ILLINOIS SUPERCONDUCTOR CORPORATION
Form DEF 14A
April 30, 2002

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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant To Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

ISCO INTERNATIONAL, INC.

(Name Of Registrant As Specified In Its Charter)

(Name Of Person(S) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:____
(2) Form, Schedule or Registration Statement No.:______________________________
(3) Filing Party:____
(4) Date Filed:____

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451 Kingston Court

Mt. Prospect, Illinois 60056

May 8, 2002

Dear Stockholder:

On behalf of the board of directors, I cordially invite you to attend the 2002 Annual Meeting of Stockholders of ISCO International, Inc., to be held on Tuesday, June 11, 2002, beginning at 10:00 a.m., local time, at the Doubletree Guest Suites, 1400 Milwaukee Avenue, Glenview, IL 60025.

The matters that we expect will be acted upon at the meeting are described in the attached Proxy Statement and include:

(1) To elect three Class III directors to the Company s board of directors for a term of three (3) years and until their successors are duly elected and qualified;

(2) To authorize the board of directors to amend the Company s Certificate of Incorporation to effect a reverse stock split of all of the issued and outstanding shares of the Company s Common Stock for the purpose of increasing the market price of the Company s Common Stock and seeking approval of the Company s application to list the Company s Common Stock on the American Stock Exchange. The reverse split, if effected, would be in one of the following ratios:

(i) every ten (10) issued and outstanding shares to be exchanged for one (1) share;

(ii) every six (6) issued and outstanding shares to be exchanged for one (1) share.

The board of directors would retain sole discretion to not implement a reverse stock split or to elect to implement either of the approved reverse stock split ratios at any time before the first anniversary of the Annual Meeting without further approval or authorization of the Company s stockholders.

(3) To approve an amendment to the Company s Certificate of Incorporation to permit stockholder action to be taken without an annual or special meeting;

(4) To ratify the appointment by the board of directors of Grant Thornton LLP as the independent auditors of the Company s financial statements for the fiscal year ending December 31, 2002; and

(5) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR ALL OF THE PROPOSALS IN THE PROXY STATEMENT.

It is important that your shares be represented whether or not you are able to be present at the Annual Meeting. Please sign and date the enclosed proxy card and promptly return it to us in the enclosed postage paid envelope.

Your vote is very important, regardless of the amount of stock that you own.

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We believe we have made great strides over the past few years to get our financial house in order and to refocus our efforts on the potential opportunities that lie ahead. Your support for the proposals described in the Proxy Statement is essential for us to continue with this program. Please return your proxy card as soon as possible.

Sincerely,

George Calhoun
Chairman of the Board and
Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 11, 2002

To the Stockholders of
ISCO International, Inc.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of ISCO International, Inc. (the Company), a Delaware corporation, will be held at the Doubletree Guest Suites, 1400 Milwaukee Avenue, Glenview, IL 60025 beginning at 10:00 a.m., local time, for the following purposes:

(1) To elect three Class III directors to the Company s board of directors for a term of three (3) years and until their successors are duly elected and qualified;

(2) To authorize the board of directors to amend the Company s Certificate of Incorporation to effect a reverse stock split of all of the issued and outstanding shares of the Company s Common Stock for the purpose of increasing the market price of the Company s Common Stock and seeking approval of the Company s application to list the Company s Common Stock on the American Stock Exchange. The reverse split, if effected, would be in one of the following ratios:

(i) every ten (10) issued and outstanding shares to be exchanged for one (1) share;

(ii) every six (6) issued and outstanding shares to be exchanged for one (1) share.

The board of directors would retain sole discretion to not implement a reverse stock split or to elect to implement either of the approved reverse stock split ratios at any time before the first anniversary of the Annual Meeting without further approval or authorization of the Company s stockholders.

