CPI AEROSTRUCTURES INC
Form 10QSB
August 07, 2003

CPI AEROSTRUCTURES, INC.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

Commission File Number 1-11398

CPI AEROSTRUCTURES, INC.
(Exact Name of Small Business Issuer as Specified in its Charter)

New York	11-2520310
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

200A EXECUTIVE DRIVE, EDGEWOOD, NY 11717
(Address of Principal Executive Offices)

Telephone number (631) 586-5200
(Issuer'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 such 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 ____

The number of shares of common stock, par value $.001 per share, outstanding was 5,112,352 as of July 31, 2003.

CPI AEROSTRUCTURES, INC.
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Part I: Financial Information:

Item 1 - Consolidated Financial Statements

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
CPI Aerostructures, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of CPI Aerostructures, Inc. and Subsidiary as of June 30, 2003, and the related condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2003 and 2002 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2003 and 2002. These financial statements are responsibility of the company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the condensed consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above in order for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of CPI Aerostructures, Inc. and Subsidiary as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 4, 2003, except for the second paragraph of Note 15 and Note 16, as to which the date is February 19, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002, is fairly stated in all material respects, in relation to the consolidated balance sheet from which it is derived.

/s/ Goldstein Golub Kessler LLP
GOLDSTEIN GOLUB KESSLER LLP
New York, New York

July 17, 2003

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CPI AEROSTRUCTURES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30 2003 (Unaudite
ASSETS	
Current assets:	
Cash	$2,981,2
Accounts receivable	2,393,4
Costs and estimated earnings in excess of billings on uncompleted contracts	13,323,7
Deferred income taxes, net of valuation allowance of $231,000 and $900,000, respectively	651,0

Prepaid expenses and other current assets	47,5
Assets held for sale - discontinued operations	-
Total current assets	19,397,0
Property, plant and equipment, net	254,6
Deferred income taxes, net of valuation allowance of $1,268,000 and $2,910,000, respectively	-
Other assets	179,2
Total assets	$19,830,8
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$4,123,3
Accrued expenses	168,2
Current portion of long-term debt	50,1
Total current liabilities	4,341,7
Long-term debt	35,0
Total liabilities	4,376,8
Commitments and contingencies	
Shareholders' equity:	
Common stock - $.001 par value; authorized 50,000,000 shares, 5,110,852 and 2,785,668 issued and outstanding	5,1
Additional paid - in capital	20,468,4
Accumulated deficit	(5,019,5
Shareholders' equity	15,454,0
Total liabilities and shareholders' equity	$19,830,8

See Notes to Condensed Consolidated Financial Statements

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CPI AEROSTRUCTURES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended June 30,		For the Six M
	2003	2002	2
	(Unaudited)		

Revenue	$6,894,217	$6,208,350	$12,90
Cost of sales	4,878,787	4,381,557	8,72
Gross profit	2,015,430	1,826,793	4,181
Selling, general and administrative expenses	916,401	604,903	1,639
Income from operations	1,099,029	1,221,890	2,542
Other income (expense):			
Interest/other income	5,110	13,961	7,
Interest expense	(1,668)	(91,592)	(141,
Gain on extinguishment of debt	-----	-----	2,431,
Total other income (expenses), net	3,442	(77,631)	2,297,
Income from continuing operations	1,102,471	1,144,259	4,839,
Gain on sale of assets held for sale - discontinued operations	166,667	-----	419,
Income before provision for income taxes	1,269,138	1,144,259	5,259,
Provision for income taxes	-----	(157,000)	----
Net income	$1,269,138	$987,259	$5,259,
Basic net income per common share:			
Income from continuing operations	$ 0.22	$ 0.36	$1
Gain on sale of assets held for sale - discontinued operations	0.03	-----	
Earnings per common share - basic	$ 0.25	$ 0.36	$
Diluted net income per common share:			
Income from continuing operations	$ 0.19	$ 0.31	$
Gain on sale of assets held for sale - discontinued operations	0.03	-----	
Earnings per common share - diluted	$ 0.22	$ 0.31	$
Shares used in computing earnings per common share:			
Basic	5,110,852	2,709,556	4,483
Diluted	5,763,975	3,214,339	5,029

