

PERFORMANCE TECHNOLOGIES INC \DE\
Form 10-Q
May 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended March 31, 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 0-27460

PERFORMANCE TECHNOLOGIES, INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware 16-1158413
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation of organization)

205 Indigo Creek Drive, Rochester, New York 14626
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (585) 256-0200

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 X No .

The number of shares outstanding of the registrant's common stock was 12,239,228 as of April 30, 2002.

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets as of March 31, 2002 (unaudited) and December 31, 2001	3
Consolidated Statements of Income For The Three Months Ended March 31, 2002 and 2001 (unaudited)	4
Consolidated Statements of Cash Flows For The Three Months Ended March 31, 2002 and 2001 (unaudited)	5
Notes to Consolidated Financial Statements For The Three Months Ended March 31, 2002 (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7
Item 3. Quantitative and Qualitative Disclosures About Market Risk	12
 PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	13
Item 6. Exhibits and Reports on Form 8-K	13
Signatures	14

2

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2002	December 31, 2001
	----- (unaudited)	-----
Current assets:		
Cash and cash equivalents	\$26,972,000	\$26,913,000
Accounts receivable, net	6,814,000	6,905,000
Inventories, net	3,863,000	3,756,000

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

Prepaid expenses and other	324,000	359,000
Deferred taxes	608,000	608,000
	-----	-----
Total current assets	38,581,000	38,541,000
Property, equipment and improvements, net	2,419,000	2,465,000
Software development costs, net	2,131,000	1,948,000
	-----	-----
Total assets	\$43,131,000	\$42,954,000
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 689,000	\$ 417,000
Income taxes payable	433,000	350,000
Accrued expenses	2,447,000	3,046,000
	-----	-----
Total current liabilities	3,569,000	3,813,000
Deferred taxes	799,000	799,000
	-----	-----
Total liabilities	4,368,000	4,612,000
	-----	-----
Stockholders' equity:		
Preferred stock - \$.01 par value; 1,000,000 shares authorized; none issued		
Common stock - \$.01 par value; 50,000,000 shares authorized; 13,260,038 shares issued	133,000	133,000
Additional paid-in capital	11,286,000	11,305,000
Retained earnings	40,632,000	40,239,000
Treasury stock - at cost; 1,020,810 and 1,024,547 shares held at March 31, 2002 and December 31, 2001, respectively	(13,233,000)	(13,284,000)
Accumulated other comprehensive loss	(55,000)	(51,000)
	-----	-----
Total stockholders' equity	38,763,000	38,342,000
	-----	-----
Total liabilities and stockholders' equity	\$43,131,000	\$42,954,000
	=====	=====

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

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

	Three Months Ended March 31,	
	2002	2001
	-----	-----
Sales	\$6,407,000	\$9,700,000
Cost of goods sold	2,652,000	3,809,000
	-----	-----
Gross profit	3,755,000	5,891,000
	-----	-----
Operating expenses:		
Selling and marketing	1,063,000	1,510,000
Research and development	1,498,000	2,285,000
General and administrative	577,000	732,000
Restructuring charge	163,000	
	-----	-----
Total operating expenses	3,301,000	4,527,000
	-----	-----
Income from operations	454,000	1,364,000
Other income, net	116,000	355,000
	-----	-----
Income before income taxes	570,000	1,719,000
Provision for income taxes	177,000	567,000
	-----	-----
Net income	\$ 393,000	\$1,152,000
	=====	=====
Basic earnings per share	\$.03	\$.09
	=====	=====
Diluted earnings per share	\$.03	\$.09
	=====	=====
Weighted average number of common shares used in basic earnings per share	12,238,095	12,474,014
Common equivalent shares	313,542	452,832
	-----	-----
Weighted average number of common shares used in diluted earnings per share	12,551,637	12,926,846
	=====	=====

