

POWER ONE INC
Form 10-Q
August 07, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2002

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-29454

POWER-ONE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or
organization)

77-0420182
(IRS Employer Identification No.)

740 CALLE PLANO, CAMARILLO, CA
(Address of principal executive offices)

93012
(zip code)

Registrant's telephone number, including area code (805) 987-8741

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 a 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

As of August 2, 2002, 79,832,362 shares of the Registrant's \$0.001 par value common stock were outstanding.

POWER-ONE, INC.

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PART I FINANCIAL INFORMATION**Item 1 Consolidated Financial Statements****POWER-ONE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
NET SALES	\$ 56,187	\$ 92,904	\$ 104,586	\$ 262,756
COST OF GOODS SOLD	40,520	151,816	76,313	259,045
GROSS PROFIT (LOSS)	15,667	(58,912)	28,273	3,711
EXPENSES:				
Selling, general and administrative	15,327	20,663	29,226	41,716
Engineering and quality assurance	9,304	10,589	17,604	21,015
Amortization of intangible assets	1,586	3,654	3,099	7,392

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	Three Months Ended June 30,		Six Months Ended June 30,	
Restructuring costs		14,091	182	14,091
Asset impairment		11,073		11,073
Total expenses	26,217	60,070	50,111	95,287
LOSS FROM OPERATIONS	(10,550)	(118,982)	(21,838)	(91,576)
INTEREST AND OTHER INCOME (EXPENSE):				
Interest income	629	1,030	1,224	2,736
Interest expense	(328)	(646)	(640)	(1,355)
Other income (expense), net	414	412	202	(76)
Total interest and other income	715	796	786	1,305
LOSS BEFORE INCOME TAX	(9,835)	(118,186)	(21,052)	(90,271)
PROVISION (BENEFIT) FOR INCOME TAXES	476	(37,824)	(3,494)	(26,298)
NET LOSS	\$ (10,311)	\$ (80,362)	\$ (17,558)	\$ (63,973)
BASIC LOSS PER SHARE	\$ (0.13)	\$ (1.02)	\$ (0.22)	\$ (0.81)
DILUTED LOSS PER SHARE	\$ (0.13)	\$ (1.02)	\$ (0.22)	\$ (0.81)
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	80,124	78,702	79,765	78,626
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	80,124	78,702	79,765	78,626

See notes to consolidated financial statements.

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POWER-ONE, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 101,916	\$ 79,671
Accounts receivable:		
Trade, less allowance for doubtful accounts: \$4,027 at June 30, 2002; \$4,698 at December 31, 2001	45,079	45,064
Other	4,913	7,190
Notes Receivable	3,000	3,000
Inventories	119,090	125,682
Refundable income taxes	83	5,227

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	June 30, 2002	December 31, 2001
Prepaid expenses and other current assets	6,483	5,536
Total current assets	280,564	271,370
PROPERTY & EQUIPMENT, net of accumulated depreciation and amortization: \$45,612 at June 30, 2002; \$48,611 at December 31, 2001	91,868	97,416
INTANGIBLE ASSETS, net	142,904	129,987
NOTES RECEIVABLE	11,626	14,136
OTHER ASSETS	7,183	7,326
TOTAL ASSETS	\$ 534,145	\$ 520,235
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft	\$ 15	\$ 736
Bank credit facilities	975	1,395
Current portion of long-term debt	865	1,348
Current portion of long-term capital leases	74	245
Accounts payable	22,022	19,302
Restructuring reserve	3,829	7,363
Deferred income taxes	2,316	1,866
Other accrued expenses	23,271	22,594
Total current liabilities	53,367	54,849
LONG-TERM DEBT, less current portion	8,740	7,559
LONG-TERM CAPITAL LEASES, less current portion	17	39
DEFERRED INCOME TAXES	8,150	7,121
OTHER LIABILITIES	728	464
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001; 300,000 shares authorized; 79,808 and 78,913 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively, net of 100 treasury shares	80	79
Additional paid-in-capital	581,074	570,427
Accumulated other comprehensive income (loss)	13,937	(5,913)
Accumulated deficit	(131,948)	(114,390)
Total stockholders' equity	463,143	450,203
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 534,145	\$ 520,235

See notes to consolidated financial statements.

