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ADVANCED PHOTONIX INC
Form 10QSB
February 12, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 29, 2002

OR

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

Commission file no. 1-11056

ADVANCED PHOTONIX, INC.

Incorporated pursuant to the Laws of Delaware

IRS Employer Identification No. 33-0325826

1240 Avenida Acaso, Camarillo, CA 93012

(805) 987-0146

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

On February 7, 2003, 13,243,648 shares of Class A Common Stock, \$.001 par value, and 31,691 shares of Class B Common Stock, \$.001 par value, were outstanding.

ADVANCED PHOTONIX, INC.

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ADVANCED PHOTONIX, INC.

CONSOLIDATED BALANCE SHEET
AT DECEMBER 29, 2002
(UNAUDITED)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,224,000
Short-term investments		1,002,000
Accounts receivable, less allowance of \$72,000		1,685,000
Inventories		2,779,000
Prepaid expenses and other current assets		315,000

Total Current Assets		7,005,000
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EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost		4,366,000
Less accumulated depreciation and amortization		(3,193,000)

Total Equipment and Leasehold Improvements		1,173,000
--	--	-----------

OTHER ASSETS

Goodwill, net of accumulated amortization of \$353,000		963,000
Patents, net of accumulated amortization of \$43,000		20,000
Other		157,000

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Total Other Assets		1,140,000

TOTAL ASSETS	\$	9,318,000
		=====

See notes to consolidated financial statements.

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ADVANCED PHOTONIX, INC.

CONSOLIDATED BALANCE SHEET
AT DECEMBER 29, 2002
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$	606,000
Accrued expenses:		
Salaries and employee benefits		245,000
Other		8,000

Total Current Liabilities		859,000

COMMITMENTS AND CONTINGENCIES		
Class A redeemable convertible preferred stock, \$.001 par value; 780,000 shares authorized; 40,000 shares issued and outstanding		32,000
SHAREHOLDERS' EQUITY		
Preferred stock, \$.001 par value; 10,000,000 shares authorized; 780,000 shares designated Class a redeemable convertible; no shares issued and outstanding		--
Class A common stock, \$.001 par value; 50,000,000 shares authorized; 12,219,648 shares issued and outstanding		12,000
Class B common stock, \$.001 par value; 4,420,113 shares authorized; 31,691 shares issued and outstanding		--
Additional paid-in capital		26,586,000
Accumulated Deficit		(18,171,000)

Total Shareholders' Equity		8,459,000

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	9,318,000
		=====

See notes to consolidated financial statements.

ADVANCED PHOTONIX, INC.

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		
	December 29, 2002	December 23, 2001	December 2000
SALES	\$2,603,000	\$1,629,000	\$5,989,000
Cost of goods sold	1,737,000	975,000	3,961,000
GROSS PROFIT	866,000	654,000	2,028,000
Research and development expenses	107,000	102,000	392,000
Marketing and sales expenses	271,000	220,000	728,000
General and administrative expenses	454,000	282,000	1,175,000
Acquisition investigation expenses	--	(14,000)	
INCOME (LOSS) FROM OPERATIONS	34,000	64,000	(267,000)
OTHER INCOME			
Interest income	20,000	34,000	68,000
Other, net	7,000	--	5,000
TOTAL OTHER INCOME	27,000	34,000	73,000
NET INCOME (LOSS)	\$ 61,000	\$ 98,000	\$ (194,000)
Basic and Diluted Earnings (Loss) Per Share	\$.00	\$.01	\$ (.02)
Weighted Average Number of Common Shares Outstanding	12,251,000	12,243,000	12,250,000

See notes to consolidated financial statements.