See Notes to Condensed Consolidated Financial Statements

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CPI AEROSTRUCTURES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30,	20
Cash flows from operating activities:	
Net income from continuing operations	$4,839,6
Adjustments to reconcile net income from continuing operations to net cash used in operating activities:	
Depreciation and amortization	55,7
Warrants issued for consulting fees	15,6
Common stock issued for bank fees	84,4
Gain on extinguishment of debt	(2,431,2
Deferred portion of provision for income taxes	-
Changes in operating assets and liabilities:	
(Increase) Decrease in accounts receivable	(61,6
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(1,941,6
Decrease in prepaid expenses and other current assets	417,9
Decrease in other assets	---
Decrease in accounts payable and accrued expenses	(911,2
Net cash provided by (used in) operating activities	67,6
Cash used in investing activities - purchase of property, plant and equipment	(87,3
Cash flows from financing activities:	
Net repayment of long-term debt	(5,547,8
Proceeds from exercise of stock options	---
Proceeds from public offering	7,756,6
Net cash provided by (used in) financing activities	2,208,7
Net cash provided by (used in) continuing operations	2,189,0
Net cash from discontinued operations	700,6
Net increase in cash	2,889,7
Cash at beginning of period	91,5
Cash at end of period	$2,981,2
Supplemental disclosures of cash flow information:	
Cash paid during the period for:	
Interest	$62,5
Income taxes	$8,4

See Notes to Condensed Consolidated Financial Statements

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CPI AEROSTRUCTURES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. INTERIM FINANCIAL STATEMENTS:

The financial statements as of June 30, 2003 and for the six months ended June 30, 2003 and 2002 are unaudited, however, in the opinion of the management of the Company, these financial statements reflect all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of the Company and the results of operations for such interim periods are not necessarily indicative of the results to be obtained for a full year.

The Company has elected to apply Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock options issued to employees (intrinsic value) and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. Had the Company elected to recognize compensation cost based on the fair value of the options granted at the grant date as prescribed by SFAS No. 123, the Company's net income and income per common share would have been adjusted as follows:

Three months ended June 30,	2003	2002
Net income - as reported	$1,269,138	$ 987,259
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	165,515	1,233,910
Net income (loss) - pro forma	$1,103,623	$(246,651)
Basic income per share - as reported	.25	$ 0.36
Basic income (loss) per share - pro forma	$ 0.22	$ (0.09)
Diluted income per share - as reported	$ 0.22	$ 0.31
Diluted income (loss) per share - pro forma	$ 0.19	$ (0.09)

Six months ended June 30,	2003	2002
Net income - as reported	$5,259,673	$1,545,692
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	240,334	1,695,092
Net income (loss) - pro forma	$5,019,339	$(149,400)

Basic income per share - as reported	$ 1.17	$ 0.58
Basic income (loss) per share - pro forma	$ 1.12	$ (0.06)
Diluted income per share - as reported	$ 1.05	$ 0.51
Diluted income (loss) per share - pro forma	$ 1.00	$ (0.06)

2. COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS:

Costs and estimated earnings in excess of billings on uncompleted contracts consist of:

June 30, 2003	U.S. Government	Commercial	Total
Costs incurred on uncompleted contracts	$19,547,992	$13,154,080	$32,702,072
Estimated earnings	9,635,613	6,004,765	15,640,378
	29,183,605	19,158,845	48,342,450
Less billings to date	17,889,440	17,129,259	35,018,699
Costs and estimated earnings in excess of billings on uncompleted contracts	$11,294,165	$2,029,586	$13,323,751

December 31, 2002	U.S. Government	Commercial	Total
Costs incurred on uncompleted contracts	$13,272,589	$13,068,603	$26,341,192
Estimated earnings	6,508,822	5,969,156	12,477,978

	19,781,411	19,037,759	38,819,170
Less billings to date	10,429,184	17,007,880	27,437,064
Costs and estimated earnings in excess of billings on uncompleted contracts	$9,352,227	$ 2,029,879	$11,382,106

3. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed using the weighted average number of shares outstanding. Diluted earnings per common share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to outstanding options and warrants to purchase common stock. Incremental shares of 653,123 and 545,714 were used in the calculation of diluted earnings per common share in the three-month and six-month periods, ended June 30, 2003, respectively.

