SOHU COM INC
Form 10-Q
May 02, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

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 0-30961

Sohu.com Inc.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	**98-0204667**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	**(I.R.S. EMPLOYER IDENTIFICATION NUMBER)**

Level 12, Vision International Center

No. 1 Unit Zhongguancun East Road, Haidian District

Beijing 100084

People s Republic of China

(011) 8610-6272-6666

(Address, including zip code, of registrant s principal executive offices

and registrant s telephone number, including area code)

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 ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

The number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	Outstanding at April 29, 2005
Common stock, $.001 par value	**35,946,695**

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SOHU.COM INC

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

SOHU.COM INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(In thousands)

	As of	
	March 31, 2005	**December 31, 2004**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 113,015	$ 122,384
Accounts receivable, net (including $0 and $199 from related parties, respectively)	19,149	19,901
Prepaid and other current assets	5,118	4,894
Current portion of long-term investments in marketable debt securities	1,493	4,494
Total current assets	138,775	151,673
Long-term investments in marketable debt securities	14,193	14,444
Investment in an associate	1,012	995
Fixed assets, net	14,632	12,175
Goodwill	44,502	44,502
Intangible assets, net	7,047	7,503
Other assets, net	3,164	3,475
	$ 223,325	$ 234,767
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable (including $113 and $110 to related parties, respectively)	$ 2,162	$ 2,273
Accrued liabilities	30,450	33,995
Total current liabilities	32,612	36,268
Zero coupon convertible senior notes	90,000	90,000
Total liabilities	122,612	126,268
Commitments and contingencies (Note 6)		
Shareholders equity:		
Common stock: $0.001 par value per share (75,400 authorized, 35,799 and 36,537 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively)	39	38
Additional paid-in capital	146,005	145,481

Treasury stock (3,446 shares and 2,561 shares, respectively)	(39,686)	(25,839)
Deferred compensation		(2)
Accumulated other comprehensive income	(166)	14
Accumulated deficit	(5,479)	(11,193)
Total shareholders equity	100,713	108,499
	$ 223,325	$ 234,767

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

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SOHU.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, In thousands, except per share data)

	Three Months Ended	
	March 31, 2005	March 31, 2004
Revenues:		
Advertising:		
Brand advertising (including $0 and $124 from related parties, respectively)	$ 12,124	$ 8,993
Sponsored search	2,731	2,021
Subtotal of advertising revenues	14,855	11,014
Non-advertising:		
Wireless	5,959	12,245
E-commerce	1,265	1,319
Others	1,646	1,357
Subtotal of non-advertising revenues	8,870	14,921
Total revenues	23,725	25,935
Cost of revenues:		
Advertising:		
Brand advertising	3,229	2,660
Sponsored search	293	128
Subtotal of advertising cost of revenues	3,522	2,788
Non-advertising:		
Wireless	2,205	4,181
E-commerce (including $31 and $35 from related parties, respectively)	1,231	1,286
Others (including $284 and $0 from related parties, respectively)	572	368
Subtotal of non-advertising cost of revenues	4,008	5,835
Total cost of revenues	7,530	8,623
Gross profit	16,195	17,312
Operating expenses:		
Product development	3,142	1,880
Sales and marketing	4,734	3,121
General and administrative	2,412	1,572
Amortization of intangibles	456	177
Total operating expenses	10,744	6,750
Operating profit	5,451	10,562

Other expense	(248)	(208)
Interest income	573	630
Income before income tax expense	5,776	10,984
Income tax expense	(62)	(54)
Net income	$ 5,714	$ 10,930
Basic net income per share	$ 0.16	$ 0.30
Shares used in computing basic net income per share	36,171	36,255
Diluted net income per share	$ 0.15	$ 0.27
Shares used in computing diluted net income per share	39,931	41,920

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

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SOHU.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, In thousands, except per share data)

