

UNITED STATES  
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 MARCH 31, 2001

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 0-23837

SURMODICS, INC.

(Exact name of registrant as specified in its Charter)

MINNESOTA

41-1356149

(State of incorporation)

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

9924 West 74th Street  
Eden Prairie, Minnesota 55344

(Address of principal executive offices)

Registrant's telephone number, including area code: (952) 829-2700

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 such filing requirements for the past 90 days.

Yes  No

The number of shares of the registrant's Common Stock, \$.05 par value per share, outstanding as of April 30, 2001 was 16,735,415.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

SURMODICS, INC.  
Condensed Balance Sheets  
(In thousands, except share data)

	March 31, 2001 ----- (Unaudited)	September 30, 2000 -----
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalents	\$ 4,143	\$ 1,510
Short-term investments	14,938	15,847
Accounts receivable, net	2,159	1,406
Inventories	690	500
Deferred tax asset	745	912
Prepays and other	864	911
	-----	-----
Total current assets	23,539	21,086
PROPERTY AND EQUIPMENT, net	7,326	7,166
LONG-TERM INVESTMENTS	23,529	22,293
OTHER ASSETS, net	215	204
	-----	-----
	\$ 54,609	\$ 50,749
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 394	\$379
Accrued liabilities	2,003	1,584
Deferred revenues	307	433
	-----	-----
Total current liabilities	2,704	2,396
DEFERRED REVENUES, less current portion	--	50
	-----	-----
Total liabilities	2,704	2,446
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Series A Preferred stock-		
\$.05 par value, 450,000 shares authorized; no shares issued and outstanding	--	--
Common stock-		
\$.05 par value, 45,000,000 shares authorized; 16,728,845 and 16,556,002 shares issued and outstanding	836	828
Additional paid-in capital	46,051	45,740
Unearned compensation	(243)	(289)
Stock purchase notes receivable	(7)	(7)
Accumulated other comprehensive income (loss)	259	(46)
Retained earnings	5,009	2,077
	-----	-----
Total stockholders' equity	51,905	48,303
	-----	-----
	\$ 54,609	\$ 50,749
	=====	=====

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

SURMODICS, INC.  
Condensed Statements of Income  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
REVENUES:				
Royalties	\$ 2,878	\$ 2,503	\$ 4,936	\$ 4,853
License fees	104	160	539	260
Product sales	1,518	1,188	3,075	2,422
Research and development	875	590	1,657	1,055
Total revenues	5,375	4,441	10,207	8,590
OPERATING COSTS AND EXPENSES:				
Product	624	467	1,232	862
Research and development	1,907	1,776	3,682	3,384
Sales and marketing	417	354	831	732
General and administrative	799	693	1,512	1,255
Total operating costs and expenses	3,747	3,290	7,257	6,233
INCOME FROM OPERATIONS	1,628	1,151	2,950	2,357
OTHER INCOME:				
Investment income, net	609	307	1,240	600
Gain (loss) on sale of investments	160	(11)	310	(10)
Other income, net	769	296	1,550	590
INCOME BEFORE PROVISION FOR INCOME TAXES	2,397	1,447	4,500	2,947
INCOME TAX PROVISION	831	543	1,568	1,100
NET INCOME	\$ 1,566	\$ 904	\$ 2,932	\$ 1,847
NET INCOME PER SHARE:				
Basic	\$ 0.09	\$ 0.06	\$0.18	\$0.12
Diluted	\$ 0.09	\$ 0.05	\$0.17	\$0.11
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic weighted average common shares outstanding	16,686	15,564	16,638	15,500
Dilutive effect of outstanding stock options	1,089	1,126	1,101	1,114
Diluted weighted average common shares outstanding	17,775	16,690	17,738	16,614

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

SURMODICS, INC.  
Condensed Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Six Months Ended March 31,	
	2001	2000
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,932	\$ 1,847
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	748	485
Amortization of unearned compensation, net	46	43
Deferred tax provision	167	1,091
Change in assets and liabilities:		
Accounts receivable	(753)	73
Inventories	(190)	(52)
Prepays and other	25	(358)
Accounts payable and accrued liabilities	434	(309)
Deferred revenues	(176)	(108)
Net cash provided by operating activities	3,233	2,712
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment, net	(897)	(2,078)
Purchases of available-for-sale investments	(31,875)	(13,626)
Sales/maturities available-for-sale investments	31,853	13,729
Repayment of stock purchase notes receivable	--	20
Net cash used in investing activities	(919)	(1,955)
<b>FINANCING ACTIVITIES:</b>		
Issuance of common stock	319	(92)
Net increase in cash and cash equivalents	2,633	665
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	1,510	1,975
End of period	\$ 4,143	\$ 2,640