(3) To approve an amendment to the Company s Certificate of Incorporation to permit stockholder action to be taken without an annual or special meeting;

(4) To ratify the appointment by the board of directors of Grant Thornton LLP as the independent auditors of the Company s financial statements for the fiscal year ending December 31, 2002; and

(5) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The board of directors has fixed the close of business on April 29, 2002 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting. Only stockholders of record of the Company as of the close of business on April 29, 2002 will be entitled to vote at the Annual Meeting. The Company will maintain a complete list of its stockholders entitled to vote at the Annual Meeting at its headquarters located at 451 Kingston Court, Mt. Prospect, IL for ten days prior to the date of the Annual

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Meeting. If the Company has to adjourn the Annual Meeting, then it will take action on the items described above on the date to which the Annual Meeting is adjourned.

By Order of the Board of Directors,

/s/ FRANK CESARIO

Frank Cesario, Secretary

Mt. Prospect, IL
May 8, 2002

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451 KINGSTON COURT

MT. PROSPECT, ILLINOIS 60056

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the board of directors of ISCO International, Inc., a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held at 10:00 a.m., local time, on June 11, 2002 at the Doubletree Guest Suites, 1400 Milwaukee Avenue, Glenview, IL 60025, and any adjournment or postponement thereof. This Proxy Statement and accompanying proxy are first being mailed to stockholders on or about May 8, 2002.

Record Date and Outstanding Shares. The board of directors has fixed the close of business on April 29, 2002 as the record date (the Record Date) for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. As of the Record Date, the Company had outstanding 147,944,927 shares of common stock, par value $.001 per share, including attached preferred stock purchase rights (the Common Stock).

Each of the outstanding shares of Common Stock is entitled to one vote on all matters to come before the Annual Meeting. As of the Record Date, none of the Company s Preferred Stock, par value $.001 per share, was outstanding.

Voting of Proxies. Dr. George Calhoun and Mr. Frank Cesario, the persons named as proxies on the proxy card accompanying this Proxy Statement, were selected by the board of directors of the Company to serve in such capacity. Dr. Calhoun and Mr. Cesario are officers of the Company and Dr. Calhoun is also Chairman of the board of directors. **Each executed and returned proxy will be voted in accordance with the directions indicated thereon, or if no direction is indicated, such proxy will be voted in accordance with the recommendations of the board of directors contained in this Proxy Statement.**

Each stockholder giving a proxy has the power to revoke it at any time before the shares it represents are voted. Revocation of a proxy is effective upon receipt by the Secretary of the Company of either (i) an instrument revoking the proxy or (ii) a duly executed proxy bearing a later date. Additionally, a stockholder may change or revoke a previously executed proxy by voting in person at the Annual Meeting.

Required Vote. The affirmative vote of a plurality of the shares of Common Stock voted in person or by proxy is required to elect the nominees for director. The affirmative vote of a majority of the outstanding shares of Common Stock entitled to vote thereon (73,972,464 shares as of the Record Date) is required to approve each of the amendments to the Company s certificate of incorporation (the Certificate of Incorporation). The affirmative vote of a majority of the shares of Common Stock present, in person or represented by proxy at the Annual Meeting and entitled to vote on the matters is required to approve the ratification of the appointment of Grant Thornton LLP as the Company s independent auditors.

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Quorum; Abstentions and Broker Non-Votes. A majority of the shares of Common Stock issued and outstanding as of the Record Date is required to transact business at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspector of election appointed for the Annual Meeting.

Abstentions and broker non-votes will be included in determining the presence of a quorum. Abstentions and broker non-votes will have no effect on the election of directors, but will have the same effect as votes against the proposals to approve amendments to the Certificate of Incorporation. In the case of the ratification of the appointment of the independent auditors, abstentions will have the effect of votes against the proposal, but broker non-votes will have no effect on the outcome.

Stockholder List. A list of stockholders entitled to vote at the Annual Meeting, arranged in alphabetical order, showing the address and number of shares registered in the name of each stockholder, will be open to the examination of any stockholder for any purpose germane to the Annual Meeting during ordinary business hours commencing June 1, 2002 and continuing through the date of the Annual Meeting at the principal offices of the Company, 451 Kingston Court, Mt. Prospect, Illinois 60056.

Who Can Help Answer Your Questions?