POWER-ONE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

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	Six Months Ended	
	June 30, 2002	June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (17,558)	\$ (63,973)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,283	16,164
Asset Impairment (a)		14,404
Inventory write-off		85,148
Stock compensation	5,642	13
Exchange (gain) loss	(858)	340
Net loss on disposal of property and equipment	123	95
Deferred income taxes	(315)	(19,938)
Changes in operating assets and liabilities:		
Accounts receivable, net	5,169	10,683
Notes receivable	2,510	
Inventories	9,893	(11,648)
Refundable income taxes	5,144	(11,088)
Prepaid expenses and other current assets	(798)	(2,230)
Accounts payable	2,346	(41,261)
Accrued expenses	(265)	1,313
Restructuring reserve	(1,647)	5,390
Other liabilities	405	13
	<u>21,074</u>	<u>(16,575)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in Powec (Note 5)	(70)	(6,335)
Acquisition of property and equipment	(2,319)	(28,396)
Proceeds from sale of property and equipment	102	29
Other assets	177	865
	<u>(2,110)</u>	<u>(33,837)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on bank credit facilities	855	11,733
Repayments of borrowings on bank credit facilities	(1,459)	(5,042)
Bank overdraft	(727)	(8,377)
Proceeds from borrowings on long-term debt		879
Repayments of long-term debt	(848)	(1,984)
Principal payments under long-term capital lease obligations	(195)	(308)
Issuance of common stock, net	5,005	1,643
	<u>2,631</u>	<u>(1,456)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	650	(1,015)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,245	(52,883)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	79,671	137,113

	<u>Six Months Ended</u>	
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 101,916	\$ 84,230
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) for		
Interest	\$ 686	\$ 1,187
Income taxes	\$ (10,265)	\$ 7,723

- (a) The asset impairment charge of \$14,404 included in the Consolidated Statement of Cash Flows for the 6 months ended June 30, 2001 included \$11,073 for the impairment of property and equipment calculated in accordance with SFAS No. 121 and \$3,331 for the fixed asset portion of the period's restructuring charge (see Note 8).

See notes to consolidated financial statements.

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POWER-ONE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
NET LOSS	\$ (10,311)	\$ (80,362)	\$ (17,558)	\$ (63,973)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment	18,010	(2,669)	19,850	(9,317)
COMPREHENSIVE INCOME (LOSS)	\$ 7,699	\$ (83,031)	\$ 2,292	\$ (73,290)

See notes to consolidated financial statements.

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POWER-ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Operating results for the period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2001 on

Form 10-K.

The Company's reporting period coincides with the 52- to 53-week period ending on the Sunday closest to December 31 and its fiscal quarters are the 13- to 14-week periods ending on the Sunday nearest to March 31, June 30, September 30 and December 31. For simplicity of presentation, the Company has described the three- and six- month periods ended July 1, 2001 as June 30, 2001. The Sunday nearest to June 30, 2002 coincides with June 30, 2002.

Unless otherwise noted, tabular quantities are in thousands, except per share amounts and period dates.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Principles of Consolidation The accompanying consolidated financial statements include the consolidated accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The Company includes in its statement of operations its pro rata share of the financial results of investments accounted for under the equity method.

Use of Estimates in the Preparation of the Financial Statements The preparation of the financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory allowances, restructuring costs, impairment costs, depreciation and amortization, sales returns, warranty costs, taxes, and contingencies. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Revenue Recognition The Company generally recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or readily determinable, and collectibility is probable. Sales are recorded net of sales returns and discounts. The Company recognizes revenue in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," (SAB 101).