4. DEBT and EQUITY:

Debt consists of the following:

	June 30, 2003	December 31, 2002
Notes payable - banks	-----	$3,017,572
Note payable - seller	-----	4,898,034
Capitalized lease obligations payable	$ 85,222	148,746
	85,222	8,064,352
Less current portion	50,172	8,024,160
Long-term debt	$ 35,050	$ 40,192

The Company leases equipment under capital leases, which expire at various dates through December 2007. The leases require monthly aggregate payments of $11,064, including interest at 9.35%. Proceeds of approximately $674,000 were received during 2002 upon the sale of certain leased equipment, which amount was remitted to the owners of the equipment.

At December 31, 2002, the Company had in place three notes payable to banks and a note payable - seller, related to its discontinued Kolar, Inc. operation. The notes payable - banks were each collateralized and called for monthly installments, each under independent terms and conditions. The note payable -- seller totaled approximately $4,898,000.

In February 2003, the Company consummated the public offering of 2,300,000 shares of common stock, which provided the Company with net proceeds of $7,662,000.

Each of the notes payable to banks and the note payable - seller were extinguished in conjunction with the February 2003 public offering of the Company's common stock. In conjunction with the repayment of the note payable -- seller, the Company recognized a gain of $2,431,233.

5. INCOME TAXES:

There was no provision for income taxes for the quarter ended June 30, 2003 due to the utilization of federal and state net operating loss carryforwards.

6. CONTINGENCIES:

In connection with the publication of a newspaper article about the Company prior to the public offering of 2,300,000 common shares on February 19, 2003, the Company may, upon the occurrence of certain future events through February 19, 2004, be required to return to certain investors all or part of their purchase price. The net proceeds to the Company from the offering therefore could be reduced.

Item2- Management's Discussion and Analysis of Financial Condition and Results of Operations

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The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and footnotes thereto contained in this report.

Forward Looking Statements

The statements discussed in this Report include forward looking statements that involve risks and uncertainties, including the timely delivery and acceptance of the Company's products and the other risks detailed from time to time in the Company's reports filed with the Securities and Exchange Commission.

Critical Accounting Policies

Revenue Recognition

Revenue is recognized from contracts over the life of the contract utilizing the percentage-of-completion (POC) method of accounting. Under the POC method of accounting, revenue and gross profit are recognized as work is performed, based on the relationship between actual costs incurred and total estimated costs at the completion of the contract. Recognized revenue that will not be billed under the terms of the contract until a later date are recorded as an asset captioned "Costs and estimated earnings in excess of billings on uncompleted contracts." Changes to the original estimates may be required during the life of the contract. Estimates are reviewed monthly and the effect of any change in the estimated gross margin percentage for a contract is reflected in cost of sales in the period the change becomes known. The use of the POC method of accounting involves considerable use of estimates in determining revenue, costs and profits and in assigning the amounts to accounting periods. We continually evaluate all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We record a valuation allowance that represents federal and state operating loss carryforwards for which utilization is uncertain. Management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against our net deferred tax assets. The valuation allowance would need to be adjusted in the event future taxable income is materially different than amounts estimated. Valuation allowances of $1,499,000 and $3,810,000 have been recorded against our deferred tax assets at June 30, 2003 and December 31, 2002, respectively.

Material Changes in Results of Operations

The Company's revenue, for the three months ended June 30, 2003 was $6,894,217, compared with $6,208,350 for the three months ended June 30, 2002, an increase of $685,867, or 11%. For the six months ended June 30, 2003, revenue increased $2,001,530, or 18% to $12,901,664, compared to $10,900,134 for the same period last year.

The increases in both the three-month and six-month periods are primarily due to the increase in the value of government contracts awarded to the Company. During the second quarter of this year, new contract awards were $7.5 million, compared with $5.7 million in the same quarter last year. For the six months ended June 30, 2003, new contract awards totaled $19.4 million, an increase of $6.1 million or 46%, compared with last year's new contract awards of $13.3 million.

Gross profit for the three months ended June 30, 2003 was $2,015,430, or 29% of revenue, compared with $1,826,793, or 29% of revenue for the quarter ended June 30, 2002. For the six months ended June 30, 2003 gross profit was $4,181,331, or 32% of revenue, compared with $3,229,174, or 30% of revenue for the first six months of last year. The improvement in gross profit margin as a percentage of sales is due primarily to a more favorable product mix.