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ADVANCED PHOTONIX, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the nine month period ended

December 29,

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss (\$ 194,000)

Adjustments to reconcile net loss to net cash provided by operating activities:

Depreciation 173,000

Amortization 28,000

Write off of prepaid acquisition costs, net of \$200,000 cash expended --

Provision for Doubtful Accounts 35,000

Provision for Obsolete Inventory 68,000

Changes in assets and liabilities:

Short-term investments --

Accounts receivable (109,000)

Inventories 278,000

Prepaid expenses and other current assets (114,000)

Other assets (233,000)

Accounts payable and accrued expenses 39,000

Net cash provided by (used by) operating activities (29,000)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures (41,000)

Purchase of selected net assets of Silicon Sensors, LLC (1,799,000)

Net cash used by investing activities (1,840,000)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of stock options 5,000

Proceeds from exercise of stock options 5,000

Net cash provided by financing activities 10,000

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NET INCREASE IN CASH & CASH EQUIVALENTS	(1,859,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,083,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,224,000

See notes to consolidated financial statements.

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ADVANCED PHOTONIX, INC.
NOTES TO FINANCIAL STATEMENTS
December 29, 2002
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Advanced Photonix, Inc. ("the Company") and the Company's wholly owned subsidiary, Silicon Sensors Inc. ("SSI") (See Note 2). These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X and Regulation S-B. All significant intercompany accounts and transactions have been eliminated in consolidation. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. Operating results for the three and nine month periods ended December 29, 2002 are not necessarily indicative of the results that may be expected for the fiscal year ending March 30, 2003. For further information, refer to the financial statements and notes thereto included in the Advanced Photonix, Inc. Annual Report on Form 10-KSB for the fiscal year ended March 31, 2002.

NOTE 2 - ACQUISITION

On August 21, 2002, SSI, a newly formed wholly owned subsidiary of API purchased substantially all of the assets and selected liabilities of Silicon Sensors LLC, a closely held manufacturer of opto-electronic semiconductor based components located in Dodgeville, Wisconsin. The final purchase price was \$1,718,675 in cash plus the assumption of the Seller's trade accounts payable and accrued liabilities, amounting to approx. \$282,000. The Company incurred \$79,000 of expenses in connection with this acquisition. In addition, the Company entered into a 3 year \$225,000 non-compete agreement with the majority member of Silicon Sensors, LLC and is recording monthly amortization expense of \$6,250.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Income (Loss) Per Share: Net income (loss) per share is based on the weighted average number of common shares outstanding. Such weighted average shares were approximately 12,250,000 at December 29, 2002 and 12,241,000 at December 23, 2001. Net income (loss) per share calculations are in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" (SFAS 128). Accordingly, "basic" net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares

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outstanding for the year. The impact of Statement 128 on the calculation of earnings per share is as follows:

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NOTE 3 - Continued

BASIC -----	Nine Months Ended December 29, 2002 -----	Nine Months End December 23, 20 -----
Average Shares Outstanding	12,250,000	12,241,000
Net Loss	(194,000)	(55,000)
Basic Loss Per Share	(\$ 0.02)	(\$ 0.00)
DILUTED		
Average Shares Outstanding	12,250,000	12,241,000
Net Effect of Dilutive Stock Options based on the treasury stock method using average market price	240,000	55,000
Total Shares	12,490,000	12,296,000
Net Income (Loss)	(194,000)	(55,000)
Diluted Earnings Per Share	anti-dilutive	anti-diluti
Average Market Price of Common Stock	\$ 0.92	\$ 0.84
Ending Market Price of Common Stock	\$ 0.83	\$ 0.65

Stock options granted to Company employees, directors, and former owners were excluded from the calculation of earnings per share in the financial statements because they were either anti-dilutive or immaterial for the periods reported:

Nine Months Ended December 29, 2002 -----		Nine Months Ended December 23, 2001 -----	
No. of Shares Underlying Options	Exercise Price Per Share	No. of Shares Underlying Options	Exercise Price Per Share
-----		-----	
16,000	0.5000	12,000	0.5000
126,000	0.5630	88,000	0.5630
25,000	0.6100	-	0.6100
500	0.6250	500	0.6250
416,668	0.6700	-	0.6700
5,000	0.6875	4,000	0.6875
126,000	0.7500	88,000	0.7500
266,006	0.8000	238,673	0.8000

