| Champion Enterprises, Inc. Common Stock           | (6,007)   |
| Mutual funds                                      | (9,451)   |
|   | <hr/>   |
|   | (15,458)  |
|   | <hr/>   |
| Net investment loss                               | (13,523)  |
|   | <hr/>   |
| Total additions                                   | (959)   |
|   | <hr/>   |
| <i>Deductions</i>                                 |   |
| Deductions from net assets attributed to:         |   |
| Benefits paid to participants                     | 13,234  |
| Amounts to be refunded to participants (Note 3)   | 152   |
| Administrative fees and other                     | 145   |
|   | <hr/>   |
| Total deductions                                  | 13,531  |
|   | <hr/>   |
| Net decrease                                      | (14,490)  |
|   | <hr/>   |
| Transfers from subsidiary's savings plan (Note 4) | 612   |
| Transfer to subsidiary's savings plan (Note 4)    | (46)  |
|   | <hr/>   |
| Net transfers to Plan                             | 566   |
|   | <hr/>   |
| Net assets available for benefits:                |   |
| Beginning of year                                 | 95,051  |
|   | <hr/>   |

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|             |           |
|-------------|-----------|
| End of year | \$ 81,127 |
|-------------|-----------|

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

**Table of Contents**

**Champion Enterprises, Inc. Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**Note 1 Significant Accounting Policies**

The accompanying financial statements of the Champion Enterprises, Inc. Savings Plan (the Plan ) have been prepared on the accrual basis of accounting. Benefit payments are recorded when paid. Participants' contributions are recorded in the period during which the amounts are withheld from participants' earnings. Employer's contributions are recorded in the same period as the related participant contributions.

Investments, other than loans to participants, are stated at fair value as determined by Fidelity Management Trust Company, the trustee of the Plan (the Trustee ), and are based on quoted market prices. Loans to participants are stated at cost. Net appreciation or depreciation in the fair value of investments as presented in the Statement of Changes in Net Assets Available for Benefits represents the net amount of realized gains or losses and unrealized appreciation or depreciation on those investments.

The Plan provides for various investment options in mutual funds and other types of investments. Investments are exposed to various risks, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Plan Benefits and the Statement of Changes in Net Assets Available for Plan Benefits.

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

**Note 2 Plan Description**

The following description of the Plan provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

The Plan is a defined contribution plan that was initially approved by the shareholders of Champion Enterprises, Inc. (the Company or Plan Sponsor ) on July 11, 1984 and became effective as of February 26, 1983. The Plan is administered by the Employee Benefits Administration Committee (the Committee ), whose members are appointed by the Board of Directors of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ).

**Table of Contents**

**Champion Enterprises, Inc. Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**Note 2 Plan Description, continued**

In general, all hourly and salaried employees of the Company and its participating subsidiaries are eligible to participate in the Plan at the beginning of the month following the completion of one year of service.

Participating employees may make contributions on a deferred salary arrangement (pretax contributions), under Section 401(k) of the Internal Revenue Code (the IRC), in an amount ranging from 1% to 17% of compensation. However, the IRC places annual limits on employee contributions to the Plan; the 2002 limit was \$11,000 per participant. Participants may also make rollover contributions from conduit Individual Retirement Accounts or other tax-qualified retirement plans. Effective January 1, 2002, as a result of a Plan amendment to adopt certain provisions of The Economic Growth and Tax Relief Reconciliation Act of 2001, participants age 50 or older may make annual pretax catch-up contributions up to the annual limit established by the IRC; the 2002 limit was \$1,000 per qualifying employee.

The Company and its participating subsidiaries make matching contributions that currently are equal to 50% of participant contributions, up to the first 6% of compensation contributed, and are invested in the funds selected by the participants. Rollover contributions and catch-up contributions are not subject to matching contributions.

All matching and participant contributions plus earnings thereon are 100% vested and nonforfeitable. Participants may change or discontinue the amount of their contributions at various times throughout the year as specified in the Plan document.

Participants have the opportunity to change their investment selections at any time. Investment options available during the current Plan year consisted of the following funds: Champion Enterprises, Inc. Common Stock Fund; Fidelity Aggressive Growth Fund; Fidelity Asset Manager; Fidelity Capital Appreciation Fund; Fidelity Contrafund; Fidelity Diversified International Fund; Fidelity Equity-Income Fund; six Fidelity Freedom Funds; Fidelity Intermediate Bond Fund; Fidelity Low-Priced Stock Fund; Fidelity Magellan Fund; Fidelity Managed Income Portfolio; Fidelity Puritan Fund and Fidelity Retirement Government Money Market Portfolio.

