

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 June 30, 2003

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

For the transition period from _____ to _____

Commission file number: **0-31641**

SUPERCONDUCTIVE COMPONENTS, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

31-0121318

(I.R.S. Employer
Identification No.)

1145 Chesapeake Avenue, Columbus, Ohio 43212

(Address of principal executive offices, including zip code)

(614) 486-0261

(Registrant's telephone number, including area code)

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 shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. YES NO

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 1,823,256 shares of Common Stock, without par value, were outstanding at July 31, 2003.

FORM 10-QSB

SUPERCONDUCTIVE COMPONENTS, INC.

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SUPERCONDUCTIVE COMPONENTS, INC.

BALANCE SHEETS

<u>ASSETS</u>	June 30, 2003 (UNAUDITED)	December 31 2002
CURRENT ASSETS		
Cash	\$ 403,016	\$ 48,908
Accounts and notes receivable		
Trade, less allowance for doubtful accounts of \$15,000 and \$18,000 respectively	244,421	170,038
Contract receivable	-	71,087
Related party receivables	3,489	4,368
Employees	8,252	11,985
Other	23	733
Inventories	696,680	655,432
Prepaid expenses	25,291	33,934
Total current assets	1,381,172	996,485
 PROPERTY AND EQUIPMENT, AT COST		
Machinery and equipment	2,023,850	2,312,869
Furniture and fixtures	22,124	22,124
Leasehold improvements	347,349	347,349
	2,393,323	2,682,342
Less accumulated depreciation	(1,767,393)	(2,068,246)
	625,930	614,096
 OTHER ASSETS		
Intangibles	41,703	43,247
 TOTAL ASSETS	 \$ 2,048,805	 \$ 1,653,828

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

SUPERCONDUCTIVE COMPONENTS, INC.

STATEMENTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2003 AND 2002 AND
SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	2003	2002	2003	2002
SALES REVENUE	\$ 562,607	\$ 642,445	\$ 1,187,153	\$ 1,356,593
CONTRACT RESEARCH REVENUE	65,158	74,302	98,491	143,533
	627,765	716,747	1,285,644	1,500,126
 COST OF SALES REVENUE	 438,272	 424,225	 913,600	 952,003
COST OF CONTRACT RESEARCH	(15,664)	69,230	17,669	138,461
	422,608	493,455	931,269	1,090,464
 GROSS MARGIN	 205,157	 223,292	 354,375	 409,662
 GENERAL AND ADMINISTRATIVE EXPENSES	 237,245	 230,475	 416,315	 443,082
SALES AND PROMOTIONAL EXPENSES	49,318	52,975	97,574	94,488
	49,318	52,975	97,574	94,488
 LOSS FROM OPERATIONS	 (81,406)	 (60,158)	 (159,514)	 (127,908)
 OTHER INCOME (EXPENSE)				
Interest, net	(5,436)	(4,854)	(11,282)	(9,010)
Insurance proceeds	-	39,083	-	39,083
Miscellaneous, net	782	(428)	3,524	(856)
	(4,654)	33,801	(7,758)	29,217
 LOSS BEFORE INCOME TAX	 (86,060)	 (26,357)	 (167,272)	 (98,691)
 INCOME TAX EXPENSE	 -	 -	 -	 -
 NET LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING	 (86,060)	 (26,357)	 (167,272)	 (98,691)
 CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING	 -	 -	 (15,886)	 -
 NET LOSS	 (86,060)	 (26,357)	 (183,158)	 (98,691)
 DIVIDENDS ON PREFERRED STOCK	 (6,885)	 (9,361)	 (13,770)	 (18,721)
 ACCRETION OF REDEEMABLE CONVERTIBLE PREFERRED (SERIES A)	 -	 (2,587)	 -	 (6,468)
 LOSS APPLICABLE TO COMMON SHARES	 \$ (92,945)	 \$ (38,305)	 \$ (196,928)	 \$ (123,880)
 EARNINGS PER SHARE - BASIC AND DILUTIVE (Note 2)				
 NET LOSS PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING				
Basic	\$ (0.05)	\$ (0.01)	\$ (0.09)	\$ (0.05)
Dilutive	\$ (0.05)	\$ (0.01)	\$ (0.09)	\$ (0.05)
 NET LOSS PER COMMON SHARE AFTER CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING				
Basic	\$ (0.05)	\$ (0.02)	\$ (0.11)	\$ (0.07)
Dilutive	\$ (0.05)	\$ (0.02)	\$ (0.11)	\$ (0.07)
 WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	1,823,256	1,823,256	1,823,256	1,823,256
Dilutive	1,823,256	1,823,256	1,823,256	1,823,256

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

SUPERCONDUCTIVE COMPONENTS, INC.

STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ <u>(183,158)</u>	\$ <u>(98,691)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	118,848	121,714
Amortization and accretion	1,544	1,485
Cumulative effect of a change in accounting	15,886	-
Gain on sale of equipment	(5,300)	-
Inventory reserve	(21,695)	-
Provision for doubtful accounts	3,000	2,000
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(974)	(7,003)
Inventories	(19,552)	23,989
Prepaid expenses	8,643	(54,847)
Other assets	-	(935)
Increase (decrease) in liabilities:		
Accounts payable	71,562	10,867
Accrued expenses	1,247	(91,080)
Total adjustments	<u>173,208</u>	<u>6,190</u>
Net cash used in operating activities	<u>(9,950)</u>	<u>(92,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of equipment	5,300	-
Purchases of property and equipment	<u>(119,011)</u>	<u>(35,054)</u>
Net cash used in investing activities	<u>(113,711)</u>	<u>(35,054)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable, shareholders	500,000	50,000
Principal payments on capital lease obligations	<u>(22,232)</u>	<u>(20,341)</u>
Net cash provided by financing activities	<u>477,769</u>	<u>29,659</u>

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

SUPERCONDUCTIVE COMPONENTS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

	<u>2003</u>	<u>2002</u>
NET INCREASE (DECREASE) IN CASH	354,108	(97,896)
CASH - Beginning of period	<u>48,908</u>	<u>118,083</u>
CASH - End of period	<u><u>\$ 403,016</u></u>	<u><u>\$ 20,187</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years for:		
Interest, net	\$ 4,184	11,696
Income taxes	\$ -	-

SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES

In second quarter 2003, \$121,770 of Redeemable Convertible Preferred stock, Series A, was converted to Notes Payable, Shareholders

In second quarter 2003, \$7,585 of accrued interest was transferred to Notes Payable Shareholders

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

SUPERCONDUCTIVE COMPONENTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Business Organization and Purpose

Superconductive Components, Inc. (the “Company”) is an Ohio corporation that was incorporated in May 1987. The Company was formed to develop, manufacture and sell materials using superconductive principles. Operations have since been expanded to include the manufacture and sale of non-superconductive materials. The Company's domestic and international customer base is primarily in the thin film battery, high temperature superconductor, lens and optical coatings, research, electronics and functional coatings industries.

Note 2. Summary of Significant Accounting Policies

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation of the results of operations for the periods presented have been included. The financial statements should be read in conjunction with the audited financial statements and the notes thereto for the fiscal year ended December 31, 2002. Interim results are not necessarily indicative of results for the full year.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Effective January 1, 2003, the Company implemented SFAS 143 – “Accounting for Asset Retirement Obligations”. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

Note 3. Inventory

Inventory is comprised of the following:

	June 30, 2003	December 31, 2002
	(unaudited)	
Raw materials	\$ 472,874	\$ 459,784
Work-in-progress	123,468	145,838
Finished goods	204,766	175,933
Inventory reserve	(104,428)	(126,123)
	<u>\$ 696,680</u>	<u>\$ 655,432</u>

SUPERCONDUCTIVE COMPONENTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Common Stock and Stock Options

The following options were granted under the 1995 Stock Option Plan during the six months ended June 30, 2003:

<u>Grant Date</u>	<u># Options Granted</u>	<u>Option Price</u>
January 16, 2003	35,000	\$1.00

Note 5. Earnings Per Share

Basic income (loss) per share is calculated as income available to common stockholders divided by the weighted average of common shares outstanding. Diluted earnings per share is calculated as diluted income (loss) available to common stockholders divided by the diluted weighted average number of common shares. Diluted weighted average number of common shares has been calculated using the treasury stock method for Common Stock equivalents, which includes Common Stock issuable pursuant to stock options and Common Stock warrants. At June 30, 2003 and 2002, all Common Stock options and warrants had an exercise price above the fair market value of the Company's Common Stock, and accordingly, no effect of dilution is recorded for such Common Stock equivalents. The following is provided to reconcile the earnings per share calculations:

	Three months ended June 30,		Six months ended June 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Income (loss) applicable to common shares	<u>\$(92,945)</u>	<u>\$(38,305)</u>	<u>\$(196,928)</u>	<u>\$(123,880)</u>
Weighted average common shares outstanding – basic	1,823,256	1,823,256	1,823,256	1,823,256
Effect of dilutions - stock options	-	-	-	-
Weighted average shares outstanding – diluted	<u>1,823,256</u>	<u>1,823,256</u>	<u>1,823,256</u>	<u>1,823,256</u>

Note 6. Redeemable Convertible Preferred Stock (Series A)

Effective June 30, 2003, all 99 shares of the Series A redeemable convertible preferred stock (\$99,000), accrued dividends (\$22,770) and accrued interest (\$7,585) were converted to notes payable. The principal sum and any accrued and unpaid interest on the notes shall be payable in full on June 30, 2006. The holders of the notes may convert all or a portion of the principal sum and any accrued and unpaid interest owing on the

SUPERCONDUCTIVE COMPONENTS, INC.