If you have questions about the Annual Meeting or would like additional copies of this Proxy Statement, you should contact our Corporate Secretary, Frank Cesario, 451 Kingston Court, Mt. Prospect, Illinois 60056, telephone (847) 391-9400.

Annual Report

The Company s Annual Report to Stockholders for the year ended December 31, 2001, accompanies this Proxy Statement.

A Warning About Forward-Looking Statements

The Company makes forward-looking statements in this document. These forward-looking statements are subject to risks and uncertainties, including those that are enumerated under the heading Risk Factors in the Company s Annual Report to Stockholders on Form 10-K for the year ended December 31, 2001 and in the Company s other filings with the Securities and Exchange Commission and the uncertainty as to whether certain discussions by the Company will lead to, or result in consummation of any strategic business opportunities. Such risks and uncertainties could cause actual results to differ materially from those projected. Therefore, there can be no assurance that such statements will prove to be correct. In some cases, you can identify forward-looking statements by terminology such as may, will, should, plans, believes, anticipates, expects and intends, or the negative of such terms and similar terminology. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated events.

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PROPOSAL 1

ELECTION OF DIRECTORS

The board of directors currently consists of seven directors. Article Seven of the Certificate of Incorporation provides that the board of directors shall be classified with respect to the terms for which its members shall hold office by dividing the members into three classes. At the Annual Meeting, three Class III directors are to be elected for a term of three years expiring at the 2005 Annual Meeting of Stockholders. **The board of directors recommends that the stockholders vote FOR the election of the nominees named in this Proxy Statement to continue to serve as directors of the Company**. See Nominees for Election below.

The Class I and Class II directors whose terms of office expire in 2003 and 2004, respectively, will continue to serve after the Annual Meeting until such time as their respective terms of office expire or their successors are duly elected and qualified. See Other Directors below.

If at the time of the Annual Meeting a nominee should be unable or decline to serve, a proxy named on the proxy card accompanying this Proxy Statement will vote for such substitute nominee as the board of directors recommends, or vote to allow the vacancy created thereby to remain open until filled by the board of directors, as the board of directors recommends. The board of directors has no reason to believe that any of the nominees will be unable or will decline to serve as directors if elected.

Nominees for Election

The name of each nominee for the office of Class III director, together with certain information concerning such nominees, is set forth below:

Name	Age	Position with the Company	Served as Director Since
Mark D. Brodsky	48	Director	1999
Daniel Spoor	46	Director	2000
Stuart Chase Van Wagenen	46	Director	2001

Mr. Brodsky has served as a director of the Company since November 1999, and was previously a director between June 1998 and March 1999. Since 1996, he has been a Portfolio Manager at Elliott Management Corporation (Elliott Management). In that capacity, Mr. Brodsky provides services for the benefit of Elliott Associates, L.P. (Elliott Associates) and Elliott International, L.P. (f/k/a Westgate International, L.P.)(Elliott International). Elliott Associates and Elliott International are institutional investment firms having combined capital of $2.5 billion, and are two of the three principal investors in the Company. Prior to joining Elliott Management, Mr. Brodsky served for two years as a Vice President and Partner at Dickstein Partners, L.P., another investment institution. Prior to Dickstein, he practiced law for 16 years, primarily at Kramer, Levin, Naftalis & Frankel in New York City, where he was a partner for several years. Mr. Brodsky holds a J.D. degree, cum laude, from Harvard Law School and an M.A. and B.A. in Political Science, summa cum laude, from the University of Pennsylvania.

Mr. Spoor has served as a director of the Company since December 2000. Mr. Spoor was appointed President and Chief Executive Officer of Lockheed Martin Canada Inc. in December 1999. Lockheed Martin Canada is a highly diversified global enterprise principally engaged in the research, design, manufacture, and integration of advanced-technology products. Prior to becoming Lockheed Martin Canada s President and CEO in 1999, Mr. Spoor was Vice President-Operations for the Lockheed Martin Electronics Sector and held executive positions at the Lockheed Martin Ocean, Radar & Sensor Systems business, Vice President-Traffic Management and Vice President-Manufacturing Operations. From 1989 to 1995, Mr. Spoor was Vice President with General Signal. Earlier, during his 12 years with General Electric, he held a variety of management positions. Mr. Spoor earned a B.S. degree in Mechanical Engineering from Clarkson University, and an M.B.A. from the University of South Carolina. Mr. Spoor is a member of the Audit Committee.

