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NVE CORP /NEW/
Form 10QSB
October 22, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2003

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

For the transition period from _____ to _____

Commission file number 000-12196

NVE Corporation
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-1424202
(IRS Employer
Identification No.)

11409 Valley View Road, Eden Prairie, Minnesota 55344
(Address of principal executive offices)

(952) 829-9217
(Issuer'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 No

State the number of shares outstanding of each of the issuer's classes of
common equity, as of the latest practicable date:
Common Stock, \$.01 Par Value - 4,319,689 shares outstanding as of
October 20, 2003

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

NVE CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2003

Current assets:
Cash

\$ 1,025,780

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Investment securities	5,411,183
Accounts receivable, net of allowance for uncollectible accounts of \$15,000	1,099,428
Inventories	1,268,362
Prepaid expenses and other assets	133,565
Total current assets	8,938,318
Fixed assets:	
Machinery and equipment	3,287,918
Furniture and fixtures	35,499
Leasehold improvements	365,187
	3,688,604
Less accumulated depreciation	2,101,431
Total fixed assets	1,587,173
Total assets	\$10,525,491
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 539,201
Accrued payroll and other	670,346
Deferred revenue	626,815
Capital lease obligations	160,744
Total current liabilities	1,997,106
Capital lease obligations, less current portion	141,151
Total liabilities	2,138,257
Shareholders' equity:	
Common stock	43,069
Additional paid-in capital	12,336,303
Accumulated other comprehensive income	74,456
Accumulated deficit	(4,066,594)
Total shareholders' equity	8,387,234
Total liabilities and shareholders' equity	\$10,525,491

SEE ACCOMPANYING NOTES.

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

	Three Months Ended September 30	
	2003	2002

Revenue		
Contract research and development	\$ 1,595,612	\$ 1,633,915
Product sales	1,268,573	612,812

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License revenue	-	97,917
	-----	-----
Total revenue	2,864,185	2,344,644
Cost of sales	1,738,702	1,508,900
	-----	-----
Gross profit	1,125,483	835,744
Expenses		
Research and development	302,573	288,256
Selling, general & administrative	475,691	456,441
	-----	-----
Total expenses	778,264	744,697
	-----	-----
Income from operations	347,219	91,047
Interest income	44,455	55,430
Interest expense	(6,907)	(9,992)
Other income	21,709	23,811
	-----	-----
Net income	\$ 406,476	\$ 160,296
	=====	=====
Net income per share-basic	\$.10	\$.04
	=====	=====
Net income per share-diluted	\$.09	\$.04
	=====	=====
Weighted average shares outstanding:		
Basic	4,232,666	4,157,379
Diluted	4,679,415	4,438,485

SEE ACCOMPANYING NOTES.

NVE CORPORATION
STATEMENT OF OPERATIONS
SIX MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

	Six Months Ended September 30	
	2003	2002
	-----	-----
Revenue		
Contract research and development	\$ 3,316,518	\$ 3,169,766
Product sales	2,367,516	1,142,000
License revenue	-	195,834
	-----	-----
Total revenue	5,684,034	4,507,600
Cost of sales	3,647,697	2,849,046
	-----	-----
Gross profit	2,036,337	1,658,554
Expenses		

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Research and development	481,242	616,858
Selling, general & administrative	926,554	903,440
	-----	-----
Total expenses	1,407,796	1,520,298
	-----	-----
Income from operations	628,541	138,256
Interest income	93,468	95,680
Interest expense	(14,598)	(22,898)
Other income	33,483	41,487
	-----	-----
Net income	\$ 740,894	\$ 252,525
	=====	=====
Net income per share-basic	\$.18	\$.06
	=====	=====
Net income per share-diluted	\$.16	\$.06
	=====	=====
Weighted average shares outstanding:		
Basic	4,199,715	4,097,926
Diluted	4,646,464	4,379,032

SEE ACCOMPANYING NOTES.