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

SURMODICS, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

## (1) BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles and reflect all adjustments, consisting solely of normal recurring adjustments, needed to fairly present the financial results for these interim periods. These financial statements include some amounts that are based on management's best estimates and judgments. These estimates may be adjusted as more information becomes available, and any adjustment could be significant. The results of operations for the six months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year.

According to the rules and regulations of the Securities and Exchange Commission, the Company has omitted footnote disclosures that would substantially duplicate the disclosures contained in the audited financial statements of the Company. Read together with the disclosures below, management believes the interim financial statements are presented fairly. However, these unaudited condensed financial statements should be read together with the financial statements for the year ended September 30, 2000 and footnotes thereto included in the Company's form 10-K as filed with the Securities and Exchange Commission.

## (2) NEW ACCOUNTING PRONOUNCEMENTS

In March 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 requires that license and other up-front fees be recognized over the term of the agreement unless the fee is in exchange for products delivered or services performed that represent the culmination of a separate earnings process. The Company will adopt SAB 101 when required, which is currently expected to be in the fourth quarter of fiscal 2001. The Company is currently evaluating SAB 101 to determine whether its implementation will have any material impact on the Company's financial position or results of operations with respect to the license fees earned by SurModics. Any adjustment would result in a charge to earnings for the cumulative effect of the change. This amount would then be deferred and be recognized as revenue in future periods.

## (3) COMPREHENSIVE INCOME

The components of comprehensive income for the three-month and six-month periods are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2001	2000	2001	2000
(dollars in thousands)				
Net income	\$ 1,566	\$ 904	\$ 2,932	\$ 1,847
Other comprehensive income:				
Change in unrealized gain (loss) on available-for-sale securities	80	(4)	305	(100)
Total comprehensive income	\$ 1,646	\$ 900	\$ 3,237	\$ 1,747

(4) OPERATING SEGMENTS  
(dollars in thousands)

	Licensing	Manufacturing	Research & Development	Corporate	Consolidated
	-----	-----	-----	-----	-----
Six Months Ended					
March 31, 2001					
Revenues:					
PhotoLink	\$ 3,962	\$ 1,368	\$ 1,473	\$ --	\$ 6,803
Diagnostic	1,513	--	--	--	1,513
Stabilization & other	--	1,707	--	--	1,707
Government	--	--	184	--	184
	-----	-----	-----	-----	-----
Total Revenues	5,475	3,075	1,657	--	10,207
Expenses	--	1,232	3,682	2,343	7,257
	-----	-----	-----	-----	-----
Operating income (loss)	5,475	1,843	(2,025)	(2,343)	2,950
Other income				1,550	1,550
Income tax provision				(1,568)	(1,568)
					-----
Net income					\$ 2,932
					=====
Six Months Ended					
March 31, 2000					
Revenues:					
PhotoLink	\$ 3,475	\$ 1,106	\$ 668	\$ --	\$ 5,249
Diagnostic	1,638	--	--	--	1,638
Stabilization & other	--	1,316	--	--	1,316
Government	--	--	387	--	387
	-----	-----	-----	-----	-----
Total Revenues	5,113	2,422	1,055	--	8,590
Expenses	--	862	3,384	1,987	6,233
	-----	-----	-----	-----	-----
Operating income (loss)	5,113	1,560	(2,329)	(1,987)	2,357
Other income				590	590
Income tax provision				(1,100)	(1,100)
					-----
Net income					\$ 1,847
					=====

(5) STOCKHOLDERS' EQUITY

On November 13, 2000, the Board of Directors adopted a resolution that designated an additional 300,000 of the then 4,850,000 undesignated shares as Series A Preferred Stock. The total number of authorized shares of the Company is now 50,000,000, consisting of 45,000,000 shares of Common Stock, \$0.05 par value per share, 450,000 of Series A Preferred Stock, \$.05 par value per share, and 4,550,000 undesignated shares.