	Three Months Ended	
	March 31, 2005	March 31, 2004
Cash flows from operating activities:		
Net income	$ 5,714	$ 10,930
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,162	953
Amortization of other assets	357	343
Amortization of intangible assets	456	177
Provision for allowance for doubtful accounts	708	26
Others	125	70
Changes in assets and liabilities:		
Accounts receivable	44	(5,031)
Prepaid and other current assets	173	(402)
Accounts payable	(111)	242
Accrued liabilities	(3,028)	1,954
Net cash provided by operating activities	5,600	9,262
Cash flows from investing activities:		
Proceeds from maturities of marketable debt securities	3,074	3,122
Purchase of other assets	(46)	(130)
Purchase of fixed assets	(3,289)	(2,075)
Acquisitions, net of cash acquired	(1,330)	(98)
Net cash (used in) provided by investing activities	(1,591)	819
Cash flows from financing activities:		
Repurchase of common stock	(13,847)	
Issuance of common stock	469	645
Net cash (used in) provided by financing activities	(13,378)	645
Net (decrease) increase in cash and cash equivalents	(9,369)	10,726
Cash and cash equivalents at beginning of period	122,384	99,109
Cash and cash equivalents at end of period	$ 113,015	$ 109,835

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

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SOHU.COM INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(unaudited, In thousands)

	Three Months Ended	
	March 31, 2005	March 31, 2004
Common stock:		
Balance, beginning of period	$ 38	$

The Company provides a broad range of interference-control solutions for the wireless telecommunications industry. The Company develops, manufactures and markets radio frequency front-end systems for wireless networks using patented and proprietary high-temperature superconductor (HTS) filters, cryogenic low-noise amplifiers and adaptive notch filter (ANF) technologies to monitor, suppress and eliminate out-of-band and in-band interference in wireless base stations.

The Company was founded in 1989 by ARCH Development Corporation, an affiliate of the University of Chicago, to commercialize superconductor technologies initially developed by Argonne National Laboratory. The Company was incorporated in Illinois on October 18, 1989 and reincorporated in Delaware on September 23, 1993. On June 25, 2001, the Company changed its name from Illinois Superconductor Corporation to ISCO International, Inc. The Company s principal offices are located at 451 Kingston Court, Mount Prospect, IL 60056 and telephone number is (847) 391-9400.

Results of Operations

Three Months Ended September 30, 2002 and 2001

The Company s net sales increased $339,000, or 373%, to $430,000 for the three months ended September 30, 2002 from $91,000 for the same period in 2001. This increase was primarily due to the shipment of ANF products during the third quarter of 2002. The Company anticipates its unit volume and related revenue to increase during the fourth quarter of 2002 as compared to both the fourth quarter of 2001 and third quarter of 2002, due to existing customer orders. During October 2002, the Company

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announced the receipt of a $1.2 million order for ANF product that it expects to ship during the fourth quarter of 2002.

Cost of sales increased by $57,000, or 12%, to $541,000 for the three months ended September 30, 2002 from $484,000 for the same period in 2001. The increase in cost of sales was due to the increase in sales volume, net of certain cost control measures adopted during the previous year.

The Company s research and development expenses decreased by $1,279,000, or 66%, to $659,000 for the three months ended September 30, 2002, from $1,938,000 for the same period in 2001. The consolidation of the Colorado and Canadian facilities into the Mount Prospect facility including related headcount reduction, as well as other cost control measures, were the primary reasons for this reduction.

Selling and marketing expenses decreased by $500,000, or 56%, to $388,000 for the three months ended September 30, 2002, from $888,000 for the same period in 2001. This decrease was due to cost reductions implemented during the previous year.

General and administrative expenses decreased by $407,000, or 20%, to $1,653,000 for the three months ended September 30, 2002, from $2,060,000 for the same period in 2001. This decrease was attributable to cost reduction programs that were offset in part by increased legal expenses incurred in the ongoing patent litigation. If not for this litigation, which increased by a net cost of approximately $300,000 during these respective periods, general and administrative expenses would have decreased by approximately $707,000, or 34%, from the third quarter of 2001 to the third quarter of 2002.