Selling, general, and administrative expenses for the three months ended June 30, 2003 were $916,401, or 13% of revenue, compared with $604,903, or 10% of revenues for the same period last year. For the six-month period ended June 30, 2003, selling, general and administrative expenses were $1,639,320, or 13% of revenue, compared with $1,024,774, or 11% of revenues for the same period last year.

During the quarter ended June 30, 2003, selling, general and administrative expenses increased reflecting our higher level of business activity with increased costs in salaries, bonuses, travel and entertainment and public relations costs. For the six months ended June 30, 2003, selling, general and administrative expenses increased reflecting higher banking, legal and accounting fees associated with the early extinguishment of the debt, as well as the increased costs associated with the higher level of business activity mentioned above.

The resulting income from operations, for the three months ended June 30, 2003 was $1,099,029, or 16% of revenue, compared with $1,221,890, or 20% of revenue for the same period last year. For the six months ended June 30, 2003, income from operations was $2,542,011, or 20% of revenue, compared with $2,204,400, or 20% of revenue for the same period last year.

Interest expense for the three months ended June 30, 2003 was $1,668, compared with $91,592 for the same period last year. Interest expense for the six months ended June 30, 2003 was $141,334, compared with $132,968 for the same period last year. In February of 2003, the Company's early extinguishment of approximately $2,433,000 of bank debt resulted in larger interest charges in the first quarter of fiscal 2003, however, the second quarter of fiscal 2003 benefited from the significant reduction in interest bearing debt. Included in other income for the six months ended June 30, 2003, is a gain of $2,431,233 from the early extinguishment of a note payable-seller.

Income from continuing operations for the three months ended June 30, 2003 was $1,102,471, or 16% of revenue, as compared with $1,144,259, or 18% of revenue for the same period last year. For the six months ended June 30, 2003, income from continuing operations was $4,839,674, or 38% of revenue, compared with $2,075,692, or 19% of revenue for the same period last year. The increase in income from continuing operations for the six-month period reflects a gain on the early extinguishment of debt of $2,431,233 which was realized in conjunction with the public offering of 2,300,000 shares of the Company's common stock in February 2003 as well as the variations discussed above.

During the first and second quarters of fiscal 2003, the Company realized one time gains on the disposal of assets held for sale - discontinued operations of $253,332 and $166,667, respectively compared to no such amounts in the prior year periods.

As a result, income before provision for income taxes for the three months ended June 30, 2003 was $1,269,138, or 18% of revenue, compared with $1,144,259, or 18% of revenue for the same period last year. For the six months ended June 30, 2003, income before provision for income taxes was $5,259,673, or 41% of revenue, compared with $2,075,692, or 19% of revenue for the same period last year. Due to losses incurred in prior years, the Company was able to partially realize the benefit of its net operating loss carryforward during the quarter and six month periods, resulting in a reversal of a previously established valuation allowance and no provision for taxes for the three-month and six-month periods ended June 30, 2003.

Net income for the quarter was $1,269,138, or $0.25 per share, compared with $987,259, or $0.36 per share for the same period last year. For the six months ended June 30, 2003, net income was $5,259,673, or $1.17 per share, compared with $1,545,692, or $0.58 per share for the same period last year.

Diluted earnings per share, for the three months ended June 30, 2003, were $0.22, calculated utilizing 5,763,975 diluted average shares outstanding for the period, compared with diluted net income per share of $0.31, calculated utilizing 3,214,339 diluted average shares outstanding for the same period last year.

Diluted earnings per share, for the six months ended June 30, 2003, were $1.05, calculated utilizing 5,029,016 diluted average shares outstanding for the period, compared with diluted net income per share of $0.51, calculated utilizing 3,004,859 diluted average shares outstanding for the same period last year.

Material Changes in Financial Condition

At June 30, 2003, the Company had working capital of $15,055,235, compared with $1,975,574, at December 31, 2002, an increase of $13,079,661. This increase is primarily attributable to the public offering of 2,300,000 shares of common stock consummated in February 2003, which provided the Company with net proceeds of $7,662,000 and year to date net income of $5,259,673. The net proceeds of the offering were used to repay approximately $2,433,000 of the Company's bank debt, and approximately $4,898,000 of note payable - seller, at a discount of $2,431,000, plus accrued interest of approximately $233,000. The discount was recorded as a gain on the early extinguishment of the note payable-seller. The remaining net proceeds of the public offering of $2,529,000 were available to fund continuing operations.