NVE CORPORATION
STATEMENT OF CASH FLOWS
SIX MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

	Six Months Ended Sept. 30 2003	2002
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 740,894	\$ 252,525
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	244,459	243,682
Changes in operating assets and liabilities:		
Accounts receivable	(71,138)	(50,285)
Inventories	(427,586)	(124,581)
Prepaid expenses and other	36,755	(118,035)
Accounts payable and accrued expenses	273,134	184,398
Deferred revenue	(262,812)	(499,717)
	-----	-----
Net cash provided by (used in) operating activities	533,706	(112,013)
INVESTING ACTIVITIES		
Purchases of fixed assets	(650,911)	(313,796)
Sales (purchases) of investment securities	455,929	(5,574,134)
	-----	-----
Net cash used in investing activities	(194,982)	(5,887,930)
FINANCING ACTIVITIES		
Net proceeds from sale of common stock	166,791	6,221,366

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Repayment of note payable and capital lease obligations	(75,503)	(288,028)
	-----	-----
Net cash provided by financing activities	91,288	5,933,338
	-----	-----
Increase in cash	430,012	(66,605)
Cash and cash equivalents at beginning of period	595,768	537,258
	-----	-----
Cash and cash equivalents at end of period	\$1,025,780	\$ 470,653
	=====	=====

SEE ACCOMPANYING NOTES.

NVE CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 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 and six month periods ended September 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 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).

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Potentially dilutive securities including warrants and stock options are excluded from diluted earnings per share during net loss periods because these securities would be anti-dilutive.

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 September 30		Six months ended September 30	
	2003	2002	2003	2002
Net income	\$406,476	\$160,296	\$740,894	\$252,525
Change in unrealized gains	(26,352)	68,016	1,235	91,114
Comprehensive income	\$380,124	\$228,312	\$742,129	\$343,639

7. INVENTORIES

Inventories consist of the following at September 30, 2003:

Raw materials	\$ 490,977
Work-in-process	644,472
Finished goods	387,913
	1,523,362
Less obsolescence reserve	(255,000)
	\$1,268,362

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 three and six month periods ended September 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

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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 September 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 Sept. 30 2003	2002
	-----	-----
Net income applicable to common shares:		
As reported	\$ 406,476	\$ 160,296
Pro forma adjustment for stock options	(81,325)	(164,709)
	-----	-----
Pro forma net income (loss)	\$ 325,151	\$ (4,413)
	=====	=====
Earnings per share:		
Basic - as reported	\$ 0.10	\$ 0.04
Basic - pro forma	\$ 0.08	\$ (0.00)
Diluted - as reported	\$ 0.09	\$ 0.04
Diluted - pro forma	\$ 0.07	\$ (0.00)
	-----	-----
Net income applicable to common shares:		
As reported	\$ 740,894	\$ 252,525
Pro forma adjustment for stock options	(162,650)	(329,418)
	-----	-----
Pro forma net income (loss)	\$ 578,244	\$ (76,893)
	=====	=====
Earnings per share:		
Basic - as reported	\$ 0.18	\$ 0.06
Basic - pro forma	\$ 0.14	\$ (0.02)
Diluted - as reported	\$ 0.16	\$ 0.06
Diluted - pro forma	\$ 0.12	\$ (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, which on September 5, 2003 they announced they had sold. Cypress also received a warrant for the purchase of up to an 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.