Goodwill amortization, resulting from acquisitions by the Company in 2000, was $509,000 for the three months ended September 30, 2001. No such charge was recognized during 2002 due to the change in accounting pronouncements further detailed in Note 1.

Nine Months Ended September 30, 2002 and 2001

The Company s net sales increased $151,000, or 8%, to $2,127,000 for the nine months ended September 30, 2002 from $1,976,000 for the same period in 2001. This increase was due to the increase in ANF revenue during the first nine months of 2002, as compared to the comparable period of 2001. The Company anticipates its unit volume and related revenue during the full year 2002 to exceed related figures during 2001 due to existing customer orders. During October 2002, the Company announced the receipt of a $1.2 million order for ANF product that it expects to ship during the fourth quarter of 2002.

Cost of sales decreased by $258,000, or 9%, to $2,668,000 for the nine months ended September 30, 2002 from $2,926,000 for the same period in 2001. The decrease in cost of sales, despite the increase in net sales revenue, was due to cost control measures adopted during the previous year.

The Company s research and development expenses decreased by $3,267,000, or 58%, to $2,358,000 for the nine months ended September 30, 2002, from $5,625,000 for the same period in 2001. The consolidation of the Colorado and Canadian facilities into the Mount Prospect facility including related headcount reduction, as well as other cost control measures, were the primary reasons for this reduction.

Selling and marketing expenses decreased by $958,000, or 36%, to $1,723,000 for the nine months ended September 30, 2002, from $2,681,000 for the same period in 2001. This decrease was due to cost reductions implemented during the previous year.

General and administrative expenses increased by $689,000, or 13%, to $6,059,000 for the nine months ended September 30, 2002, from $5,370,000 for the same period in 2001. This increase was

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attributable to legal expenses incurred in the ongoing patent litigation. If not for this litigation, which increased by a net cost of approximately $1,700,000 during these respective periods, general and administrative expenses would have decreased by approximately $1,011,000, or 19%, during the first nine months of 2002 compared to the same period of 2001.

Goodwill amortization, resulting from acquisitions by the Company in 2000, was $1,528,000 for the nine months ended September 30, 2001. No such charge was recognized during 2002 due to the change in accounting pronouncements further detailed in Note 1.

Liquidity and Capital Resources

At September 30, 2002, the Company s cash and cash equivalents were $788,000, a decrease of $933,000 from the balance at December 31, 2001 of $1,721,000. The Company completed a Shareholder Rights Offering which raised approximately $20 million during February, 2002. A portion of the proceeds were then used to repay in full $9.8 million of debt and related accrued interest, as well as the payment of various other accrued expenses.

The continuing development of, and expansion in, sales of the Company s interference-control solutions product lines, as well as the continued defense of its intellectual property in the ongoing patent litigation which has been rescheduled for trial in March 2003, will require a commitment of substantial additional funds. The actual amount of the Company s future funding requirements will depend on many factors, including, but not limited to: the amount and timing of future revenues, the level of product marketing and sales efforts to support the Company s commercialization plans, the magnitude of the Company s research and product development programs, the ability of the Company to improve product margins, the cost of additional plant and equipment for manufacturing and the costs involved in protecting the Company s patents or other intellectual property, including the ongoing patent litigation.