A large portion of the Company's cash is used in paying for materials and processing costs associated with contracts that are in process and which do not provide for progress payments. These costs are components of "Costs and estimated earnings in excess of billings on uncompleted contracts" on the Company's balance sheet and represent the aggregate costs and related earnings for uncompleted contracts for which the customer has not yet been billed. These costs and earnings are recovered upon shipment of products and presentation of billings in accordance with contract terms.

Net cash provided by operating activities for the six-month period ended June 30, 2003 was $67,671, compared with net cash used in operating activities of $201,856 for the same period last year.

Liquidity and Capital Resources

The Company currently finances its operations through a combination of existing resources and cash provided by operations. Liquidity and capital resources were significantly improved as a result of the consummation of the public offering in February 2003.

The Company is presently negotiating with certain bank lenders to establish a new revolving credit facility that will give the Company greater flexibility. The Company believes that the cash flow generated by operating activities and the availability of the additional facility will provide sufficient resources to meet the growing needs of the Company for the foreseeable future.

Contractual Obligations

The table below summarizes contractual obligations as of June 30, 2003 and the effects these obligations are expected to have on liquidity and cash flow in the future years.

Contractual Obligations	Payments Due By Period ($)			
	Total	Less than 1 year	1-3 years	4-
Short-Term Debt	-0-	-0-	-0-	-
Capital Lease Obligations	85,222	50,172	19,977	15,
Operating Leases	-0-	-0-	-0-	-
Employment Agreement Compensation *	1,370,780	624,640	746,140	-
Total Contractual Cash Obligations	1,456,002	674,812	766,117	15,

* The employment agreements provide for bonus payments that are excluded from these amounts.

Item 3. - Controls and Procedures

An evaluation of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2003 was made under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer. Based on that evaluation, they concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the

Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed fiscal quarter, there has been no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II: Other

Item 2. - Change in Securities and Use of Proceeds

c) Recent sale of Unregistered Securities

During the three months ended June 30, 2003, the Company made the following sales of unregistered securities:

Date of Sale	Title of Security	Number Sold or Forfeited	Consideration Received and Description of Underwriting or Other Discounts to Market Price Afforded to Purchaser	Exemption from Registration Claimed	If Option, Security, Te
4/4/03	Common Shares	5,184	Common Shares issued to former investment banker upon exercise of warrants; no cash consideration received by the company.	4(2)	
4/1/03 to 6/12/03	Common Stock	100,000	Options to purchase common stock issued pursuant to the 1995 Stock Option Plan and the Performance Equity Plan 2000; no cash consideration received by the Company	4(2)	35,000 exerc 15,000 exerc anniversary options have exercisable anniversary one-half on date of gran Option price per share.

Item 4. - Submission of Matters to a vote of Security Holders

a) An Annual Meeting of Shareholders was held on June 12, 2003 ("Annual Meeting")

b) The election of directors was the only matter voted upon at the Annual Meeting as follows:

A.C.Providenti was re-elected to serve as a director until the Company's annual meeting in 2005 and until his successor is elected and qualified. Eric Rosenfeld and Walter Paulick were re-elected to serve as directors until the Company's annual meeting in 2006 and until his successor is elected and qualified. For all three directors, 4,603,135 votes were cast in favor of the re-election and 11,388 votes withheld authority. Arthur August, Edward J. Fred and Kenneth McSweeney's term of offices as directors continued after the meeting.

Item 6 - Exhibits and Reports on Form 8 - K

a) Exhibit 31--Rule 13a-14 (a) and 15d-14 (a) Certifications Exhibit 32--Section 1350 Certifications

b) During the three months ended June 30, 2003, no Current Reports on Form 8-K, were filed by the Company.

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CPI AEROSTRUCTURES, INC.

Dated: August 7, 2003

By: /S/ Edward J. Fred

Edward J. Fred
Chief Executive Officer, President,
(Principal Executive Officer),
Secretary and Director

Dated: August 7, 2003

By: /S/ Anthony M. D'Agostino

Anthony M. D'Agostino
Chief Financial Officer,
(Principal Accounting and Financial Officer)