Cash and Cash Equivalents The Company considers all highly liquid instruments with a maturity of three months or less at purchase date to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts The Allowance for Doubtful Accounts is established by analyzing all accounts that have a balance that is over 90 days past due. Each account is individually assigned a probability of collection. The total amount determined to be uncollectible in the 90-days-past-due category is then reserved fully. The percentage of this reserve to the 90-days-past-due total is then established as a guideline and applied to the rest of the non-current accounts receivable

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balance. When other circumstances suggest that a receivable may not be collectible, it is immediately reserved for, even if the receivable is not yet in the 90-days-past-due category.

Inventories The Company's inventories are stated at the lower of cost (first-in, first-out method, or standard costing method) or market. Slow moving and obsolete inventory are identified and written off quarterly. To calculate the write-off amount, the Company compares the current on-hand quantities with both the projected usages for a two-year period and the actual usage over the past 12 months. On-hand quantities greater than projected usage are extended at the standard unit cost. The engineering and purchasing departments review the initial list of slow moving and obsolete items. The engineering and purchasing groups identify items that have alternative uses in new or existing products. These items are then excluded from the analysis. The total amount of resulting slow moving and obsolete inventory is then written off. Additionally, non-cancelable open purchase orders for parts the Company is obligated to purchase where demand has been reduced may be reserved. Reserves for open purchase orders where the market price is lower than the purchase order price have also been established.

Investments The Company holds minority equity investments in non-publicly traded companies. These investments are included in other assets on the Company's balance sheet and are generally carried at cost or accounted for under the equity method. The Company monitors these investments for impairment and makes appropriate reductions in carrying value when necessary.

Property and Equipment Property and equipment are recorded at cost. Provisions for depreciation have been made based upon the estimated useful lives of the assets, which range from three to thirty years, using principally the double declining balance and straight-line methods. Provisions for amortization of leasehold improvements are made based upon the estimated lives of the assets or terms of the leases, whichever is shorter.

Intangible Assets Intangible assets include cost in excess of net assets acquired in connection with the acquisition of the Company in 1995, of Melcher in 1998, of IPD in 1999 and of Powec in 2000 which have been allocated among certain intangible items determined by management to have value, such as the Company's name, distribution network and product technology. Provision for amortization has been made based upon the estimated useful lives of the intangible asset categories, which range from three to 20 years, using the straight-line method. In accordance with SFAS 142, "Goodwill and Other Intangible Assets," only intangible assets with definite lives are amortized. Goodwill and the Company's trade name are deemed to have indefinite lives and are not amortized. Non-amortized intangible assets are instead subject to periodic impairment testing.

Impairment of Long-Lived Assets The Company continually reviews the recoverability of the carrying value of long-lived assets using the methodology prescribed in SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company also reviews long-lived assets and the related intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Upon such an occurrence, recoverability of these assets is determined by comparing their forecasted undiscounted net cash flows to their carrying amount. If the asset is determined to be unable to recover its carrying value, then intangible assets, if any, are written down first, followed by the other long-lived assets to fair value. Fair value is

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determined based on discounted cash flows, appraised values or management's estimates, depending on the nature of the assets.

Restructuring Costs The Company records restructuring charges in accordance with Emerging Issues Task Force (EITF) Issue 94-3. Restructuring costs relate to the downsizing of the Company's operations and primarily consist of specific charges that the Company has incurred and will incur with no future economic benefit. These charges include costs related to personnel severance, continuing lease obligations for vacant facilities and write-off of leasehold improvements and equipment therein, and certain contract termination penalties.

Income Taxes Income taxes are provided for taxes currently payable or refundable, and for deferred income taxes arising from future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The effects of income taxes are measured based on enacted tax laws or rates. The Company's international operations are subject to a variety of income and corporate taxes.

Certain Company subsidiaries have been granted tax exemptions from the payment of taxes on earnings. Specifically, these grants provide for exemption on income taxes, property taxes, distribution and municipal license taxes. These exemptions expire at varying dates through 2010. Additionally, certain subsidiaries operate in tax-free enterprise zones and, accordingly, pay no income taxes in connection with those operations.