Mr. Van Wagenen was elected to the Board in August 2001. Mr. Van Wagenen is president and founder of Stuart Chase Properties, Inc., Cleveland, Ohio, a wealth management and trust advisory services firm. Mr. Van Wagenen has extensive investment and operating experiences, including the formation of Spectral Solutions, Inc. and its subsequent sale to the Company in June, 1999. His firm s client portfolios include diverse investments in real estate, technology, oil and gas, fast food restaurants, managed funds, publicly-traded securities, and other industries. He is a trustee of the Western Reserve Historical Society. Mr. Van Wagenen received his J.D. from Case Western Reserve University in 1981 and his B.A. from The Ohio State University. Mr. Van Wagenen is a member of the Audit Committee.

Other Directors

The following persons will continue to serve as directors of the Company after the Annual Meeting until their respective terms expire (as indicated below) or until their successors are duly elected and qualified.

Name	Age	Position with the Company	Served as Director Since	Term Expires
George M. Calhoun	49	Director, Chairman of the Board and Chief Executive Officer	1999	2003
Dan Gropper	31	Director	2002	2003
Howard S. Hoffmann	48	Director	1998	2004
Tom L. Powers	65	Director	1996	2004

Dr. Calhoun has served as a director and as the Chief Executive Officer of the Company since November 1999 and as Chairman since November 2000. He has more than 20 years of experience in high-tech wireless systems development, beginning in 1980 as the co-founder of InterDigital Communications Corporation (Nasdaq: IDCC), where he participated in the development of the first commercial application of digital TDMA radio technology, and introduced the first wireless local loop system to the North American telecommunications industry. While at InterDigital, Dr. Calhoun held a number of executive positions, including Senior Vice-President of the North American business unit, Senior VP of technology & strategy, and President of IMM Technology, an intellectual property and licensing subsidiary. In 1992, Dr. Calhoun joined Geotek Communications to help lead its technology development program for a spread spectrum frequency hopping radio system for fleet applications. Dr. Calhoun was a Director and Vice-Chairman of Geotek (which filed for reorganization under Chapter 11 of the Federal Bankruptcy Code in 1998), and served as the Chairman of the company s engineering joint venture in Israel, PowerSpectrum Technologies, Ltd. until 1998. In 1998, Dr. Calhoun founded Davinci Solutions, LLC, a consulting firm focused on wireless and Internet technology companies. Dr. Calhoun is also Chairman of ExpertCall LLC, an Internet start-up focused on B2B customer care applications. He is the author of two technical books on digital wireless technology, and of the forthcoming Third Generation Wireless Systems: Volume I, Post-Shannon Architectures. Dr. Calhoun holds a Ph.D. in Systems Science from the Wharton School at the University of Pennsylvania, as well as a B.A. from the same university. Dr. Calhoun is a member of the board of directors of Airnet Communications Corp. (Nasdaq: ANCC).

Mr. Gropper has served as a director of the Company since April 2002. Since 1995, he has been employed by Elliott Management Corporation (Elliott Management) first as an Analyst, and since 1998 as a Portfolio Manager. In his capacity as a Portfolio Manager, Mr. Groper provides services for the benefit of Elliott Associates, L.P. (Elliott Associates) and Elliott International, L.P. (Elliott International). Elliott Associates and Elliott International are institutional investment firms having combined capital of $2.5 billion, and are two of the three principal investors in the Company. Prior to joining Elliott Management, Mr. Gropper was an Associate in the Investment Banking Department of Interstate/ Johnson Lane. Prior to Interstate, he was an Analyst in the Financial Institutions Group of the Investment Banking Division of Goldman, Sachs & Co. Mr. Gropper currently serves as a director of Atlantic Gulf Communities Corp. Mr. Gropper holds a B.S. in Commerce with Distinction from the University of Virginia.