As part of its overall financing strategy, the Company filed a $50 million universal shelf offering registration statement in the first quarter of 2001, and then entered into an agreement with Paul Revere Capital Partners, Ltd., whereby Paul Revere Capital Partners committed to acquire up to $20 million of the Company s common stock over a 24-month period, upon demand by the Company, subject to the conditions contained in the purchase agreement. Pursuant to this facility, the Company may, at its discretion, sell shares of its common stock to Paul Revere Capital Partners at a purchase price per share which is equal to 94% of the average weighted volume price over a 22 day period. Each draw down is limited to the lesser of $4 million or 20% of the trading volume over a specified period of time. The Company would also issue a warrant to Paul Revere Capital Partners to purchase a number of shares of common stock equal to 0.5% of the shares issued in each draw down. The Company also agreed to pay its placement agent a fee equal to 4% of each draw down and issue a warrant to the placement agent to purchase a number of shares of common stock equal to 0.5% of the shares issued in each draw down. Subsequent to entering into this agreement, the SEC issued an interpretive release that requires the Company to amend the registration statement to include the purchase agreement prior to drawing down on this facility. As of September 30, 2002, the Company had not amended the registration statement nor had it drawn down on this facility. The facility expires during March 2003. Due to the depressed stock price and reduced trading volume, the Company does not consider this facility to be an effective source of capital.

The Company s common stock is listed on the American Stock Exchange (AMEX) under the symbol ISO . Prior to June 7, 2002, the first trading date on AMEX, the Company s common stock was traded in the over-the-counter market and quoted on the National Association of Securities Dealers, Inc. electronic bulletin board under the symbol ISCO .

As of the reporting date, the Company had no outstanding long-term debt or short-term debt. The Company previously announced its intention to try to augment its capital position through existing

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funding mechanisms identified and through other sources of capital to support its operations and expected increases in levels of inventory and receivables. During October 2002, the Company entered into an Uncommitted Line of Credit with its two largest shareholders, an affiliate of Elliott Associates, L.P. (Manchester Securities, L.P.) and Alexander Finance, L.P. This line is intended to provide up to $4 million to the Company, with $1 million of the total borrowed during October, 2002, upon completion of the transaction. This line is uncommitted, such that each new borrowing under the facility would be subject to the approval of the lenders. Borrowings on this line bear an interest rate of 9.5% and are secured by all the assets of the Company. Additionally, warrants are issued to the lenders to the extent funds are drawn down on the line. The warrants bear a strike price of $0.20 per share of common stock and expire on April 15, 2004. A maximum of 20 million warrants may be issued as a result of this transaction, presuming certain antidilutive features are not triggered. A copy of that note is attached as Exhibit 10 to this document.

Subject to the uncommitted nature of this credit line, the Company believes it has sufficient capital resources available to meet its obligations and support its operations forecast into the second quarter of 2003. There can be no assurance that other funding mechanisms, whether identified or not, will allow the Company to access additional funds beyond that date.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company does not have any material market risk sensitive instruments.

Item 4. Controls and Procedures.

(a) Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), within 90 days of the filing date of this report. Based on their evaluation, our principal executive officer and principal accounting officer concluded that ISCO s disclosure controls and procedures are effective.

(b) There have been no significant changes (including corrected actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Laves Litigation

On July 17, 2000 Edward W. Laves (the Plaintiff) filed an action (the Complaint) in the Law Division of the Circuit Court of Cook County, Illinois, against the Company and three of its directors, (George Calhoun, Samuel Perlman, and Mark Brodsky) charging the Company with constructive

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termination under and in breach of the Plaintiff s employment agreement, and with violation of the Illinois Wage Payment and Collection Act. The Plaintiff seeks damages estimated to exceed $12 million . The Company filed an appearance on behalf of all of the Defendants on October 3, 2000. On October 6, 2000, the Company filed on Defendants behalf a motion to dismiss the Complaint. On January 22, 2001, the court issued an order granting our motion to dismiss the claims against the individual Defendants, but denied the motion to dismiss with respect to claims against the Company. On February 21, 2001, the Plaintiff filed a motion to reconsider the court s dismissal of claims against the individual Defendants. On March 13, 2001, the Defendants filed an answer to the Complaint and a memorandum in opposition to the motion to reconsider. By order dated March 15, 2001, the court allowed the Plaintiff leave to file an amended motion to reconsider, which the Plaintiff filed on April 5, 2001, along with a motion to dismiss one of the Company s affirmative defenses. Following a substitution of judges and a hearing on August 9, 2001, the court granted Plaintiff s motion to dismiss one of the Company s affirmative defenses and ordered the case transferred back to the judge originally assigned to the case for the limited purposes of ruling on Plaintiff s amended motion to reconsider the dismissal of claims against the Defendants. On September 7, 2001, following a hearing, the Judge denied Plaintiff s amended motion to reconsider and entered an order retaining jurisdiction of the matter for 30 days. On November 9, 2001 the Judge granted Plaintiff leave to file his First Amended Count II. On November 11, 2001, Plaintiff filed his amended pleading. On January 31, 2002, Plaintiff filed a corrected Unified Complaint . On February 15, 2002, all Defendants filed their Answers to the Unified Complaint. On March 5, 2002, the individual defendants served their answers to Plaintiff s interrogatories and responses to Plaintiff s discovery requests. On April 8, 2002, Laves was given leave to amend his Complaint and add Count III against the individual defendants for tortuous interference with contractual obligations. Laves seeks damages against these individuals for: (1) an amount to be provided at trial estimated to exceed