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76,250	0.8600	-	0.8600
75,000	1.0000	50,000	1.0000
14,500	1.1875	13,900	1.1875
74,800	1.2500	59,200	1.2500
-	1.5000	4,000	1.5000
4,000	1.6250	4,000	1.6250
66,000	1.8750	44,000	1.8750
35,500	2.5000	35,600	2.5000
8,000	3.0000	8,000	3.0000
1,000	3.0940	500	3.0940
400,000	3.1875	400,000	3.1875
50,000	5.3440	25,000	5.3440

1,786,224		1,075,373	

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NOTE 3 - Continued

Inventories: Inventories consist of the following:

	December 29, 2002
Raw materials	\$ 2,174,000
Work in progress	756,000
Finished products	314,000

Total inventories	\$ 3,244,000
	=====
Less reserve	(465,000)
	=====
Inventories, net	\$ 2,779,000
	=====

NOTE 4 - NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") and No.142 , "Goodwill and Other Intangible Assets" ("SFAS No. 142") were issued by the Financial Accounting Standards Board in July 2001. These pronouncements require the use of the purchase method of accounting for acquisitions and they require that goodwill no longer be amortized, but tested for impairment on an annual basis. These pronouncements were effective for

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financial statements for fiscal years beginning after December 31, 2001. Accordingly, the Company adopted the provisions of these pronouncements in the current fiscal year and has ceased monthly amortization of intangible assets with an indefinite life.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. Under SFAS 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises, and will be amortized to expense over the life of the asset. We do not expect any effect on our financial position or results of operations from the adoption of this statement.

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

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

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NOTE 5 - SUBSEQUENT EVENT

In January 2003, the Company purchased all of the issued and outstanding shares of common stock of Texas Optoelectronics, Inc. ("TOI"), a privately owned custom manufacturer of optoelectric components and assemblies. The purchase price was 1,000,000 shares of API Class A Common Stock, subject to an adjustment based on TOI's financial statements as of January 17, 2003. At closing of the purchase API paid off a debt of TOI in the total amount of \$1,200,000 representing principal and interest.

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Item 2. Management's Discussion and Analysis

Application of Critical Accounting Policies

Application of our accounting policies requires management to make judgments and estimates about the amounts reflected in the financial statements. Management uses historical experience and all available information to make these estimates and judgments, although differing amounts could be reported if there are changes in the assumptions and estimates. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, inventory allowances,

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restructuring costs, impairment costs, depreciation and amortization, sales discounts and returns, warranty costs, taxes and contingencies. Management has identified the following accounting policies as critical to an understanding of our financial statements and/or as areas most dependent on management's judgment and estimates.

Revenue Recognition

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

Impairment of Long-Lived Assets

We continually review the recoverability of the carrying value of long-lived assets using the methodology prescribed in Statement of Financial Accounting Standards (SFAS) 144, "Accounting for the Impairment and Disposal of Long-Lived Assets." We also review long-lived assets and the related intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Upon such an occurrence, recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows to which the assets relate, to the carrying amount. If the asset is determined to be unable to recover its carrying value, then intangible assets, if any, are written down first, followed by the other long-lived assets to fair value. Fair value is determined based on discounted cash flows, appraised values or management's estimates, depending on the nature of the assets.

Deferred Tax Asset Valuation Allowance

We record a deferred tax asset in jurisdictions where we generate a loss for income tax purposes. Due to our history of operating losses, we have recorded a full valuation allowance against these deferred tax assets in accordance with SFAS 109, "Accounting for Income Taxes," because, in management's judgment, the deferred tax assets may not be realized in the foreseeable future.

Inventories

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

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Accounts Receivable and Allowance for Doubtful Accounts

The Allowance for Doubtful Accounts is established by analyzing each account that has a balance over 90 days past due. Each account is individually assigned a probability of collection. The total amount determined to be uncollectible in

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the 90-days-past-due category is then reserved fully. The percentage of this reserve to the 90-days-past-due total is then established as a guideline and applied to the rest of the non-current accounts receivable balance. When other circumstances suggest that a receivable may not be collectible, it is immediately reserved for, even if the receivable is not yet in the 90-days-past-due category.