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

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

4

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 393,000	\$1,152,000
Non-cash adjustments:		
Depreciation and amortization	401,000	326,000
Other	12,000	6,000
Changes in operating assets and liabilities:		
Accounts receivable	79,000	636,000
Inventories	(107,000)	62,000
Prepaid expenses and other	35,000	373,000
Accounts payable and accrued expenses	(327,000)	(869,000)
Income taxes payable	83,000	477,000
	-----	-----
Net cash provided by operating activities	569,000	2,163,000
	-----	-----
Cash flows from investing activities:		
Purchases of property, equipment and improvements	(190,000)	(587,000)
Capitalized software development costs	(352,000)	(368,000)
Purchase of marketable securities		(5,000)
Maturities of marketable securities		10,000,000
	-----	-----
Net cash (used) provided by investing activities	(542,000)	9,040,000
	-----	-----
Cash flows from financing activities:		
Exercise of stock options and warrants	32,000	76,000
Purchase of treasury stock		(6,449,000)
	-----	-----
Net cash provided (used) by financing activities	32,000	(6,373,000)
	-----	-----
Net increase in cash and cash equivalents	59,000	4,830,000
Cash and cash equivalents at beginning of period	26,913,000	17,187,000
	-----	-----
Cash and cash equivalents at end of period	\$26,972,000	\$22,017,000
	=====	=====

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

5

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED MARCH 31, 2002
 (Unaudited)

Note - A The unaudited Consolidated Financial Statements of Performance Technologies, Incorporated and Subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the Consolidated Financial Statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results for the interim periods are not necessarily indicative of the results to be expected for the year. The accompanying Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Company as of December 31, 2001, as reported in its Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Note - B During the three months ended March 31, 2002, 3,737 common shares were issued upon the exercise of stock options.

Note - C Inventories consisted of the following at March 31, 2002 and December 31, 2001:

	March 31, 2002	December 31, 2001
	-----	-----
Purchased parts and components	\$1,248,000	\$1,329,000
Work in process	2,811,000	2,778,000
Finished goods	704,000	468,000
	-----	-----
	4,763,000	4,575,000
Less: reserve for inventory obsolescence	(900,000)	(819,000)
	-----	-----
Net	\$3,863,000	\$3,756,000
	=====	=====

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

Note - D On January 15, 2002, the Company announced plans to improve its cost structure primarily through reductions in the Company's staff. This plan has been completed and resulted in a reduction in workforce of approximately 10%. During the first quarter of 2002, the Company recorded a restructuring charge, primarily related to severance costs, of \$163,000.

6

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES

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

Matters discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Form 10-Q include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results of operations could differ materially from those discussed in the forward-looking statements.

Overview

Business Strategy: Performance Technologies, Incorporated (the "Company") is a supplier of innovative hardware and software products for a broad range of communications infrastructure including traditional data communications and wireline/wireless telecommunication systems. The Company's products fall into three distinct areas: SS7 signaling, IP Ethernet switch and network access. The Company's development efforts are directed at future growth opportunities that utilize the evolving IP (Internet Protocol) standards for communications and networking equipment. IP based communications and systems products are the foundation for next-generation telecommunications systems and services, as well as embedded systems for video, data communications and mass storage applications. Customers who use the Company's products and technologies include: telecommunications equipment manufacturers (TEMs), communications service providers/operators, international mobile/cellular wireless operators and embedded systems platform suppliers/integrators. The Company's products are based on open-architectures and are focused on high availability requirements.

Financial Information: Total revenue for the first quarter 2002 amounted to \$6.4 million, compared to \$9.7 million for the first quarter 2001. Net income for the first quarter 2002 amounted to \$.4 million, or \$.03 per share including expenses associated with a restructuring charge of \$.2 million (pre-tax), or \$.01 per share. Excluding the restructuring charge net income was \$.5 million, or \$.04 per share, based on 12.6 million fully diluted shares outstanding. Net income amounted to \$1.2 million, or \$.09 per share for the first quarter 2001, based on 12.9 million fully diluted shares outstanding.