Mr. Hoffmann has served as a director of the Company since July 1998. Mr. Hoffmann is currently a principal of Nightingale & Associates, LLC, a management consulting firm. Mr. Hoffmann has been a member of the board of directors of Vision Twenty-One, Inc. (OTCBB: EYES) since September 2000 and was appointed Chairman of the Board in February 2001. Mr. Hoffmann has over 20 years of financial, operational and general management experience in a wide range of industries including computer hardware and software, consumer products, financial services, distribution and transportation. He joined Nightingale & Associates in 1990 after serving as interim Chief Financial Officer of two privately held businesses. Mr. Hoffmann began his career with Irving Trust Company as a commercial lending officer and later served as Vice President, Corporate Lending at Bank of America in the high technology group. More recently, he served as Chief Financial Officer of Applications Systems, Inc., an information technology firm operating in seven European countries, and as interim Chief Financial Officer and Chief Operating Officer of a $100 million consumer products company with international operations. Mr. Hoffmann holds a B.A. degree in Mathematics and Economics from the University of California Santa Barbara and an M.B.A. in Finance from the University of Pennsylvania, Wharton Graduate School of Business. Mr. Hoffmann is the Chairman of the Audit Committee and a member of the Compensation Committee.

Mr. Powers has served as a director of the Company since October 1996. From 1993 to 1999, he was an Associate Director of the Advanced Manufacturing Center at New Mexico State University in Las Cruces, New Mexico. He is on the board of directors of Material Recovery of North America, a start up company in New Mexico, and is a consultant to a number of companies in the telecommunications industry. From 1989 to 1991, Mr. Powers was President of the cellular systems business unit of AT&T Network Systems Group, now known as Lucent Technologies, Inc. Under his leadership, the business unit became the market leader in wireless infrastructure equipment in the United States, opened markets internationally and introduced the industry s first digital cellular system. In 1983, he became Vice President of a joint venture between AT&T and Philips Telecommunications B.V. located in the Netherlands. He joined AT&T in 1958 as a member of the technical staff of Bell Laboratories and went on to management positions in consumer products, customer switching systems engineering and network planning. Mr. Powers holds a M.E.E. degree in Electrical Engineering for New York University and a B.S. degree in Electrical Engineering from the University of Arkansas. Mr. Powers is a member of the Compensation Committee and serves as its Chairman.

Director Compensation. During 2001, the Company did not provide any cash compensation to its directors for their service on the board of directors. Each director of the Company who is not an employee of the Company (a Non-Employee Director) participates in the Illinois Superconductor Corporation 1993 Stock Option Plan (the Plan). The Plan provides for the automatic grant of non-qualified stock options (NQSOs) to each Non-Employee Director who is re-elected or continues to serve as a director because his or her term has not expired in consideration of his or her service on the board of directors to purchase 40,000 shares of Common Stock at the reported closing price of the Common Stock on the date of each annual meeting of the stockholders of the Company, provided that no such automatic grant shall be made to a Non-Employee Director who is first elected to the board of directors at the first such meeting or was first elected to the board of directors within three months prior to such annual meeting. This amount was increased from 10,000 shares to 40,000 shares in February 2001 with such options to vest monthly over a two year period from the date of grant.

In addition, the Plan was also amended in May 2001 to provide for the automatic grant of NQSOs to each Non-Employee Director who is appointed or continues to serve on a committee of the board of directors in consideration of his or her service on a committee to purchase 5,000 shares of Common Stock at the reported closing price of the Common Stock on the date of each annual meeting of the stockholders of the Company, provided that no such automatic grant shall be made to a Non-Employee Director who was first appointed to the committee within three months prior to such annual meeting. These stock options vest monthly over a two year period from the date of grant and expire ten years from the date of grant.