RESULTS OF OPERATIONS

The Company's net sales for the third quarter ("Q3 03") and nine month period ("YTD 03") ended December 29, 2002, were \$2.6 million and \$6.0 million, respectively. As compared to the third quarter of the prior year ("Q3 02"), net sales increased by 60%, while year to date net sales increased by 14% over the same nine month period of the prior year ("YTD 02").

The increase in net sales for the for both the quarter and year to date periods was primarily due to higher volume in military aerospace, industrial sensing, and medical equipment and imaging revenues, as compared to the same periods in the prior year. As compared to fiscal year 2002, sales to the medical markets increased by 105% for the quarter and by 14% for the year to date period, industrial sensing revenues increased by 51% for the quarter and by 23% year to date and sales to the military aerospace markets increased by 53% for the quarter and by 1% year to date. Revenues from these three markets represent 98% of total revenues year to date, with revenues from the industrial sensing markets accounting for 46% of total revenues, military aerospace accounting for 34% of total revenues and medical accounting for 18% of total revenues. Increased revenues resulting from the Company's recent acquisition of Silicon Sensors, Inc. ("SSI") accounted for approximately 66% of the quarterly increase.

COSTS AND EXPENSES

Cost of goods sold increased by \$762,000 (78%) during the third quarter of 2003 and by \$968,000 (32%) during year to date period as compared to the same periods of the prior year. As a percentage of net sales, cost of goods sold increased 7 percentage points to 67% for Q3 03 and increased 9 percentage points to 66% for YTD 03, as compared to the same periods of the prior year. Thus, gross margin as a percentage of net sales was 33% for QTD 03 and 34% for YTD 03. Throughout the year, the Company has continued to realize reduced gross margins as a result of current product mix and increases in fixed overhead and indirect costs associated with the manufacturing process. In particular, increased manufacturing costs associated with SSI accounted for approximately 36% of the year to date variance. The remainder is due primarily to higher material costs, as a percentage of net sales, associated with the current sales mix. Increased competitiveness in the marketplace over the past year has caused the Company to absorb increases in certain material costs while maintaining existing pricing in an effort to generate new business as well as retain existing business. The Company expects that current gross margin percentage is indicative of what can be expected for the remainder of the year.

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Research and development costs increased by \$5,000, or 5%, in the third quarter of 2003 as compared to third quarter of 2002. Year to date, research and development costs have increased by \$36,000, or 10%, as compared to the prior year. The slight increase in research and development costs continues to be attributable to variable expenditures associated with current development projects, including those related to the continual improvement of the Company's current lines of avalanche photodiode and core business products. The Company expects research and development costs to remain relatively flat for the remainder of the year and does not anticipate any notable increases or decreases from the current level. However, should the level of activity associated with

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customer-requested development contracts increase significantly, research and development costs may increase as well.

Marketing and sales expenses increased by \$51,000 (23%) to \$271,000 in the third quarter of 2003 compared to Q3 02 and by \$38,000 (6%) to \$728,000 year to date, as compared to YTD 02. The increase in both quarterly and year to date expense is primarily attributable to increased absorption of expenses resulting from the Company's recently acquired subsidiary, SSI (see Note 2). Excluding the impact of the SSI expenses, year to date marketing and sales expenses were \$25,000 less than the prior year, as a result of both decreased recruitment expenses and a reduction in commissions paid to outside sales representatives. Due to continued corporate expansion, the Company expects to see continued increases in marketing and sales expenses throughout the remainder of the year.