At March 31, 2002, the Company had \$27.0 million of cash and cash equivalents and no long-term debt. For the quarter ended March 31, 2002, the Company generated income from operations, excluding depreciation and amortization (EBITDA), of \$.9 million, compared to \$1.7 million for the same period in 2001.

During January 2002, the Company improved its cost structure by reducing

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

annualized expenses by approximately \$1.6 million due to the uncertainty of the current economic conditions and lack of visibility. These reductions were primarily personnel related and were initiated throughout the organization.

During the quarter, the Company continued to focus on "design win" efforts for its new products and believes that revenue generated from these design wins can be the defining criterion in providing increased stockholder value when business conditions improve. Management believes the most important measurement of progress in executing the Company's product and marketing strategies is when a prospective customer notifies the Company that its product has been selected to be integrated with their product. During the first quarter 2002, the Company realized seven new "design wins" for its IPnexus™ and SS7 signaling products, following thirty-five new "design wins" during 2001.

7

In addition, the Company continued its aggressive efforts to promote its innovative SEGway™ Network products to achieve additional deployments. The SEGway Edge product offers wireless and wireline carriers the ability to reduce operating costs, enhance services and expand their network by utilizing lower cost IP networks for signaling. Introduced a year ago, shipments of the SEGway Edge product continued to rise and more trials began during the first quarter, particularly for European customers. Validation testing also began at a tier-one carrier in North America. Additionally, the first beta trials for the SEGway Link Concentrator began in early April and production release is scheduled for mid-year in anticipation of a successful beta period.

In March 2002, the Company continued to expand the breadth and capability of its embedded IPnexus switch products through the introduction of the industry's first and only Gigabit Ethernet switch capable of supporting the maximum bandwidth and slot density specified by the PCI Computer Manufacturers' Group 2.16 standard. Since the new PICMG 2.16 industry standard was ratified in September 2001, the Company has introduced the broadest array of Ethernet switch and network access products compliant with this standard, propelling it to a market leadership position. Management is optimistic that this leadership position will translate into noteworthy growth potential as economic conditions strengthen.

In early April 2002, the Company's Rochester operations relocated to a new, larger facility within ten miles of the previous location and new manufacturing equipment was added to accommodate several new products that require leading-edge manufacturing processes.

FAS 144 - In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets to be held and used, to be disposed of other than by sale, and to be disposed of by sale. On January 1, 2002 the Company adopted SFAS No. 144. Adoption of this statement did not have an impact on the results of operations or the financial position of the Company.

Forward Looking Guidance for the Second Quarter 2002 (published April 24, 2002):

The following includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are subject to the safe harbor provisions of the Private Securities

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

Litigation Reform Act of 1995.

Performance Technologies provides products to communications and network equipment suppliers that are integrated into current and next-generation network infrastructure products. Design wins reach production volumes at varying rates, typically beginning twelve to eighteen months after the design win occurs. A variety of risks such as schedule delays, cancellations, changes in customer markets and general economic conditions can adversely affect a design win before production is reached or during deployment. Not all design wins can be expected to result in production orders. Furthermore, when economic conditions deteriorate, customers' visibility also deteriorates, causing delays in the placement of orders. This results in a substantial portion of the Company's revenue in each quarter being derived from orders placed within the quarter and often shipped in the final month of the quarter.

Performance Technologies continued to experience the effects of the difficult economic conditions and slowdown of capital spending in the communications market during the first quarter 2002. New project deployments and design activity were sluggish. In addition, production orders from a number of design wins were anticipated but were not received and a number of customers requested delays in shipments.

Based upon the current distribution of business, the current backlog and review of sales forecasts, management expects revenue in the second quarter of 2002 to be \$6.5 million to \$8.0 million. Gross margin is expected to be approximately 58% to 63% and diluted earnings per share for the second quarter is expected to be \$.03 to \$.07.

More in-depth discussions of the Company's strategy and financial performance can be found in the Company's recent Annual and Quarterly Reports, on Form 10-K and Form 10-Q, as filed with the Securities and Exchange Commission.