Pursuant to the Plan as in effect in 2001, Messrs. Powers, Brodsky, Spoor and Hoffmann were each granted an option to purchase 40,000 shares of Common Stock on June 22, 2001 at an exercise price of $1.44. Mr. Van Wagenen was granted an option to purchase 40,000 shares of Common Stock on August 22, 2001 at an exercise price of $1.20 when he became a director. Mr. Gropper was granted an option to purchase 40,000

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shares of Common Stock on April 2, 2002 at an exercise price of $0.78 when he became a director. In addition, Mr. Hoffmann was granted two options to purchase 5,000 shares of Common Stock on June 22, 2001 at an exercise price of $1.44 for his service on the Audit and Compensation Committee during 2001 and Messrs. Powers and Spoor were each granted an option to purchase 5,000 shares of Common Stock on June 22, 2001 at an exercise price of $1.44 for their respective service on the Compensation Committee and Audit Committee. Additionally, Mr. Van Wagenen was granted an option to purchase 5,000 shares of Common Stock on January 29, 2002 at an exercise price of $0.50 per share when he became a member of the audit committee. In addition, each Non-Employee Director may also be granted additional stock options at the discretion of the board; provided, however, that during any calendar year, stock options for no more than 500,000 shares of Common Stock may be granted to any individual Non-Employee Director. The terms of such discretionary stock option grants shall be determined by the board of directors. Mr. Brodsky was granted an additional option to purchase 200,000 shares of Common Stock on June 22, 2001 at an exercise price of $1.44 on account of his special service to the Corporation in his capacity as a director.

All Non-Employee Directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending board and committee meetings.

Meetings. During the year ended December 31, 2001, the board of directors held 16 meetings. Each director attended at least 75% of the aggregate of the number of board meetings (during the period of his service as a director) and the total number of meetings of committees on which he served that were held (during the period of his service as a member of such committee) during 2001.

Committees of the Board of Directors. The board of directors has established an Audit Committee and a Compensation Committee, each of which is comprised entirely of Non-Employee Directors. The Audit Committee consists of Mr. Hoffmann (Chairman), Mr. Spoor, and as of January 2002, Mr. Van Wagenen. The Compensation Committee consists of Messrs. Powers (Chairman) and Hoffmann. The Company does not have a standing Nominating Committee.

The Audit Committee generally has responsibility for recommending independent auditors to the board of directors for selection, reviewing the plan and scope of the audit, reviewing the Company s audit and control functions, oversight of the Company s insider trading policy and reporting to the full board of directors regarding all of the foregoing. The Audit Committee held three meetings in 2001. See Report of the Audit Committee.

The Compensation Committee generally has responsibility for recommending to the board of directors guidelines and standards relating to the determination of executive compensation, reviewing the Company s executive compensation policies and reporting to the full board of directors regarding the foregoing. The Compensation Committee also has responsibility for administering the Plan, determining the number of options to be granted to the Company s executive officers and employees pursuant to the Plan and reporting to the full board of directors regarding the foregoing functions. The Compensation Committee held nine meetings in 2001. See Report of the Compensation Committee .

Compensation Committee Interlocks and Insider Participation

Tom L. Powers and Howard S. Hoffmann served as members of the Compensation Committee of the board of directors. Neither Mr. Powers nor Mr. Hoffmann currently serves as an officer of the Company. There are no compensation committee interlocks between the Company and any other entity involving the Company s or such entity s executive officers or board members.

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Executive Officers

Set forth below is a table identifying executive officers of the Company who are not identified in the tables entitled Election of Directors Nominees for Election or Other Directors. Biographical information for Dr. Calhoun is set forth above under Other Directors.

Name	Age	Position with Company
Roger Boivin	56	President and Chief Operating Officer
Amr Abdelmonem	35	Executive Vice President and Chief Technology Officer
Dennis M. Craig	41	Vice President/ General Manager Manufacturing