NOTES TO FINANCIAL STATEMENTS

notes into shares of common stock at any time after the first anniversary of the issuance of the notes. Interest will be based upon the Prime Commercial Rate on the date of the Notes and subsequently on the last business day of the preceding calendar year. If, within one year of the date of the issuance of the notes, the Company obtains non-bank equity financing in the amount of at least \$500,000, then the unpaid portion of the principal sum and any accrued and unpaid interest automatically shall convert into shares of common stock. The Company also issued 26,302 warrants to the holders of the notes to purchase shares of common stock for the price of \$1.00 per Warrant Share.

Note 7. Asset Retirement Obligation

Property and equipment are stated at cost including the expected present value of future obligations to provide for their retirement. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets.

Included in machinery and equipment is various production equipment which, per the Company's building lease, is required to be removed upon termination of the lease. Included in current liabilities in the accompanying balance sheet is the asset retirement obligation that represents the expected present value of the liability to remove this equipment. There are no assets that are legally restricted for purposes of settling this asset retirement obligation.

Changes in asset retirement for the six months ended June 30, 2003:

Liability, beginning of year	\$ 0
Liabilities incurred prior to 2003 recorded in first quarter	27,158
Liabilities incurred through June 30	1,643
Liabilities settled	0
Accretion expense	0
Revisions in cash flow estimates	<u>0</u>
Liability, end of quarter	<u>\$28,801</u>

Pro forma income statement effect for the six months ended June 30, 2002:

Net loss as reported	\$(123,880)
Additional depreciation expense	90
Additional accretion expense	0
Net loss restated retroactive for change in accounting	<u>\$(123,970)</u>
Net loss per common share as reported	\$ (0.05)
Net loss per common share restated retroactive for change in accounting	\$ (0.07)

SUPERCONDUCTIVE COMPONENTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Notes Payable Shareholders and Common Stock Warrants

The Company recently completed two private financing transactions including (i) the issuance of convertible promissory notes in the aggregate amount of \$600,000 and 122,000 warrants to purchase shares of common stock in exchange for \$600,000 in cash and (ii) the redemption of the Company's entire \$129,770 obligation on its Series A redeemable convertible preferred stock in exchange for convertible promissory notes in the aggregate amount of \$129,770, which represented the face amount of the preferred stock plus accrued and unpaid dividends and interest, and 26,302 warrants to purchase shares of common stock. Four present shareholders invested the \$600,000 of new money in the Company. \$500,000 in cash and the redemption of the Series A redeemable preferred stock was received and recorded on June 30, 2003. \$100,000 in cash was received on July 1, 2003.

The principal and interest on the \$729,770 of new convertible promissory notes are payable June 30, 2006. Interest shall be based upon the prime commercial rate on the date of the notes and subsequently on the last business day of the preceding calendar year. If the Company completes an equity financing for at least \$500,000 prior to June 30, 2004, the notes shall automatically convert to common stock at the same per share price as the equity financing and thereafter the notes shall convert to common stock at the option of the holders at \$2.00 per share. The Company used \$100,000 of the note proceeds to pay off its bank line of credit which terminated on June 30, 2003, plans to use approximately \$300,000 to finance its move to a new facility and approximately \$200,000 for general corporate purposes.

Note 9. Capital Requirement; Risk of Curtailment of Business Operations

Our accumulated deficit since inception was \$6,190,595 (unaudited) at June 30, 2003. The Company has financed the losses primarily from: (i) several private offerings of debt and equity securities; (ii) additional investments and loans by our major shareholders; and (iii) a private offering of common stock and warrants to purchase common stock in October 2000. The Company expects to continue to incur significant operating and net losses in 2003, and it is possible that the Company will never be able to sustain or develop the revenue levels necessary to attain profitability.

As of June 30, 2003, cash on-hand was \$403,016. During the first six months of 2003 the Company used \$10,000 in cash from operations. The Company believes, based on currently available financing and forecasted sales and expenses, that funding will be adequate to sustain operations through December 2003. The Company recently completed two private financing transactions as detailed in Note 8.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Financial Statements and Notes contained herein.