$12 million; (2) $500,000 for Laves anxiety, mental suffering, and humiliation; (3) $500,000 for punitive damages; and (4) pre- and post- judgment interest and costs. Non-expert discovery was to conclude by November 7, 2002; non-expert oral discovery is to conclude by November 15, 2002 (but this will likely be extended); no date is set for the close of expert discovery. A status hearing was set for November 8, 2002. No trial date is set.

The Company believes these claims to be without merit and intends to defend against them vigorously.

Patent Litigation

In July 2001, the Company filed suit in the United States District Court for the District of Delaware against Conductus, Inc. and Superconductor Technologies, Inc. alleging infringement of U.S. Patent No. 6,263,215, entitled Cryoelectronically Cooled Receiver Front End for Mobile Radio Systems (the 215 patent). This suit alleges that Conductus and Superconductor Technologies base station front-end systems containing cryogenically cooled superconducting filters infringe this patent. The Company is seeking a permanent injunction enjoining Conductus and Superconductor Technologies from marketing, selling or manufacturing these products, as well as triple damages and attorneys fees. Conductus and Superconductor Technologies have denied these allegations and asked the court to enter a judgment that the patent is invalid and not infringed. Conductus and Superconductor Technologies have amended their respective answers and counterclaims to the Company s complaint in order to assert the defenses of inequitable conduct and prosecution laches and a counterclaim for a declaration that the patent is unenforceable based on these defenses. Conductus and Superconductor Technologies have also asserted federal and state law counterclaims, including claims of unfair competition. Conductus and Superconductor Technologies are seeking both compensatory and punitive damages as well as attorneys fees and costs.

On March 26, 2002, the Company replied to Conductus and Superconductor Technologies Second Amended Answer and Counterclaims and filed counterclaims alleging that Conductus and Superconductor Technologies also infringe U.S. Patent No. 6,104,934 entitled Cryoelectronic Receiver Front End and U.S. Patent No. 6,205,340 B1 entitled Cryoelectronic Receiver Front End For Mobile

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Radio Systems . On April 17, 2002, the court dismissed these counterclaims without prejudice to the Company s right to assert these counterclaims in a separate action.

On October 30, 2002, the U.S. District Court in Delaware issued its ruling concerning patent claim construction following the Markman Hearing, an important preliminary hearing in this case. The purpose of the Markman Hearing is to define the meaning of the terms in the patent claims. The court s decision adopted ISCO s proposed claim construction on all substantive claim interpretation issues.

A number of motions are now pending in the litigation. The Company has filed motions for summary judgment that Superconductor Technologies internal projects are not prior art to the 215 patent and to dismiss the defendants claims of unfair competition and interference with business relations. The defendants have filed motions for summary judgment on the issues of infringement and validity of the 215 patent. In addition, Conductus has moved to limit the computation of damages available to the Company to a reasonable royalty for sales to Dobson Communications, Inc. The Company has filed an opposition to each of the defendants motions. The trial for this case has been rescheduled for March 17, 2003.