Mr. Boivin joined the Company in October 2001, as President and Chief Operating Officer. Before joining the Company, Mr. Boivin was at COM DEV International, where he served as Vice President Sales and Marketing for the wireless division, where he was instrumental in increasing orders with existing customers and developing new high profile, global accounts. Mr. Boivin was subsequently appointed President of COM DEV Wireless in June 2000. In this position, Mr. Boivin continued to expand the company presence throughout North America, Europe and China. Additionally, manufacturing units under his control achieved unprecedented success, exceeding previous records for yields, throughput, production, quality and profit margins. Prior to joining COM DEV International, Mr. Boivin was at Ericsson, where he headed New Business Services. In that position, he led the growth of cellular market share for Ericsson. Previously, Mr. Boivin was at Nortel Networks Canada, where he served in project management and marking roles, becoming the Director of Cellular Sales and then Vice President of Cellular Systems. Before Nortel Networks Canada, Mr. Boivin spent more than a decade in operations, engineering and management roles with the New Brunswick Telephone Company. Mr. Boivin has a Technical degree in Electronics from St. John Technical Institute.

Dr. Abdelmonem joined the Company in January 1995 as a Filter Engineer, and was promoted to Director of Engineering in August 1998, to Vice President of Development Engineering in March 1999, and to Chief Technology Officer in December 1999. Before joining the Company, Dr. Abdelmonem was an engineer with Exxon Corporation in Egypt. Subsequently, he was affiliated with the University of Maryland in a number of research and teaching positions where much of his research focused on semi-conductor laser and advanced filter design. Dr. Abdelmonem earned his B.S. and M.S. degrees in Electrical Engineering from Ain-Shams University in Cairo, Egypt, and his Ph.D. from the University of Maryland. Much of his research focused on semi-conductor laser design, superconducting technology and advanced filter design. Dr. Abdelmonem is a Senior Member of the IEEE and has published numerous documents for industry conferences and trade journals. He holds three patents and has four patent applications pending.

Mr. Craig joined the Company in December 1996, as Vice President, Engineering and Manufacturing. Before joining the Company, Mr. Craig was at Motorola, Inc., where he served as Manufacturing and Technical Operations Manager in the Component Products Division, where his responsibilities included the management of engineering, process engineering, manufacturing operations and development of new product platforms. Prior to joining Motorola, Mr. Craig spent four years at Northrop/ Grumman Defense Systems Division, leading teams to develop numerous cost reduction and production process improvement programs. He holds a B.S. degree in Mechanical Engineering from the University of Illinois at Chicago and an M.B.A. degree from Lake Forest Graduate School of Management. He currently holds two patents.

The board of directors elects officers annually and such officers, subject to the terms of certain employment agreements, serve at the discretion of the board. See Executive Compensation and Certain Transactions Employment Agreements. The Company has entered into employment agreements with Drs. Calhoun and Abdelmonem and Messrs. Craig and Boivin. There are no family relationships among any of the directors or executive officers of the Company.

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Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s officers (as defined under Section 16(a) of the Securities Exchange Act), directors and persons who own greater than 10% of a registered class of the Company s equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely on a review of the forms it has received and on written representations from certain reporting persons that no such forms were required for them, the Company believes that during 2001, all of the Section 16(a) filing requirements applicable to its officers, directors and 10% beneficial owners were complied with by such persons other than an option grant which was reported on an amended Form 5 filing by Mr. Wagenen.

Executive Compensation and Certain Transactions

The following table provides information concerning the annual and long-term compensation for services in all capacities to the Company for the years ended December 31, 2001, 2000 and 1999 of (i) the Company s chief executive officer and (ii) the four most highly compensated executive officers whose salary and bonus for services rendered in all capacities to the Company for the fiscal year ended December 31, 2001 exceeded $100,000 (collectively, the Named Executive Officers).

Summary Compensation Table

				Long-Term Compensation Awards		
		Annual Compensation		Restricted Stock	Securities Underlying	All Other
Name and Principal Position	Year	Salary	Bonus	Awards	Options	Compensation
George M. Calhoun (2)	2001	$ 247,115			1,200,000	
Chief Executive Officer	2000	163,288			500,000	
	1999	4,730	$ 10,000		100,000	
Amr Abdelmonem	2001	210,159			800,000	
Chief Technical Officer	2000	138,661		$ 502,440(1)	280,000	
	1999	116,345			69,575	
Charles F. Willes (3)	2001	200,000			800,000	
Chief Financial Officer	2000	66,346			300,000	
	1999					
Shawn P. Doyle (4)	2001	201,462				
Executive Vice President,	2000					
Commercial Division	1999					
Dennis M. Craig	2001	160,385			150,000	
Vice President/ General	2000	150,000		$ 502,440(1)	205,000	
Manager	1999	150,575			95,000	
Richard Herring (5)	2001	182,307				
Chief Operating Officer	2000					
	1999					