Special note regarding forward-looking statements

Some of the statements made in this Quarterly Report on Form 10-QSB, except for historical information contained in this Form 10-QSB, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to the safe harbor provisions of the reform act. Forward-looking statements may be identified by the use of the terminology such as may, will, expect, anticipate, intend, believe, estimate, should, or continue or the negatives of these terms or other variations on these words or comparable terminology. To the extent that this Form 10-QSB contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of NVE, you should be aware that our actual financial condition, operating results and business performance may differ materially from that projected or estimated by us in the forward-looking statements. These differences may be caused by a variety of factors, including but not limited to adverse economic conditions, intense competition, including entry of new competitors, our ability to obtain sufficient financing to support our operations, progress in research and development activities by us and others, variations in costs that are beyond our control, adverse federal, state and local government regulations, unexpected costs, lower sales and net income, or higher net losses than forecasted, price increases for equipment, our dependence on significant suppliers, including Taiwan Semiconductor Manufacturing Corporation for foundry semiconductor wafers, our ability to meet stringent customer technical requirements, our ability to consummate additional license agreements, our ability to continue eligibility for SBIR awards, our inability to raise prices, failure to obtain new customers, the possible fluctuation and volatility of our operating results and financial condition, inability to carry out marketing and sales plans, loss of key executives, and other specific risks included in Exhibit 99.1 "Cautionary statements for purposes of the 'safe harbor' provisions of The Private Securities Litigation Reform Act," filed herewith.

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

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- 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.

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.

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Three months ended September 30, 2003 compared to three months ended September 30, 2002

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

	Three months ended September 30	
	2003	2002
	-----	-----
Revenue:		
Research and development	55.7 %	69.7 %
Product sales	44.3	26.1
License fees	-	4.2
	-----	-----
Total revenue	100.0	100.0
Cost of sales	60.7	64.4
	-----	-----
Gross profit	39.3	35.6
Total expenses	25.1	28.8
	-----	-----
Net income	14.2 %	6.8 %
	=====	=====

Revenue for the three months ended September 30, 2003 ("Fiscal 2003") was \$2,864,185, an increase of 22% from revenue of \$2,344,64 for the three months ended September 30, 2002. The revenue increase was due to a 107% increase in commercial product sales to \$1,268,573 from \$612,812. Research and development revenue decreased 2% to \$1,595,612 from \$1,633,915 due to completion of revenue recognized under our agreement with Agilent Technologies, Inc., partially offset by increased government contract revenue. Such revenues from Agilent were \$150,000 for the three months ended September 30, 2002. Increases in commercial product sales 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 September 30, 2002.

Gross profit increased to 39% for the three months ended September 30, 2003 as compared to 36% for the three months ended September 30, 2002. The increase was due to higher commercial product margins due to successful yield improvement and wafer cost reduction programs.

Research and development expenses increased by 5% to \$302,573 for the three months ended September 30, 2003 as compared to \$288,256 for the three months ended September 30, 2002. The increase was due to in part to increased product development activities.

Selling, general and administrative expenses for the three months ended September 30, 2003 increased by 4% to \$475,691 compared to \$456,441 for the three months ended September 30, 2002. The increase was due to increased commercial selling expenditures as well as increased patent expenses and expenses associated with restoring our SBIR eligibility.

Net income totaled \$406,476 for the three months ended September 30, 2003 compared to \$160,296 for the three months ended September 30, 2002. The increase in net income was due to higher revenues and higher commercial product

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margins.

Diluted net income per share increased to \$.09 from \$.04. The increase in diluted net income per share was despite an increase in diluted shares to 4,679,415 from 4,438,485 due to a large increase in our stock price, which resulted in a larger dilutive effect from the Cypress warrant and other options.

Six months ended September 30, 2003 compared to six months ended September 30, 2002

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

	Six Months Ended September 30	
	2003	2002
	-----	-----
Revenue:		
Research and development	58.3 %	70.3 %
Product sales	41.7	25.3
License fees	-	4.4
	-----	-----
Total revenue	100.0	100.0
Cost of sales	64.2	63.2
	-----	-----
Gross profit	35.8	36.8
Total expenses	22.8	31.2
	-----	-----
Net income (loss)	13.0 %	5.6 %
	=====	=====

Revenue for the six months ended September 30, 2003 was \$5,684,034, an increase of 26% from revenue of \$4,507,600 for the six months ended September 30, 2002. The revenue increase was due to increases in commercial product sales and research and development revenue. Commercial product sales increased 107% to \$2,367,516 from \$1,142,000. Research and development revenue increased 5% to \$3,316,518 from \$3,169,766 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 \$300,000 for the six months ended September 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 \$195,834 in revenues for the six months ended September 30, 2002.