The following section contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical fact and may be forward looking. Forward-looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to economic, competitive, regulatory, growth strategies, available financing and other factors discussed elsewhere in this report and in other documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from the forward-looking statements made. In light of these risks and uncertainties, there can be no assurance that the results anticipated in the forward-looking information contained in this report will, in fact, occur.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statements are made or reflect the occurrence of unanticipated events, unless necessary to prevent such statements from becoming misleading. New factors emerge from time to time and it is not possible for management to predict all factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

RESULTS OF OPERATIONS

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in the Financial Statements and accompanying notes. Note 2 to the Financial Statements in the Annual Report on Form 10-KSB for the year ended December 31, 2002 describes the significant accounting policies and methods used in the preparation of the Financial Statements. Estimates are used for, but not limited to, accounting for doubtful accounts, inventory allowances, property and equipment depreciable lives, patents and licenses useful lives, asset retirement obligations and assessing changes in which impairment of certain long-lived assets may occur. Actual results could differ from these estimates. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the Financial Statements. The allowance for doubtful accounts is based on our assessment of the collectibility of specific customer accounts and the aging of the accounts receivable.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than our historical experience, our estimates of the recoverability of amounts due us could be adversely affected. Inventory purchases and commitments are based upon future demand forecasts. If there is a sudden and significant decrease in demand for our products or there is a higher risk of inventory obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory allowances and our gross margin could be adversely affected. Depreciable and useful lives estimated for property and equipment, licenses and patents are based on initial expectations of the period of time these assets and intangibles will provide benefit to our Company. Cost estimates for removal from and repair of the current leased building or a change in timing of the relocation could impact the estimate. Changes in circumstances related to a change in our business, change in technology or other factors could result in these assets becoming impaired, which could adversely affect the value of these assets.

To date, the Company has received revenue predominantly from commercial sales, government research contracts and non-government research contracts. The Company has incurred cumulative losses of \$6,190,595 from inception to June 30, 2003.

Six months ended June 30, 2003 (unaudited) compared to six months ended June 30, 2002 (unaudited):

Revenues

Revenues for the six months ended June 30, 2003 were \$1,285,644 compared to \$1,500,126, a decrease of \$214,482 or 14.3% from the six months ended June 30, 2002.

Product revenues decreased to \$1,187,153 in 2003 from \$1,356,593 in 2002 or a decrease of 12.5%. The decline in revenues for the first six months is due to lower product shipments as a result of the weak U.S. economy. The Company intends to intensify its marketing efforts by increasing the number of manufacturers representatives representing the Company. A sales consultant was added to the organization in June 2003.

Contract research revenues were \$98,491 in 2003 as compared to \$143,533 in 2002. The decrease is due to a Phase II SBIR grant from the National Science Foundation that expired in 2002. Revenues of \$138,462 from this grant are included in 2002 revenues.

The Company was awarded a \$100,000 Phase I SBIR from the Department of Energy in May 2002. This grant expired in April 2003 and \$44,445 of revenue was recognized in the first six months of 2003. The Company was awarded an interim contract for \$105,592 for Phase II of this SBIR program. The complete Phase II SBIR program is valued at approximately \$600,000 and the amount to be awarded, if any, is to be determined by the U.S. Department of Energy before the end of September 2003.

The Company is a member of a team led by Oxford Instruments Superconducting Technology, which was awarded a grant from the Department of Energy Superconductivity Partnership Initiative (SPI) Program. Revenues of \$54,046 were recognized in the first six months of 2003.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Gross Margin

Total gross margin in 2003 was \$354,375 or 27.6% of total revenue compared to \$409,662 or 27.3% in 2002. Gross margin on product revenue was 23.0% in 2003 versus 29.8% in 2002. The decrease was due to lower sales as well as the product mix. Gross margin on contract research revenue was 82.1% for 2003 and 3.5% for 2002. The increase is due to the completion of the SBIR Phase I and the addition of the Oxford SPI program. Included in the revenues of the Oxford SPI program is approximately \$44,000 that was received for the purchase of machinery and equipment. This contributed directly to the gross margin.

Selling Expense

Selling expense in 2003 increased to \$97,574 from \$94,488 in 2002, an increase of 3.3%. The increase was due to increased commission costs and the addition of a sales consultant.

General and Administrative Expense

General and administrative expense in 2003 decreased to \$416,315 from \$443,082 or a 6.0% decrease. The decrease in these costs was due to a reduction in administrative staff.

Research and Development Expense

Internal research and development costs are expensed as incurred. Research and development costs for 2003 were \$74,765 compared to \$5,241 in 2002. Internal research and development costs increased due to a decrease in contract research revenues, which are used to offset these expenses.