The Company has not provided for the U.S. federal and state income tax that would be paid on unremitted earnings from its international subsidiaries as there is no intent to remit any future earnings.

Deferred Tax Asset Valuation Allowance The Company records a deferred tax asset in jurisdictions where it generates a loss for income tax purposes. Due to volatility in the industry within which the Company operates, the Company may record a valuation allowance against these deferred tax assets in accordance with SFAS 109, "Accounting for Income Taxes," when, in management's judgment, the deferred tax assets may not be realized in the foreseeable future.

Stock Compensation The Company uses the intrinsic-value method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock options and other stock compensation granted to employees. Accordingly, the Company does not recognize compensation expense in the Consolidated Statement of Operations for stock option grants to employees which have been made at fair market value.

Earnings Per Share The Company presents both basic and diluted earnings (loss) per share ("EPS") amounts. Basic EPS is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted EPS amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. The difference between basic and diluted EPS is solely attributable to stock compensation. The Company uses the treasury stock method to calculate the impact of outstanding

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stock options. Stock options for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on EPS and, accordingly, are excluded from the calculation.

Engineering Engineering costs include existing product engineering, custom product development and research and development costs. Research and development costs are expensed in the period incurred.

Warranties Power-One offers its customers a two-year warranty on all products sold. Power-One further assumes that the goods will be received for repair under warranty at a steadily declining rate over the two-year warranty period. The expected returns are weighted in order to reflect the fact that the majority of returns will be received within one month of sale and will decline each month thereafter. Based on historical sales and warranty repair expenses, an expected per-unit cost of repair is calculated and applied to actual units sold over the warranty period. This calculation is reviewed monthly and the reserve adjusted accordingly.

Derivative Instruments The Company has adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as subsequently amended by SFAS 137 and SFAS 138, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company did not hold any derivative financial instruments during 2002 and 2001. As a result, adoption of SFAS 133 and subsequent amendments did not have a significant effect on the Company's financial position, operations or cash flows.

Fair Value of Financial Instruments The recorded values of the Company's accounts receivable, notes receivable, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The recorded values of the Company's notes receivable, notes payable to banks, long-term debt and other liabilities approximate fair value, as interest is tied to or approximates market rates.

Concentration of Risk Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, placed with high credit quality institutions, and trade receivables. The Company sells products and extends credit to customers, primarily in the United States, Europe and Asia, periodically monitors its exposure to credit losses, and maintains allowances for anticipated losses. Certain European subsidiaries mitigate this risk through credit insurance and collection via bank drafts. Additionally, Cisco Systems was the only customer to exceed 10% of net sales in the three- and six-months ended June 30, 2002 and accounts receivable at June 30, 2002.

Conversion of Foreign Currencies The reporting currency for the consolidated financial statements of the Company is the U.S. dollar. The assets and liabilities of companies whose functional currency is other than the U.S. dollar are included in the consolidation by translating the assets and liabilities at the exchange rates applicable at the end of the reporting period. The statements of income and cash flows of such companies are translated at the average exchange rates during the applicable period. Translation gains or losses are accumulated as a separate component of stockholders' equity. The Company has not tax-effected the cumulative translation adjustment as there is no intention to remit the earnings.

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Reclassifications Certain prior year amounts have been reclassified to conform to the current year presentation.

Segment Reporting The Company operates as one segment in accordance with SFAS 131, "Disclosures About Segments of an Enterprise and Related Information." The Company's chief operating decision maker and management personnel view the Company's performance and make resource allocation decisions by looking at the Company as a whole. Although there are different divisions within the Company, they are economically similar and are also similar in terms of the five criteria set forth in SFAS 131 required for combination of segments. The Company's products are all power conversion products primarily geared toward the communications industry, and our sales force sells products from one company-wide product portfolio. The nature of the production process is similar across divisions, and manufacturing for the different divisions occurs in common facilities. The same engineers with the same qualifications design and manufacture products across divisions. The types and class of customers are similar across the divisions and product lines, and the Company's products are distributed through common channels and distributor networks.