Gross profit margins decreased to 36% for the six months ended September 30, 2003 as compared to 37% for the six months ended September 30, 2002. The decrease was due to \$195,834 in license revenue and \$300,000 in revenue recognized under our agreement with Agilent Technologies, Inc. for the six months ended September 30, 2002 which have not recurred. The decreases in gross profit were mostly offset by higher commercial product margins due to successful yield improvement and wafer cost reduction programs.

Research and development expenses decreased by 22% to \$481,242 for the six months ended September 30, 2003 as compared to \$616,858 for the six months

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ended September 30, 2002. The decrease was due to completion of the development of some of our commercial products.

Selling, general and administrative expenses for the six months ended September 30, 2003 increased by 3% to \$926,554 compared to \$903,440 for the six months ended September 30, 2002. The increase was due to increased commercial selling expenditures.

Net income totaled \$740,894 for the six months ended September 30, 2003 compared to \$252,525 for the six months ended September 30, 2002. The increase in net income was due to higher revenues and higher commercial product margins.

Liquidity and capital resources

At September 30, 2003 we had \$5,411,183 in available-for-sale securities, consisting of marketable fixed-income investments. We had cash on September 30, 2003 of \$1,025,780 and working capital of \$6,941,212.

Cash plus available-for-sale securities were \$6,436,963 at September 30, 2003, compared to \$6,475,865 at March 31, 2003. The decrease was due to net income offset by investments in machinery and equipment and increases in inventories related to the growth of our commercial product sales.

We expect to continue to invest in machinery, equipment, and facilities 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 continue to increase commercial product sales in the rest of Fiscal 2004. We expect to be solidly profitable in Fiscal 2004. Possible expenses related to commercialization and market development for Cypress-manufactured MRAMs to be sold by us could decrease our quarterly profits or cause us to incur losses. We expect to make such expenditures, however, only if Cypress is successful in producing commercial MRAM.

Item 4. Controls and Procedures.

a. Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the last day of the period covered by this quarterly report (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us required to be included in our periodic SEC filings.

b. Changes in internal controls.

There were no significant changes made in our internal controls over financial reporting (as defined in Rule 13 a-15(f) under the Exchange Act)

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during the period covered by this report that materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II--OTHER INFORMATION

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

An annual meeting of shareholders was held on August 7, 2003. There were 4,174,778 shares of common stock entitled to vote at the meeting with a total of 3,761,020 shares or 90.1% represented at the meeting.

The shareholders elected five directors for a term of one year. The shareholders present in person or by proxy cast the following number of votes in connection with the election of directors, resulting in the election of all of the nominees:

	Votes For -----	Votes Withheld -----
Terrence Glarner	3,761,020	210
Daniel A. Baker	3,761,020	210
James M. Daughton	3,761,020	210
Robert H. Irish	3,761,020	210
Jeffrey K. Kaszubinski	3,761,020	210

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

a. Exhibits.

- 31.1 Certification by Daniel A. Baker pursuant to Rule 13a-14(a)/15d-14(a).
- 31.2 Certification by Richard L. George pursuant to Rule 13a-14(a)/15d-14(a).
- 32.1 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.
- 32.2 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 2002.
- 99.1 Cautionary statements for purposes of the "safe harbor" provisions of The Private Securities Litigation Reform Act.

b. Reports on Form 8-K.

We submitted a Form 8-K on July 17, 2003 including our press release reporting results for the quarter ended June 30, 2003 and raising our earnings guidance. This information was furnished under Item 12, Results of Operations and Financial Condition.

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

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on behalf of the undersigneds thereunto duly authorized.

NVE CORPORATION

Date: October 21, 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