Interest Expense

Interest expense was \$12,488 for the six months ended June 30, 2003 compared to \$11,696 for the six months ended June 30, 2002. Interest expense to related parties was \$8,304 and \$5,791 for the six months ended June 30, 2003, and June 30, 2002, respectively. The increase is due to the accrued interest incurred as a result of the Series A preferred stock.

INCOME (LOSS) APPLICABLE TO COMMON SHARES

Basic

Net loss per common share based on the loss applicable to common shares for the six months ended June 30, 2003 and 2002 was \$0.11 and \$0.07, respectively. The loss applicable to common shares includes the net loss from operations, Series A and B preferred stock dividends, the accretion of Series A preferred stock and the cumulative effect of the change in accounting. The net loss per common share from operations was \$0.09 and \$0.07 for the six months ended June 30, 2003 and 2002, respectively. The difference between the net loss from operations and

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

the loss applicable to common shares of \$0.02 and \$0.00 for the six months ended June 30, 2003 and 2002, respectively, is a result of the preferred position that the preferred shareholders have in comparison to the common shareholders and the cumulative effect of the change in accounting.

Dividends on the Series A and B preferred stock accrue at 10% annually on the outstanding shares. Dividends on the Series A preferred stock totaled \$0 for the six months ended June 30, 2003 and \$4,951 for the six months ended June 30, 2002. The 99 shares of Series A were redeemable at May 31, 2002 and the Company began accruing interest expense June 1, 2002 until the stock was redeemed on June 30, 2003. Dividends on the Series B preferred stock totaled \$13,770 for each period.

The accretion of Series A preferred stock represents issue costs of \$70,277 that were netted against the proceeds of Series A preferred stock. The issue costs were amortized over the payout period of seven years of income (loss) applicable to common shares and additional paid-in capital. The accretion totaled \$0 for the first six months of 2003 and \$6,468 for the first six months of 2002.

Basic loss per common share for the six months ended June 30, 2003, was \$0.11 per share with 1,823,256 average common shares outstanding as compared to \$0.07 per share and 1,823,256 weighted average common shares outstanding for the six months ended June 30, 2002.

Diluted

Diluted loss per common share for the six months ended June 30, 2003 was \$0.11 per share with 1,823,256 average common shares outstanding as compared to \$0.07 per share and 1,823,256 weighted average common shares outstanding for the six months ended June 30, 2002. For the six months ended June 30, 2003 and 2002, all outstanding common stock equivalents are anti-dilutive due to the net loss.

LIQUIDITY AND WORKING CAPITAL

At June 30, 2003, working capital was \$608,617 compared to \$675,618 at June 30, 2002. The Company utilized cash from operations for the six months ended June 30, 2003, of approximately \$10,000. The Company utilized cash from operations for the six months ended June 30, 2002, of approximately \$93,000. Significant non-cash items including depreciation, inventory reserve on excess and obsolete inventory, allowance for doubtful accounts and the cumulative effect of the change in accounting were approximately \$118,000 and \$125,000, respectively, for the six months ended June 30, 2003 and 2002. Overall, accounts payable and accrued expenses increased in excess of increases in accounts receivable, inventory and prepaids by approximately \$61,000 for the six months ended June 30, 2003. Accounts receivable, inventory, and prepaids increased in excess of increases in accounts payable and accrued expenses by approximately \$119,000 for the six months ended June 30, 2002, as a result of timing of receipt of inventory versus required scheduled payments on this inventory and increased prepaid expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

For investing activities, the Company used cash of approximately \$114,000 and \$35,000, for the six months ended June 30, 2003 and June 30, 2002, respectively. The amounts invested were used to purchase machinery and equipment for increased production capacity. Proceeds on sale of equipment totaled \$5,300 and \$0 for the six months ended June 31, 2003 and June 30, 2002, respectively.

For financing activity for the six months ended June 30, 2003, the Company provided cash of approximately \$478,000. Cash payments to third parties for capital lease obligations approximated \$22,000. Proceeds from notes payables from shareholders were approximately \$500,000.

For financing activity for the six months ended June 30, 2002, the Company provided cash of approximately \$30,000. Cash payments to third parties for capital lease obligations approximated \$20,000; proceeds from notes payable from shareholders totaled \$50,000.

While certain major shareholders of the Company have advanced funds in the form of subordinated debt, accounts payable and guaranteeing bank debt in the past, there is no commitment by these individuals to continue funding the Company or guaranteeing bank debt in the future. The Company will continue to seek new financing or equity financing arrangements. However, the Company cannot be certain that it will be successful in efforts to raise additional new funds.