The Company intends to prosecute these claims vigorously against Conductus and Superconductor Technologies and defend against counterclaims in this litigation. The Company believes the patent to be valid, the counterclaims asserted against the Company to be without merit, and that it is in the best interests of the Company and its shareholders to pursue this matter vigorously.

In November 2001, the Company filed suit against Dobson Communications, Inc. for allegedly infringing this patent. The action has been stayed, per agreement between the parties, until resolution of the matter between the Company and Conductus and Superconductor Technologies. The parties have agreed that Dobson Communications will be bound by any and all final, non-appealable determinations, holdings or findings with respect to all liability issues in the Company s case against

Conductus.

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

(a) Exhibits: A list of exhibits is set forth in the Exhibit Index found on

page 14 of this report**.**

(b) Reports on Form 8-K:

On October 24, 2002, the Company filed a report on Form 8-K announcing that it had entered into an uncommitted line of credit from its two largest shareholders and also announcing that the Company received an order for Adaptive Notch Filters (ANF) from a major network provider.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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 on the 14th day of November, 2002.

ISCO International, Inc.

By: /s/ Amr Abdelmonem

Amr Abdelmonem
Chief Executive Officer (Principal Executive Officer)

By: /s/ Frank J. Cesario

Frank J. Cesario
Acting Chief Financial Officer (Principal Financial and Accounting Officer)

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Certifications

I, Amr Abdelmonem, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ISCO International, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of

registrant s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Amr Abdelmonem

Amr Abdelmonem
Chief Executive Officer

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I, Frank Cesario, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ISCO International, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls; and

6. The registrant s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Frank Cesario

Frank Cesario
Acting Chief
Financial Officer and
Corporate Secretary

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit *(PH update)*
10.1	Loan Agreement dated October 23, 2002 between ISCO International, Inc., Manchester Securities Corporation, and Alexander Finance L.P. incorporated by reference to exhibit 10.1 of the Company s 8-K filed with the SEC on October 24, 2002.
10.2	Security Agreement dated October 23, 2002 between ISCO International, Inc., Spectral Solutions, Inc., Illinois Superconductor Canada Corporation, Manchester Securities Corporation, and Alexander Finance L.P. incorporated by reference to exhibit 10.2 of the Company s 8-K filed with the SEC on October 24, 2002.
10.3	Secured Grid Note dated October 23, 2002 between ISCO International, Inc. and Alexander Finance L.P. in the principal amount of $1,752,400 incorporated by reference to exhibit 10.3 of the Company s 8-K filed with the SEC on October 24, 2002.
10.4	Secured Grid Note dated October 23, 2002 between ISCO International, Inc. and Manchester Securities Corporation in the principal amount of $2,247,600 incorporated by reference to exhibit 10.4 of the Company s 8-K filed with the SEC on October 24, 2002.
10.5	Guaranty of Spectral Solutions, Inc. incorporated by reference to exhibit 10.5 of the Company s 8-K filed with the SEC on October 24, 2002.
10.6	Guaranty of Illinois Superconductor Canada

	Corporation incorporated by reference to exhibit 10.6 of the Company s 8-K filed with the SEC on October 24, 2002.
10.7	Registration Rights Agreement dated October 23, 2002 between ISCO International, Inc. Manchester Securities Corporation, and Alexander Finance L.P. incorporated by reference to exhibit 10.7 of the Company s 8-K filed with the SEC on October 24, 2002.
10.8	Common Stock Purchase Warrant Agreement dated October 23, 2002 between ISCO International, Inc. and Alexander Finance L.P. incorporated by reference to exhibit 10.8 of the Company s 8-K filed with the SEC on October 24, 2002.
10.9	Common Stock Purchase Warrant Agreement dated October 23, 2002 between ISCO International, Inc. and Manchester Securities Corporation incorporated by reference to exhibit 10.9 of the Company s 8-K filed with the SEC on October 24, 2002.
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002