Under the terms of the Plan, a participant may borrow up to 50% of his or her account balance with loan amounts and maturities ranging from \$1,000 to \$50,000 and six months to five years, respectively. Loans are generally repaid through periodic payroll withholdings, are secured by the participant's account balance and bear interest at rates based on the general prime rate plus 2% as of the first business day of the month in which the participant applies for the loan. If a participant fails to make a scheduled repayment, the loan will be considered

**Table of Contents**

**Champion Enterprises, Inc. Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**Note 2 Plan Description, continued**

in default after a certain period of time as specified in the Plan document, and the entire outstanding loan balance and accrued interest will become immediately due and payable. In addition, the participant will be deemed to have received a taxable distribution from the Plan.

While employed by the Company, participants may withdraw all or a portion of their savings from the Plan upon attaining age 59 1/2. Prior to age 59 1/2, participants may withdraw pretax contributions under certain circumstances, such as financial hardship, subject to limitations set by the IRC and as specified in the Plan document.

Upon termination of employment, whether due to retirement, death, disability or any other cause, participants or beneficiaries may have their accounts distributed. Participants with account balances in excess of \$5,000 may defer the distribution of their accounts until age 65.

Expenses of administering the Plan, including the expenses of the Committee and the fees and expenses of the Trustee, are generally borne by the Company (see Note 5). However, brokerage and loan fees, transfer or other taxes and certain other administrative expenses are charged against the respective fund and participant accounts and are included in the Statement of Changes in Net Assets Available for Benefits as administrative fees and other.

**Note 3 Amounts to Be Refunded to Participants**

Amounts to be refunded to participants at December 31, 2002 represent contributions made to the Plan during 2002 that were in excess of limits established by the IRC. In March 2003, these amounts were refunded to the affected participants as 2002 taxable distributions. In addition, approximately \$75,000 of employer contributions that were in excess of IRC limits were forfeited from the participants' accounts but will remain in the Plan and be used to reduce future employer matching contributions. Participants' and employer's contributions made to the Plan during 2001 were within IRC limits; therefore, there were no amounts to be refunded to participants as of December 31, 2001.

**Note 4 Plan Transfers**

In November 2002, the Committee offered to participants of the A-1 Homes Group, Inc. 401(k) Profit Sharing Plan (the A-1 Homes Plan), a frozen, qualified savings plan of one of the Company's wholly owned subsidiaries, the opportunity to transfer their account balances into the Plan. A-1 Homes Plan participants with account balances totaling \$612,000 elected to transfer their accounts to the Plan during 2002. These transfers are reflected in the Statement of Changes in Net Assets Available for Benefits as transfers from subsidiary's savings plan.

**Table of Contents**

**Champion Enterprises, Inc. Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**Note 4 Plan Transfers, continued**

The Committee did not establish a deadline for such transfers to be made; therefore, additional assets may be transferred into the Plan from the A-1 Homes Plan in future years.

In May 2002, due to a transfer of employment from a participating subsidiary of the Company to a non-participating subsidiary, an employee elected to transfer his \$46,000 account balance in the Plan to the qualified savings plan of the non-participating subsidiary. This transfer is reflected in the Statement of Changes in Net Assets Available for Benefits as a transfer to subsidiary's savings plan.

**Note 5 Party-in-Interest Transactions**

Various administrative expenses of the Plan were borne by the Plan Sponsor. Such amounts were not material for the year ended December 31, 2002. In addition, the Plan invests in funds managed by affiliates of the Trustee and allows for investment in shares of the Company's common stock. These transactions with the Trustee of the Plan and the Plan Sponsor qualify as party-in-interest transactions.

**Note 6 Tax Status of the Plan**

The Internal Revenue Service has determined and informed the Company, most recently, by letter dated October 1, 2001, that the Plan is designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan Sponsor believes that the Plan is designed and currently is being operated in compliance with the applicable requirements of the IRC. The Plan is not subject to income tax under present federal tax law. Participants are not taxed, either on Company contributions to the Plan or on the earnings thereon (including appreciation) allocated to their accounts, until actual distribution of such accounts. At that time, the participant is generally taxed on the total amount of the distribution.

**Note 7 Plan Termination**

Although the Company has not expressed any intent to do so, the Plan may be terminated, in whole or in part, at any time, but only upon the condition that such action precludes any part of the assets of the Plan from being used for or diverted to purposes other than for the exclusive benefit of the participants and their beneficiaries and for the payment of expenses of the Plan. Upon termination or partial termination of the Plan or upon the complete discontinuance of contributions under the Plan, the assets of the Plan shall be distributed to the participants and their beneficiaries at such time and in such nondiscriminatory manner as is determined by the Committee.