The Company recently completed two private financing transactions including (i) the issuance of convertible promissory notes in the aggregate amount of \$600,000 and 122,000 warrants to purchase shares of common stock in exchange for \$600,000 in cash and (ii) the redemption of the Company's entire \$129,770 obligation on its Series A redeemable convertible preferred stock in exchange for convertible promissory notes in the aggregate amount of \$129,770, which represented the face amount of the preferred stock plus accrued and unpaid dividends and interest, and 26,302 warrants to purchase shares of common stock. Four present shareholders invested the \$600,000 of new money in the Company. \$500,000 in cash and the redemption of the Series A redeemable preferred stock was received and recorded on June 30, 2003. \$100,000 in cash was received on July 1, 2003.

The principal and interest on the \$729,770 of new convertible promissory notes are payable June 30, 2006. If the Company completes an equity financing for at least \$500,000 prior to June 30, 2004, the notes shall automatically convert to common stock at the same per share price as the equity financing and thereafter the notes shall convert to common stock at the option of the holders at \$2.00 per share.

The Company used \$100,000 of the note proceeds to pay off its bank line of credit which terminated on June 30, 2003, and plans to use approximately \$300,000 to finance its move to a new facility and approximately \$200,000 for general corporate purposes.

Risk Factors

The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The following factors have affected or could affect the Company's actual results and could cause such results to differ materially from those expressed in any forward-looking statements made

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

by the Company. Investors should consider carefully the following risks and speculative factors inherent in and affecting the business of the Company and an investment in the Company's common stock.

We have experienced significant operating losses in the past and may continue to do so in the future.

We commenced business in May of 1987. Our accumulated deficit since inception was \$6,190,595 (unaudited) at June 30, 2003.

We have financed the losses primarily from: (i) several private offerings of debt and equity securities; (ii) additional investments and loans by our major shareholders; and (iii) a private offering of common stock and warrants to purchase common stock in October 2000. We cannot assure you, however, that we will be able to raise additional capital in the future to fund our operations. We expect to continue to incur significant operating and net losses in 2003, and it is possible that we will never be able to sustain or develop the revenue levels necessary to attain profitability.

We have limited marketing and sales capabilities.

To successfully market our products, we must continue to develop appropriate marketing, sales, technical, customer service and distribution capabilities, or enter into agreements with third parties to provide these services. Our failure to develop these capabilities or obtain third-party agreements could adversely affect us.

Our success depends on our ability to retain key management personnel.

Our success depends in large part on our ability to attract and retain highly qualified management, administrative, manufacturing, sales, and research and development personnel. Due to the specialized nature of our business, it may be difficult to locate and hire qualified personnel. The loss of services of one of our executive officers or other key personnel, or our failure to attract and retain other executive officers or key personnel, could have a material adverse effect on our business, operating results and financial condition. Although the Company has been successful in planning for and retaining highly capable and qualified successor management in the past, there can be no assurance that it will be able to do so in the future.

We need additional capital, which may reduce the value of our common stock.

Although the Company was successful in completing financings in the aggregate amount of \$729,770 in June 2003 and July 2003, numerous factors remain which make it necessary for the Company to seek additional capital. In order to support the initiatives envisioned in our business plan, we will need to raise additional funds through the sale of assets, public or private financing, collaborative relationships or other arrangements. Our ability to raise additional financing depends on many factors beyond our control, including the state of capital markets, the market price of our common stock and the development or prospects for development of competitive products by others. Because our common stock is not listed on a major stock exchange, many investors may not be willing or allowed to purchase it or may demand steep discounts. The necessary additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock.

Our competitors have far greater financial and other resources than we have.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The market for Thin Film Materials is a substantial market with significant competition in both ceramic and metal materials. While we believe that our products enjoy certain competitive advantages in design, function, quality, and availability, considerable competition exists from well-established firms such as a division of Praxair's Surface Science Technology group as well as MCR, Johnson Matthey, Pure Tech and CERAC, all of which have more resources than we have.

In addition, a significant portion of our business is in the very competitive market for sputtering targets made of ceramics, metals and alloys. We face substantial competition in this area from companies with far greater financial and other resources than we have. We cannot assure you that developments by others will not render our products or technologies obsolete or less competitive.

Government contracts may be terminated or suspended for noncompliance or other events beyond our control.

The government may cancel virtually all of our government contracts which are terminable at the option of the government. While we have complied with applicable government rules and regulations and contract provisions in the past, we could fail to comply in the future. Noncompliance with government procurement regulations or contract provisions could result in the termination of government contracts. The termination of our significant government contracts or the adoption of new or modified procurement regulations or practices could adversely affect us.

Inventions conceived or actually reduced to practice under a government contract generally result in the government obtaining a royalty-free, non-exclusive license to practice the invention. Similarly, technologies developed in whole or in part at government expense generally result in the government obtaining unlimited rights to use, duplicate or disclose technical data produced under the contract. These licenses and rights may result in a loss of potential revenues or the disclosure of our proprietary information, either of which could adversely affect us.