General and administrative expenses increased by \$172,000 (61%) to \$454,000 in Q3 03 as compared to \$282,000 in Q3 02. Year to date, general and administrative expenses increased by \$338,000 (40%) to \$1,175,000 as compared to \$837,000 for YTD 02. The increase in quarterly expenses is directly attributable to increased general and administrative expenses incurred as a result of the acquired SSI subsidiary. Excluding the impact of the acquisition, general and administrative expenses remained flat in Q3 03 and increased by \$105,000 for YTD 03, as compared to the same periods of the prior year. The increase in general and administrative expenses for the year to date period continues to be due to increased insurance, depreciation, consultant and legal expenses over the same period in the prior year. As indicated in previous reports, the Company has experienced significant increases in both liability and benefits-type insurances over the past two years and expects that such increases will continue. The increase in depreciation expense is the result of the purchase of a new Enterprise Resource Planning (ERP) software system which was installed during the third quarter of last year. In addition, the Company reported increased expenses of approximately \$61,000 associated with consultant and legal fees, due to the development and implementation of a shareholder rights agreement, which was implemented in the second quarter of fiscal year 2003.

Interest income for the quarter was \$20,000, or \$14,000 less than Q3 02. Interest income for the year to date period was \$68,000, or \$103,000 less than the same period in the prior year. The decrease in interest income is primarily due to consistently lower interest rates in addition to lower cash reserves available for investment.

Net income for the third quarter of 2002 was \$61,000, or \$37,000 lower than net income of \$98,000 reported in Q3 02. Year to date, the Company's net loss of (\$194,000) is \$139,000 greater than the net loss of (\$55,000) reported for the same period in the prior year.

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LIQUIDITY AND CAPITAL RESOURCES

At December 29, 2002, the Company had cash, cash equivalents and short term investments of \$2.2 million and working capital of \$6.1 million, and an accumulated deficit of \$18.2 million. The Company's cash, cash equivalents and short-term investments decreased by \$1.9 million during the nine months ended December 29, 2002. \$10,000 was obtained through the exercise and issuance of stock options and \$29,000 was used by operating activities. \$41,000 was used for capital expenditures and \$1.8 million was used for the acquisition of Silicon Sensors, LLC.

All capital expenditures during the current year have been due to necessary

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equipment upgrades and/or replacements. The Company has one capital project scheduled at this time and expects capital outlays of approximately \$70,000 for costs associated with the installation of a wide-area-network communication system throughout the remainder of the year. However, the Company does not anticipate any other significant expenditures for capital items, as there are no additional capital equipment purchases scheduled at this time.

The Company is exposed to interest rate risk for marketable securities. Due to declining interest rates available to the Company pursuant to its investment policy, the Company was able to achieve higher yields on more liquid money market accounts and thus transferred the majority of its available cash reserves from short term investment instruments to such accounts during the prior fiscal year. At December 29, 2002, the Company continued to hold one investment in a U.S. Government security with a value of \$1,000,000 which carries an interest rate of 5.0%. The Company will continue to monitor available interest rates throughout the remainder of the year and will attempt to utilize the best possible avenues of investment for its excess liquid assets.

Item 3. Controls and Procedures

Our Chief Executive Officer, President, and Chief Financial Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officers have designed such disclosure controls and procedures to ensure that material information is made known to them, particularly during the period in which this report was prepared. The Certifying Officers have evaluated the effectiveness of the Company's disclosure controls and procedures within 90 days of the date of this report and believe that the Company's disclosure controls and procedures are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

FORWARD LOOKING STATEMENTS

The information contained herein includes forward looking statements that are based on assumptions that management believes to be reasonable but are subject to inherent uncertainties and risks including, but not limited to, risks associated with the integration of newly acquired businesses, technological obstacles which may prevent or slow the development and/or manufacture of new products, limited (or slower than anticipated) customer acceptance of new products which have been and are being developed by the Company, the availability of other competing technologies and a decline in the general demand for optoelectronic products.

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PART II OTHER INFORMATION

Items 1-5

None.

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(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.

Advanced Photonix, Inc.

(Registrant)

Date: February 11, 2003

/s/ Richard Kurtz

Richard Kurtz
Chief Executive Officer

/s/ Paul D. Ludwig

Paul D. Ludwig
President

/s/ Susan A. Schmidt

Susan A. Schmidt
Chief Financial Officer
and Secretary