8

Quarter Ended March 31, 2002, compared with the Quarter Ended March 31, 2001

The following table presents the percentage of sales represented by each item in the Company's consolidated statements of income for the periods indicated:

	Three Months Ended March 31,	
	2002	2001
	-----	-----
Sales	100.0%	100.0%
Cost of goods sold	41.4	39.3
	-----	-----
Gross profit	58.6	60.7
	-----	-----
Operating expenses:		
Selling and marketing	16.6	15.6
Research and development	23.4	23.6
General and administrative	9.0	7.5
Restructuring charge	2.5	

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

Total operating expenses	51.5	46.7
Income from operations	7.1	14.0
Other income, net	1.8	3.7
Income before income taxes	8.9	17.7
Provision for income taxes	(2.8)	(5.8)
Net income	6.1%	11.9%

Sales. Total revenue for the first quarter 2002 was \$6.4 million, compared to \$9.7 million for the same quarter in 2001. For the periods indicated, the Company's products are grouped into three distinct categories in one market segment: Signaling and network access products, IP Switching products and Other products. Revenue from each product category is expressed as a percentage of sales for the three months ending March 31, 2002 and 2001 as follows:

	Three Months Ended March 31,	
	2002	2001
Signaling and network access products	87%	83%
IP Switching products	7%	4%
Other	6%	13%
Total	100%	100%

Signaling and Network Access Products: During the past twelve months, the decline in capital expenditure investments by carriers has significantly reduced the Company's signaling and network access products revenue.

9

IP Switching Products: While still a modest percentage of the Company's revenue, switching product revenue increased by 36% to \$.5 million in 2002, compared to the respective quarter in 2001. The recently ratified PICMG 2.16 embedded systems architecture is being adopted by a wide range of industries and revenue from switching products is expected to increase when customers move into production of their new platforms.

Other product revenue: This revenue is related to legacy products. Revenue from other products has declined significantly over the past twelve months. Many of these products are project oriented and shipments can fluctuate on a quarterly basis. Management expects revenue from these products to continue to decline over future periods as these technologies are replaced.

Gross profit. Gross profit consists of sales, less cost of goods sold including material costs, manufacturing expenses, amortization of software development

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

costs, expenses associated with engineering contracts and technical support function expenses. In the first quarter, gross margin was 58.6% and 60.7% of sales in 2002 and 2001, respectively. During the first quarter 2002, the product mix and fixed overhead for manufacturing being spread over lower sales volumes impacted gross margin as a percentage of sales.

Total Operating Expenses. Total operating expenses were \$3.3 million and \$4.5 million in first quarter of 2002 and 2001, respectively. Early in the second quarter 2001, the Company tightened control over discretionary expenses. In January 2002, the Company took further actions to improve its cost structure primarily through reductions in the Company's staff.

Selling and marketing expenses were \$1.1 million and \$1.5 million in first quarter of 2002 and 2001, respectively. In the first quarter of 2001, the Company participated in a number of industry trade shows and conferences and broadly advertised its products. Early in the second quarter 2001, the Company tightened control over these expenses. In the first quarter of 2002, lower headcount resulted in reduced personnel expenses.

Research and development expenses were \$1.5 million and \$2.3 million in the first quarter of 2002 and 2001, respectively. During the first quarter of 2002, the Company focused its engineering efforts on the development of the IPnexus embedded switch products and the SEGway Link Concentrator. The reduction in expenses in the first quarter 2002, compared to 2001 is primarily attributable to lower headcount.

General and administrative expenses were \$.6 million and \$.7 million for the first quarter 2002 and 2001, respectively. The reduction in expenses in the first quarter 2002, compared to 2001 is primarily attributable to lower headcount.

Restructuring charges were \$.2 million and zero for the first quarter 2002 and 2001, respectively. In January 2002, the Company improved its cost structure primarily through the reduction of the Company's staff resulting in a decline in its workforce of approximately 10%.