In addition on November 13, 2000, the Board of Directors declared a 2-for-1 stock split of the Company's Common Stock, payable on December 6, 2000, to shareholders of record on November 27, 2000. All share, per share and weighted average share information has been restated to reflect the split.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

SurModics is a leading provider of surface modification solutions to medical device manufacturers. The Company's revenues are derived from four primary sources: fees from licensing its patented technology to customers; royalties received from licensees; product sales (photoreactive chemical compounds to licensees, stabilization products to the diagnostics industry, and coated slides to the genomics market); and research and development fees generated on projects for commercial customers and pursuant to government grants.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 AND 2000

Revenues. The Company's revenues were \$5.4 million for the second quarter of fiscal 2001, an increase of \$934,000, or 21%, over the same period of fiscal 2000. The revenue components were as follows (in thousands):

	2001	2000	\$ Increase (Decrease)	% Increase (Decrease)
	-----	-----	-----	-----
PhotoLink(R) revenue:				
Royalties	\$1,997	\$1,571	\$426	27%
License fees	104	160	(56)	(35%)
Reagent chemical sales	645	501	144	29%
Commercial development	764	396	368	93%
	-----	-----	----	
Total PhotoLink revenue	3,510	2,628	882	34%
Other revenue:				
Diagnostic royalties	881	933	(52)	(6%)
Stabilization & slide sales	873	686	187	27%
Government research	111	194	(83)	(43%)
	-----	-----	----	
Total revenues	\$5,375	\$4,441	\$934	21%
	=====	=====	=====	

Second quarter revenue growth was the result of a 34% increase in PhotoLink-related revenue. Commercial development revenue increased 93% to \$764,000, a quarterly record. Much of this increase was due to a high level of effort on two projects: genomics work with Motorola and coating work on the drug delivery stent for Johnson & Johnson's Cordis division. PhotoLink royalties also increased to record levels, up \$426,000 to \$2.0 million, a 27% increase. Royalty revenue in the quarter was boosted by the first minimum royalty payment from Motorola Life Sciences and stronger royalties from several other licensees.

Reagent chemical sales (those chemicals used by licensees in the PhotoLink coating process) increased 29% to \$645,000. Historically, a single client purchased more than half of the reagents sold, but during the current quarter, this percentage dropped to 38%, as sales to all other clients increased. Reagent sales to all other clients increased 78% between years.

SurModics signed two new license agreements during the second quarter of fiscal 2001. Fees from the two new licenses and installment payments on previously executed licenses combined for total license revenue of \$104,000. The Company has license agreements with 47 companies covering over

110 different product applications, 57 of which are currently on the market. A 27% increase in stabilization and DNA slides sales contributed to the balance of revenue growth outside of PhotoLink.

Product costs. The Company's product costs were \$624,000 for the second quarter of fiscal 2001, an increase of \$157,000, or 34%, over the same period of fiscal 2000. Overall product margins decreased slightly to 59% in the second quarter of fiscal 2001 from 61% in the same period of fiscal 2000. Most of this change was due to a reduction in certain stabilization product prices that the Company implemented at the beginning of the fiscal year.

Research and development expenses. Research and development expenses were \$1.9 million for the second quarter of fiscal 2001, an increase of \$131,000, or 7%, over the same period of fiscal 2000. The increase was primarily due to compensation and benefits associated with technical personnel added by the Company over the last year, higher foreign patent filing fees and increased depreciation and facilities costs due to last year's construction of additional laboratory facilities.

Sales and marketing expenses. Sales and marketing expenses were \$417,000 for the second quarter of fiscal 2001, a \$63,000 or 18% increase from the same period of fiscal 2000. Increased compensation and benefits costs and additional business travel offset a decrease in promotional expenses.

General and administrative expenses. General and administrative expenses were \$799,000 for the second quarter of fiscal 2001, an increase of \$106,000, or 15%, over the same period of fiscal 2000. The increase was the result of additional facilities costs related to building improvements made in the previous year, and higher utility, investor relations and compensation and benefit costs.

Income from operations. The Company's income from operations was \$1.6 million for the second quarter of fiscal 2001, an increase of \$477,000, or 41%, over the same period of fiscal 2000.

Other income, net. The Company's other income was \$769,000 for the second quarter of fiscal 2001, an increase of \$473,000, or 160%, over the same period of fiscal 2000. The increase in investment income was a direct result of the 91% increase in cash and investment balances from last year's second quarter. In addition, the Company sold a portion of its bond portfolio to take advantage of a tax capital loss carryforward, generating a realized gain of \$159,000.