Our revenues depend on patents and proprietary rights that may not be enforceable.

We rely on a combination of patent and trademark law, license agreements, internal procedures and nondisclosure agreements to protect our intellectual property. These may be invalidated, circumvented or challenged. In addition, the laws of some foreign countries in which our products may be produced or sold do not protect our intellectual property rights to the same extent as the laws of the United States. Our failure to protect our proprietary information could adversely affect us.

Rights we have to patents and pending patent applications may be challenged.

We have received from the United States Patent and Trademark Office a patent for Fine-Particle Bi-Sr-Ca-Cu-O Having High Phase Purity made by a Chemical Precipitation and Low-Pressure Calcination method, and have also received a patent for a new process to join two individual strongly linked super-conductors utilizing a melt processing technique. In addition, in the future we may submit additional patent applications covering various applications. The patent application we filed and patent applications that we may file in the future may not result in patents being issued, and any patents issued may not afford meaningful protection against competitors with similar technology, and may be challenged by third parties. Because U.S. patent applications are maintained in secret until patents are issued, and because publications of discoveries in the scientific or patent literature tend to lag behind actual discoveries by several months, we may not be the first creator of inventions covered by issued patents or pending patent applications or the first to file patent applications for such inventions. Moreover, other parties may independently develop similar technologies, duplicate our technologies or, if patents are issued to us or rights licensed by us, design around the patented aspects of any technologies we developed or licensed. We may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine the priority of inventions, which could result in substantial costs. Litigation may also be necessary to enforce

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

any patents held by or issued to us or to determine the scope and validity of others' proprietary rights, which could result in substantial costs.

The rapid rate of inventions and discoveries in the superconductivity field has raised many unresolved patent issues that may negatively affect our business.

The claims in granted patents often overlap and there are disputes involving rights to inventions claimed in pending patent applications. As a result, the patent situation in the high temperature superconductor field is unusually complex. It is possible that there will be patents held by third parties relating to our products or technology. We may need to acquire licenses to design around or successfully contest the validity or enforceability of those patents. It is also possible that because of the number and scope of patents pending or issued, we may be required to obtain multiple licenses in order to use a single material. If we are required to obtain multiple licenses, our costs will increase. Furthermore, licenses may not be available on commercially reasonable terms or at all. The likelihood of successfully contesting the validity or enforceability of those patents is also uncertain; and, in any event, we could incur substantial costs in defending the validity or scope of our patents or challenging the patents of others.

The rapid technological changes of our industry may adversely affect us if we do not keep pace with advancing technology.

The Thin Film Market is characterized by rapidly advancing technology. Our success depends on our ability to keep pace with advancing technology, processes and industry standards. To date, we have focused our development efforts on powders and targets. We intend to continue to develop and integrate advances in the thin film coatings industry. However, our development efforts may be rendered obsolete by research efforts and technological advances made by others, and materials other than those we currently use may prove more advantageous.

Development Stage of the Company's Products and Uncertainty Regarding Development of Markets

Some of the Company's products are in the early stages of commercialization and the Company believes that it will be several years before products will have significant commercial end-use applications, and that significant additional development work may be necessary to improve the commercial feasibility and acceptance of its products. There can be no assurance that the Company will be able to commercialize any of the products currently under development.

To date, there has been no widespread commercial use of High Temperature Superconductive (HTS) products. Additionally, the market for the Thin Film Battery materials is still in its nascent stages.

The market for our common stock is limited, and as such our shareholders may have difficulty reselling their shares when desired or at attractive market prices.

Our stock price and our listing may make it more difficult for our shareholders to resell shares when desired or at attractive prices. From April 2000 until September 2001, our common stock traded on the National Quotation Bureau (the "pink sheets"). In September 2001, our stock once again began trading on The Over the Counter Bulletin Board ("OTC Bulletin Board"). Nevertheless, our common stock has continued to trade in low volumes and at low prices. Some investors view low-priced stocks as unduly speculative and therefore not appropriate candidates for investment. Many institutional investors have internal policies prohibiting the purchase or maintenance of positions in low-priced stocks. This has the effect of limiting the pool of potential purchasers of our common stock at present price levels. Shareholders may find greater percentage spreads between bid and asked prices, and more difficulty in completing transactions and higher transaction costs when buying or selling our common stock than they would if our stock were listed on a major stock exchange, such as The New York Stock Exchange or The NASDAQ National Market.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Additionally, the market prices for securities of superconductive material companies have been volatile throughout the Company's existence. Most of the companies are traded over the counter through the National Quotation Bureau or National Association of Securities Dealers Automated Quotation System. Historical trading characteristics for public companies in this industry include limited market support, low trading volume, and wide spreads (on a percentage basis) between the bid and ask prices. Announcements regarding product developments, technological advances, significant customer orders, and financial results significantly influence per share prices.