(1) Based on 120,000 shares granted to each of Mr. Craig and Dr. Abdelmonem and the closing price of the Common Stock ($4.187) on the date of grant, February 15, 2000. The value of these shares at December 31, 2001, based on a closing price of $0.80 on that date, was $96,000, respectively. Dr. Abdelmonem s shares vest at the rate of 25% on the first anniversary of the date of the grant and monthly thereafter, over a three year period and Mr. Craig s shares vest at the rate of 10%, 20%, 30% and 40% on the first, second, third and fourth anniversary, respectively, of the date of the grant. If any dividends are paid on the Common Stock, such dividends also would be paid on the restricted shares granted to each Named Executive Officer.

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(2) Dr. Calhoun commenced employment with the Company in November 1999.

(3) Mr. Willes commenced employment with the Company in July 2000 and his employment with the Company ended in April 2002.

(4) Mr. Doyle s employment with the Company ended on July 6, 2001. In connection with his departure, Mr. Doyle was paid $100,000 in severance under the terms of his Employment Agreement with the Company.

(5) Mr. Herring s employment with the Company ended on April 30, 2001. In connection with his departure, Mr. Herring was paid $120,000 in consulting fees.

Option Grants In 2001

The following table contains information concerning the grant of stock options by the Company to the Named Executive Officers during 2001. There were no stock appreciation rights granted in 2001. Information provided in this table is as of December 31, 2001.

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
					5%	10%
George M. Calhoun	1,200,000	18.4%	$1.94	2/5/2011	$1,464,067	$3,710,232
	500,000	(2)	$1.94	3/24/2010	$ 534,788	$1,317,209
Amr Abdelmonem	800,000	12.3%	$1.94	2/5/2011	$ 976,044	$2,473,488
	180,000	(2)	$1.94	2/15/2010	$ 192,524	$ 474,195
Charles F. Willes	300,000	4.6%	$1.94	2/5/2011	$ 366,017	$ 927,558
	500,000	7.7%	$1.20	8/22/2011	$ 377,337	$ 956,245
	200,000	(2)	$1.94	7/14/2010	$ 213,915	$ 526,884
Dennis M. Craig	150,000	2.3%	$1.94	2/5/2011	$ 183,008	$ 463,779
	205,000	(2)	$1.94	2/15/2010	$ 219,263	$ 540,056
Shawn P. Doyle	350,000	(2)	$1.94	8/2/2010	$ 374,352	$ 922,046
Richard Herring	350,000	(2)	$1.94	8/2/2010	$ 374,352	$ 922,046

(1) Potential realizable value is presented net of the option exercise price but before any federal or state income taxes associated with exercise. The assumed stock price appreciation rates used to determine the potential realize value are prescribed by the Securities and Exchange Commission rules for illustrative purposes only and are not intended to forecast or predict future stock prices. Actual gains are dependent on the future performance of the Common Stock and the option holder s continued employment throughout the vesting period.

(2) Represents options for which the Company lowered the exercise price in February 2001 as described below under the caption Ten Year Option Repricing .

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Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides information concerning the Named Executive Officers unexercised options at December 31, 2001. None of the Named Executive Officers held or exercised any stock appreciation rights, during 2001.

Name	Shares Acquired On Exercise (#)	Value Realized ($)(1)	Number of Securities Underlying Unexercised Options at December 31, 2001		Value of Unexercised In-The-Money Options at December 31, 2001	
			Exercisable	Unexercisable	Exercisable	Unexercisable
George M. Calhoun			318,750	1,481,250	$35,000	
Amr Abdelmonem	66,471	$30,577	162,554	1,037,875		