Income tax expense. The Company's income tax provision was \$831,000 for the second quarter of fiscal 2001 versus \$543,000 in the same period of fiscal 2000.



## SIX MONTHS ENDED MARCH 31, 2001 AND 2000

Revenues. The Company's revenues were \$10.2 million for the first six months of fiscal 2001, an increase of \$1.6 million, or 19%, over the same period of fiscal 2000. The revenue components were as follows (in thousands):

	2001	2000	\$ Increase (Decrease)	% Increase (Decrease)
	-----	-----	-----	-----
PhotoLink revenue:				
Royalties	\$ 3,423	\$3,215	\$208	6%
License fees	539	260	279	108%
Reagent chemical sales	1,368	1,106	262	24%
Commercial development	1,473	668	805	121%
	-----	-----	-----	-----
Total PhotoLink revenue	6,803	5,249	1,554	30%
Other revenue:				
Diagnostic royalties	1,513	1,638	(125)	(8%)
Stabilization & slide sales	1,707	1,316	391	30%
Government research	184	387	(203)	(52%)
	-----	-----	-----	-----
Total revenues	\$10,207	\$8,590	\$1,617	19%
	=====	=====	=====	-----

The revenue growth for the first six months of fiscal 2001 was distributed across several PhotoLink revenue categories. Commercial development revenue increased 121% to nearly \$1.5 million. Most of the growth is related to genomics and drug delivery stent work described earlier. The growth in PhotoLink royalties was primarily due to increased sales of coated products by the Company's licensees. PhotoLink revenue growth was masked somewhat by a one-time \$225,000 royalty payment received in the first half of last year. Approximately 81% of the PhotoLink royalties received were earned royalties based on the clients' sale of coated products. The remaining royalties were minimum payments made to SurModics prior to a medical device reaching the market.

The 24% increase in reagent chemical sales was due to a greater number of clients purchasing reagents and to the growing production of PhotoLink-coated devices by SurModics' clients. SurModics signed four new PhotoLink license agreements during the first six months of fiscal 2001. The fees from these agreements, in addition to progress payments made on previously executed license agreements resulted in \$539,000 of revenue, a 108% increase from the \$260,000 recorded on the five license agreements signed in the same period last year. Stabilization and DNA slide sales increased 30% from the same period in fiscal 2000.

Product costs. The Company's product costs were \$1.2 million for the first six months of fiscal 2001, an increase of \$370,000, or 43%, over the same period of fiscal 2000. Overall product margins were 60% in the first six months of fiscal 2001 compared to 61% in the same period of fiscal 2000.

Research and development expenses. Research and development expenses were \$3.7 million for the first six months of fiscal 2001, an increase of \$298,000, or 9%, over the same period of fiscal 2000. The change was primarily due to compensation and benefits associated with technical personnel added by the Company over the last year, increased legal fees for foreign patents, higher utility costs and increased depreciation on equipment purchases.

Sales and marketing expenses. Sales and marketing expenses were \$831,000 for the first six months of fiscal 2001, an increase of \$99,000 or 14% from the same period of fiscal 2000. The change was primarily due to compensation and benefits associated with sales and marketing staff hired in the last half of the previous year and to a corresponding increase in business travel. Decreased promotional expenses offset a portion of the above increases.

General and administrative expenses. General and administrative expenses were \$1.5 million for the first half of fiscal 2001, an increase of \$257,000, or 20%, over the same period of fiscal 2000. The increase was the result of higher compensation and benefit costs, rising utility costs, and increased investor relations expenditures.

Income from operations. The Company's income from operations was \$3.0 million for the first six months of fiscal 2001, an increase of \$593,000, or 25%, over the same period of fiscal 2000.

Other income, net. The Company's other income was \$1.6 million for the first half of fiscal 2001, an increase of \$960,000, or 163%, over the same period of fiscal 2000. Investment income increased 107% to \$1.2 million in the current period on higher cash and investment balances. In addition, during the first half of the fiscal year, the Company sold a portion of its bond portfolio generating a realized gain of \$309,000.

Income tax expense. The Company's income tax provision was \$1.6 million for the first six months of fiscal 2001 versus \$1.1 million in the same period of fiscal 2000.

Other comprehensive income. The Company's other comprehensive income was \$305,000 for the first six months of fiscal 2001. This gain was due to an increase in the market value of the Company's investments available-for-sale. As of March 31, 2001, the Company had a net \$259,000 unrealized gain related to those investments.

#### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, the Company had working capital of \$20.8 million and cash, cash equivalents and investments totaling \$42.6 million. The Company's investments principally consist of U.S. government and government agency obligations and investment grade, interest-bearing corporate debt securities with varying maturity dates, the majority of which are five years or less. The Company generated positive cash flows from operating activities of \$3.2 million in the first six months, which was an increase of 19% for the same period of last year, primarily due to the increase in net income.

As of March 31, 2001, the Company had no debt, nor did it have any credit agreements. The Company believes that its existing capital resources will be adequate to fund the Company's operations into the foreseeable future.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company maintains an investment portfolio in accordance with its investment policy. The primary objectives of the Company's investment policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. The Company's investment policy requires investments with high-credit-quality issuers and limits the amount of credit exposure to any one issuer.

The Company's investments principally consist of U.S. government and government agency obligations and investment grade, interest-bearing corporate debt securities with varying maturity dates, the majority of which are five years or less. All of the Company's cash equivalents and marketable securities are classified as available-for-sale securities.

The Company holds \$1.0 million of interest-bearing debt of Southern California Edison, a California utility, which is scheduled to mature on June 1, 2001. Southern California Edison has indicated it may be unable to continue to service its debt under the existing regulated rate structure unless they receive relief from state regulators. At this time it is not known whether such financial support will be made available to California utilities. Due to these circumstances, various rating agencies have lowered the credit rating of the California utilities to below investment grade. The Company could ultimately incur a loss on the sale of this investment.

The securities held in the Company's investment portfolio are subject to interest rate risk. Changes in interest rates affect the fair value of the available-for-sale securities. The Company has determined that a hypothetical ten percent increase in interest rates would result in an approximate \$380,000 decrease in the fair value of the Company's available-for-sale securities as of March 31, 2001, but no material impact on the results of operations or cash flows.

#### FORWARD LOOKING STATEMENTS

The statements contained in this quarterly report relating to future revenue growth and expense levels are based on current expectations and involve a number of risks and uncertainties. These statements are forward looking and are made pursuant to the safe harbor provisions of the Private Securities Reform Act of 1995. The following factors could cause royalty revenue to materially and adversely differ from that anticipated: the ability of the Company's licensees to successfully gain regulatory approval for, market and sell products incorporating the Company's technology; the amount and timing of resources devoted by the Company's licensees to market and sell products incorporating the Company's technology; the Company's ability to attract new licensees and to enter into agreements for additional applications with existing licensees; the Company's ability to maintain a competitive position in the development of technologies and products in its areas of focus; and business and general economic conditions. Investors should consider these risks and other risks identified in the Company's filings with the SEC when making investment decisions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. SurModics undertakes no obligation to update publicly or revise any forward-looking statements.

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

None.

## ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Use of Proceeds through the period ending March 31, 2001.

(1)	Effective Date:	March 3, 1998
	SEC File Number:	333-43217
(2)	Offering Date:	March 3, 1998
(4) (i)	The offering has terminated; all securities registered were sold.	
(4) (ii)	Managing Underwriter:	John G. Kinnard and Company, Incorporated
(4) (iii)	Title of Securities:	Common Stock
(4) (iv)	Amount Registered:	2,300,000
	Aggregate Offering Price:	\$17,250,000
	Amount Sold:	2,300,000
	Aggregate Offering Price Sold:	\$17,250,000
(4) (v)	Underwriting Discount and Commissions	\$ 1,293,750
	Other Expenses	\$ 435,148
	Total Expenses	\$ 1,728,898
	All the above items represented direct or indirect payments to others.	
(4) (vi)	Net Offering Proceeds	\$15,521,102
(4) (vii)	Use of Net Offering Proceeds:	
	Research and development	\$ 3,110,000
	Sales and marketing	\$ 1,728,000
	Property and equipment upgrades	\$ 8,892,000
	Patent protection	\$ 401,000
	Working capital and general corporate purposes	\$ 1,150,000
	Administration	\$ 240,102

All the above items represented direct or indirect payments to others.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits - None

(b) Reports on Form 8-K - None

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.

SURMODICS, INC.

May 11, 2001

By: /s/ Stephen C. Hathaway

-----  
Stephen C. Hathaway  
Vice President & CFO  
(Principal Financial Officer)