Our common stock is subject to the Securities and Exchange Commission's "penny stock" regulations, which limits the liquidity of common stock held by our shareholders.

Based on its trading price, our common stock is considered a "penny stock" for purposes of federal securities laws, and therefore is subject to regulations, which affect the ability of broker-dealers to sell the Company's securities. Broker-dealers who recommend a "penny stock" to persons (other than established customers and accredited investors) must make a special written suitability determination and receive the purchaser's written agreement to a transaction prior to sale.

As long as the penny stock regulations apply to our common stock, it may be difficult to trade such stock because compliance with the regulations can delay and/or preclude certain trading transactions. Broker-dealers may be discouraged from effecting transactions in our common stock because of the sales practice and disclosure requirements for penny stock. This could adversely effect the liquidity and/or price of our common stock, and impede the sale of our common stock in the secondary market.

Our Articles of Incorporation authorize us to issue additional shares of stock.

We are authorized to issue up to 15,000,000 shares of common stock, which may be issued by our board of directors for such consideration, as they may consider sufficient without seeking shareholders approval. The issuance of additional shares of common stock in the future will reduce the proportionate ownership and voting power of current shareholders.

Our Articles of Incorporation also authorize us to issue up to 260,000 shares of preferred stock. The issuance of preferred stock in the future could create additional securities which would have dividend and liquidation preferences prior in right to the outstanding shares of common stock. These provisions could also impede a non-negotiated change in control.

We have not paid dividends on our common stock in the past and do not expect to do so in the future.

We cannot assure you that our operations will result in sufficient revenues to enable us to operate at profitable levels or to generate positive cash flow sufficient to pay dividends. We have never paid dividends on our common shares in the past and do not expect to do so in the foreseeable future.

We may have difficulty raising additional capital, which could deprive us of necessary resources.

We require substantial capital resources to maintain existing operations and to secure new manufacturing facilities.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements including special purpose entities.

Item 3. Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that our disclosure controls and procedures will timely alert them to material information required to be included in our periodic SEC reports.

As of the end of the period covered by this report, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15d-15(f) of the Securities Exchange Act of 1934, as amended) during the quarter to which this report relates that has materially affected or is reasonably likely to materially affect, our internal control over financing reporting.

Part II. Other Information

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

(a)) The Company held its annual meeting of shareholders on May 22, 2003, for the purpose of electing three directors to the board of directors of the Company.

(b) At the annual meeting of shareholders all directors nominated were elected.

(c) The following table shows the voting tabulation for the election of three directors, each to serve for terms expiring at the next annual meeting of shareholders.

<u>Nominee</u>	<u>Number of Shares</u>	
	<u>For</u>	<u>Withhold Authority</u>
Daniel Rooney	1,461,440	31,150
Robert J. Baker, Jr.	1,491,440	1,150
Edward W. Ungar	1,438,210	54,380

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

(a) Exhibits.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

(b) Reports on Form 8-K.

Report on Form 8-K, dated July 7, 2003, regarding the completion of the June 2003 financings (Items 5 and 7).

Report on Form 8-K, dated May 19, 2003, regarding the first quarter 2003 financial results (Items 7 and 9).

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUPERCONDUCTIVE COMPONENTS, INC.

Date: August 13, 2003

/s/ Daniel Rooney
Daniel Rooney, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Gerald S. Blaskie

Gerald S. Blaskie, Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Rooney, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Superconductive Components, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [reserved];
 - (c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 13, 2003

/s/ Daniel Rooney
Daniel Rooney
President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald S. Blaskie, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Superconductive Components, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) [reserved];
 - c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 13, 2003

/s/ Gerald S. Blaskie
Gerald S. Blaskie
Chief Financial Officer

**CERTIFICATION OF PERIODIC FINANCIAL REPORT PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

The undersigned hereby certifies that he is the duly appointed and acting Chief Executive Officer of Superconductive Components, Inc. , an Ohio corporation (the "Company") and hereby further certifies as follows:

- (1) The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

August 13, 2003

/s/ Daniel Rooney
Daniel Rooney
President and Chief Executive Officer

**CERTIFICATION OF PERIODIC FINANCIAL REPORT PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

The undersigned hereby certifies that he is the duly appointed and acting Chief Financial Officer of Superconductive Components, Inc., an Ohio corporation (the "Company") and hereby certifies as follows:

- (1) The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

August 13, 2003

/s/ Gerald S. Blaskie
Gerald S. Blaskie
Chief Financial Officer