Recent Pronouncements and Accounting Changes In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS 141, "Business Combinations," and SFAS 142, "Goodwill and Other Intangible Assets." They also issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" in October 2001.

SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for under the purchase method. SFAS 141 supersedes APB Opinion No. 16, "Business Combinations", and SFAS 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises", and is effective for all business combinations initiated after June 30, 2001. The Company has not completed any business

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combinations that were initiated subsequent to June 30, 2001. Future business combinations, if any, will be accounted for under the purchase method in accordance with SFAS 141.

SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets. Under the new rules, the Company is no longer required to amortize goodwill and other intangible assets with indefinite lives; rather, these intangible assets are subject to periodic testing for impairment. SFAS 142 supersedes APB Opinion No. 17, "Intangible Assets". The Company adopted SFAS 142 effective January 1, 2002 and has ceased amortization of goodwill and other intangible assets deemed to have an indefinite life. In accordance with SFAS 142, the Company also performed an impairment test of goodwill as of January 1, 2002. The Company determined that no goodwill write-down was necessary.

SFAS 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS 144 superseded SFAS 121 and APB Opinion No. 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The provisions of SFAS 144 are effective in fiscal years beginning after December 15, 2001, with early adoption permitted, and in general are to be applied prospectively. The Company adopted SFAS 144 effective January 1, 2002, which did not have a material impact on its consolidated results of operations or financial position.

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In June of 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," which nullifies EITF Issue 94-3. SFAS 146 is effective for exit and disposal activities that are initiated after December 31, 2002 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, in contrast to the date of an entity's commitment to an exit plan, as required by EITF Issue 94-3. The Company will adopt the provisions of SFAS 146 effective January 1, 2003.

NOTE 3 INVENTORIES

Inventories consist of the following:

	June 30, 2002	December 31, 2001
Raw materials	\$ 92,963	\$ 100,450
Subassemblies-in-process	7,485	9,013
Finished goods	18,642	16,219
	\$ 119,090	\$ 125,682

NOTE 4 EARNINGS LOSS PER SHARE

Basic loss per share is computed by dividing net loss by the weighted average common shares outstanding for the period while diluted earnings per share would also include the dilutive effect of stock options.

The dilutive effect of stock options outstanding at June 30, 2002 and 2001 was not included in the calculation of diluted loss per share for the three-and six-month periods ended June 30, 2002 and 2001 because to do so would have had an anti-dilutive effect as the Company had a net loss for each of these periods. The weighted average number of such options excluded from the diluted loss per share computation was approximately 2,217 thousand and 2,437 thousand for the three-month periods ended June 30, 2002 and 2001, respectively and 2,429 thousand and 2,846 thousand for the six-month periods ended June 30, 2002 and 2001, respectively. Dilutive shares are stock options whose exercise prices are below the current fair market value of shares of the Company.

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Basic and diluted loss per share are calculated as follows:

Three Months Ended

Six Months Ended

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	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Basic loss per share:				
Net loss	\$ (10,311)	\$ (80,362)	\$ (17,558)	\$ (63,973)
Basic weighted average shares outstanding	80,124	78,702	79,765	78,626
Basic loss per share	\$ (0.13)	\$ (1.02)	\$ (0.22)	\$ (0.81)
Diluted loss per share:				
Net loss	\$ (10,311)	\$ (80,362)	\$ (17,558)	\$ (63,973)
Basic weighted average shares outstanding	80,124	78,702	79,765	78,626
Dilutive shares				
Diluted weighted average shares outstanding securities	80,124	78,702	79,765	78,626
Diluted loss per share	\$ (0.13)	\$ (1.02)	\$ (0.22)	\$ (0.81)

NOTE 5 INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2002			
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Weighted Average Life (In years)
Goodwill and trade name	\$ 120,124	\$ 17,878	\$	