Other income, net. Other income consists primarily of interest income from marketable securities and cash equivalents. The funds are primarily invested in high quality Municipal and U.S. Treasury securities with maturities of less than one year.

Income taxes. The provision for income taxes for the first quarter of 2002 is based on the combined federal, state and foreign effective tax rate of 31%, compared to 33% for the first quarter of 2001.

10

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2002, the Company's primary source of liquidity included cash and cash equivalents of \$27.0 million and available borrowings of \$5.0 million under a revolving credit facility with a bank. No amounts were outstanding under this credit facility as of March 31, 2002. The Company had working capital of \$35.0 million at March 31, 2002, compared to \$34.7 million at December 31, 2001.

Cash provided by operating activities for the first quarter 2002 was \$.6 million, compared to \$2.2 million for the same period in 2001.

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

Capital equipment purchases amounted to \$.2 million for the three months ended March 31, 2002, compared to \$.6 million for the same period in 2001. Capitalization of certain software development costs amounted to \$.4 million and \$.4 million for the three months ended March 31, 2002 and 2001, respectively.

In August 2000, the Board of Directors authorized the repurchase of up to 1 million shares of the Company's Common Stock and the Company completed this repurchase program in March 2001. In March 2001, the Board of Directors authorized the repurchase of up to an additional 500,000 shares of the Company's Common Stock. Based on deteriorating economic conditions and an effort to preserve cash, the Company did not repurchase any shares during the first quarter of 2002, compared to 509,900 shares repurchased at a total cost of \$6.4 million during the first quarter 2001.

Assuming there is no significant change in the Company's business, management believes that its current cash and cash equivalents together with cash generated from operations and available borrowings under the Company's loan agreement will be sufficient to meet the Company's anticipated needs, including working capital and capital expenditure requirements, for at least the next twelve months. However, an unfavorable determination in the outstanding class action litigation could have a material adverse effect on the Company's working capital. Furthermore, management is continuing its strategic acquisition program to further accelerate new product and market penetration efforts. This program could have an impact on the Company's working capital, liquidity or capital resources.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect the Company's current views with respect to future events and financial performance, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause actual results to differ materially from historical results or those anticipated. The words "believes," "anticipates," "plans," "may," "intend," "estimate," "will," "should," "could," "feels," "is optimistic," "expects," and other expressions which indicate future events and trends also identify forward-looking statements. However, the absence of such words does not mean that a statement is not forward-looking.

The Company's future operating results are subject to various risks and uncertainties and could differ materially from those discussed in the forward-looking statements and may be affected by various trends and factors which are beyond the Company's control. These include, among other factors, general business and economic conditions, rapid or unexpected changes in

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

technologies, cancellation or delay of customer orders including those relating to the "design wins" referenced above, unreliability of customer forecasts, changes in the product or customer mix of sales, delays in new product development, delays or lack of availability of electronic components, customer acceptance of new products and customer delays in qualification of products. Furthermore, an unfavorable determination in the outstanding class action litigation could have a material adverse effect on the Company's working capital. This report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements, the notes thereto, Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2001 and "Risk Factors" as reported in the Company's Annual Report on Form 10-K, and other reports as filed with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks in the normal course of business, primarily interest rate risk and changes in the market value of its investments and believes its exposure to such risk is minimal. The Company's investments are made in accordance with the Company's investment policy and primarily consist of U.S. Treasury securities, municipal securities and corporate obligations. The Company does not participate in the investment of derivative financial instruments.

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No material changes have transpired since the Company's last filing relative to the class action lawsuits filed on May 19, 2000.

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 10-Q

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

None.

B. Reports on Form 8-K

There were no reports filed on Form 8-K during the three month period ended March 31, 2002.

13

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.

PERFORMANCE TECHNOLOGIES, INCORPORATED

May 9, 2002

By: /s/ Donald L. Turrell

Donald L. Turrell
President and
Chief Executive Officer

May 9, 2002

By: /s/ Dorrance W. Lamb

Dorrance W. Lamb
Chief Financial Officer and
Vice President, Finance