**Table of Contents**

**Champion Enterprises, Inc. Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**Note 8 Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2002 and 2001 to Form 5500:

| (In thousands)   | 2002      | 2001      |
|--|-----------|-----------|
| Net assets available for benefits per the financial statements | \$ 81,127 | \$ 95,051 |
| Amounts allocated to withdrawing participants                  |           | (4)       |
| Net assets available for benefits per the Form 5500            | \$ 81,127 | \$ 95,047 |

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that were processed and approved for payment prior to December 31, 2001, but not yet paid as of that date. There were no such amounts as of December 31, 2002.

**Note 9 Subsequent Event**

In March 2003, the Southern Showcase Housing, Inc. 401(k) Retirement Plan, a qualified savings plan of a wholly owned subsidiary of the Company, was merged into and assets valued at \$198,000 were transferred into the Plan.

**Table of Contents**

**Champion Enterprises, Inc. Savings Plan**  
**Schedule of Assets Held for Investment Purposes**  
**Form 5500, Schedule H, Part IV, Line 4i**  
**December 31, 2002**

Schedule A

| <b>Party-in-<br/>interest</b> | <b>Identity of issue, borrower,<br/>lessor, or similar party</b> | <b>Description of investment</b>  | <b>Shares / units</b> | <b>Share or<br/>unit<br/>price</b> | <b>Current<br/>value<br/>(amounts in<br/>thousands)</b> |
|-------------------------------|--|---|-----------------------|------------------------------------|---|
| *                             | Champion Enterprises,<br>Inc.                                    | Champion Enterprises, Inc. Common<br>Stock  | 1,304,327             | \$ 2.85                            | \$ 3,717  |
| *                             | Fidelity Investments   | Fidelity Magellan Fund  | 192,263               | \$ 78.96                           | 15,181  |
| *                             | Fidelity Investments   | Fidelity Retirement Government Money<br>Market Portfolio  | 13,864,009            | \$ 1.00                            | 13,864  |
| *                             | Fidelity Investments   | Fidelity Managed Income Portfolio   | 10,865,551            | \$ 1.00                            | 10,866  |
| *                             | Fidelity Investments   | Fidelity Contrafund   | 211,136               | \$ 38.60                           | 8,150   |
| *                             | Fidelity Investments   | Fidelity Intermediate Bond Fund   | 739,120               | \$ 10.73                           | 7,931   |
| *                             | Fidelity Investments   | Fidelity Equity-Income Fund   | 164,664               | \$ 39.67                           | 6,532   |
| *                             | Fidelity Investments   | Fidelity Capital Appreciation Fund  | 222,125               | \$ 16.18                           | 3,594   |
| *                             | Fidelity Investments   | Fidelity Low-Priced Stock Fund  | 82,060                | \$ 25.17                           | 2,065   |
| *                             | Fidelity Investments   | Fidelity Asset Manager  | 115,531               | \$ 13.80                           | 1,594   |
| *                             | Fidelity Investments   | Fidelity Diversified International Fund   | 79,316                | \$ 17.16                           | 1,361   |
| *                             | Fidelity Investments   | Fidelity Puritan Fund   | 75,175                | \$ 15.79                           | 1,187   |
| *                             | Fidelity Investments   | Fidelity Aggressive Growth Fund   | 34,071                | \$ 11.19                           | 381   |
| *                             | Fidelity Investments   | Fidelity Freedom 2020 Fund  | 20,823                | \$ 10.64                           | 222   |
| *                             | Fidelity Investments   | Fidelity Freedom 2010 Fund  | 19,193                | \$ 11.44                           | 220   |
| *                             | Fidelity Investments   | Fidelity Freedom 2000 Fund  | 14,528                | \$ 11.01                           | 160   |
| *                             | Fidelity Investments   | Fidelity Freedom 2030 Fund  | 12,182                | \$ 10.24                           | 125   |
| *                             | Fidelity Investments   | Fidelity Freedom Income Fund  | 6,892                 | \$ 10.60                           | 73  |
| *                             | Fidelity Investments   | Fidelity Freedom 2040 Fund  | 9,378                 | \$ 5.86                            | 55  |
|                               | Plan participants  | Loans to participants interest rates<br>ranging from 6.25% 11.50% and<br>maturity dates ranging through January<br>2008 |                       |                                    | 3,938   |
|                               |  |   |                       |                                    | <u>\$ 81,216</u>  |

\* Party is considered to be a party-in-interest to the Plan.



**Table of Contents**

11-K EXHIBIT INDEX

| <b>EXHIBIT NO.</b> | <b>DESCRIPTION</b>   |
|--------------------|--|
| EX-23.1            | Consent of Independent Accountants   |
| EX-99.1            | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| EX-99.2            | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |