

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED

September 30, 2003

Commission File No. 001-13458

SCOTT'S LIQUID GOLD-INC.  
4880 Havana Street  
Denver, CO 80239  
Phone: 303-373-4860

Colorado  
State of Incorporation

84-0920811  
I.R.S. Employer Identification No.

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 ☐

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of September 30, 2003, the Registrant had 10,306,000 shares of its \$0.10 par value common stock outstanding.

**SCOTT'S LIQUID GOLD-INC.**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
PART I FINANCIAL INFORMATION.....	3
Item 1. Financial Statements.....	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	16
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	22
Item 4. Controls and Procedures.....	22
PART II OTHER INFORMATION.....	23
Item 6. Exhibits and Reports on Form 8-K.....	23

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES**  
**Consolidated Statements of Operations (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales	\$ 6,023,600	\$ 6,226,900	\$17,367,300	\$16,912,800
Operating costs and expenses:				
Cost Of Sales	3,302,200	2,986,200	9,223,500	9,017,700
Advertising	171,100	282,600	1,671,700	804,200
Selling	1,402,900	1,431,400	4,410,300	4,201,400
General and administrative	875,400	1,190,500	2,875,100	3,380,200
	5,751,600	5,890,700	18,180,600	17,403,500
Income (loss) from operations	272,000	336,200	(813,300)	(490,700)
Interest income	12,100	6,200	46,600	42,800
Interest expense	53,000	65,100	165,000	201,100
Other revenue	-	594,600	-	594,600
	231,100	871,900	(931,700)	(54,400)
Income tax expense (benefit)	-	-	-	(483,000)
Net income (loss)	\$ 231,100	\$ 871,900	\$ (931,700)	\$ 428,600
Net income (loss) per common share (Note 4):				
Basic	\$ .02	\$ .09	\$ (.09)	\$ .04
Diluted	\$ .02	\$ .09	\$ (.09)	\$ .04
Weighted average shares outstanding:				
Basic	10,187,100	10,153,100	10,164,400	10,153,100
Diluted	10,203,500	10,153,100	10,164,400	10,153,100

**SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES**  
**Consolidated Balance Sheets**

	September 30, 2003	December 31, 2002
	----- (Unaudited)	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,032,700	\$ 2,786,400
Investment securities	505,800	1,562,400
Trade receivables, net of allowance for doubtful accounts of \$134,600 and \$105,000	1,487,900	1,808,000
Other receivables	27,300	35,100
Inventories	3,164,800	2,606,600
Prepaid expenses	397,600	429,500
Deferred tax asset	1,190,100	1,225,600
	-----	-----
Total current assets	9,806,200	10,453,600
Property, plant and equipment net	15,040,900	15,581,400
Other assets	36,100	44,200
	-----	-----
TOTAL ASSETS	\$24,883,200	\$26,079,200
	=====	=====
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,199,500	\$ 1,698,100
Accrued expenses	1,694,000	1,879,600
Current maturities of long-term debt	861,000	830,000
	-----	-----
Total current liabilities	4,754,500	4,407,700
Long-term debt, less current maturities	3,036,100	3,685,400
Deferred income taxes	1,190,100	1,225,600
	-----	-----
	8,980,700	9,318,700
Commitments and contingencies		
Shareholders' equity:		
Common stock; \$0.10 par value authorized 50,000,000 shares; shares issued and outstanding 10,306,000 and 10,153,100	1,030,600	1,015,300
Capital in excess of par	4,906,700	4,847,000
Accumulated comprehensive income	7,100	8,400
Retained earnings	9,958,100	10,889,800
	-----	-----
Shareholders' equity	15,902,500	16,760,500
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$24,883,200	\$26,079,200
	=====	=====

**SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Unaudited)**

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ (931,700)	\$ 428,600
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	564,500	610,300
Changes in assets and liabilities:		
Trade and other receivables	327,900	110,200
Inventories	(558,200)	(124,000)
Prepaid expenses	31,900	(50,400)
Accounts payable and accrued expenses	390,800	341,900
Total adjustments to net income (loss)	756,900	888,000
Net Cash Provided (Used) by Operating Activities	(174,800)	1,316,600
Cash flows from investing activities:		
Sale of investment securities	1,550,000	1,402,700
Purchase of investment securities	(495,600)	(1,000,000)
Purchase of property, plant & equipment	(15,100)	(9,800)
Net Cash Provided by Investing Activities	1,039,300	392,900
Cash flows from financing activities:		
Principal payments on long-term borrowings	(618,200)	(587,800)
Net Cash Used by Financing Activities	(618,200)	(587,800)
Net Increase in Cash and Cash Equivalents	246,300	1,121,700
Cash and Cash Equivalents, beginning of period	2,786,400	1,220,800
Cash and Cash Equivalents, end of period	\$ 3,032,700	\$ 2,342,500
Supplemental disclosures:		
Cash paid during period for:		
Interest	\$ 166,100	\$ 201,700
Income taxes	\$ 400	\$ 900

**SCOTT'S LIQUID GOLD-INC. & SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

Note 1. Summary of Significant Accounting Policies

(a) Company Background

Scott's Liquid Gold-Inc. (a Colorado corporation) was incorporated on February 15, 1954. Scott's Liquid Gold-Inc. and its wholly owned subsidiaries (collectively, the "Company") manufacture and market quality household and skin care products. In the first quarter of 2001, the Company began acting as a distributor in the United States of beauty care products contained in individual sachets and manufactured by Montagne Jeunesse. The Company's business is comprised of two segments, household products and skin care products.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, realizability of deferred tax assets, reserves for slow moving and obsolete inventory, customer returns and allowances, and bad debts.

(d) Cash Equivalents

The Company considers all highly liquid investments with an original maturity of nine months or less at the date of acquisition to be cash equivalents.

(e) Investments in Marketable Securities

The Company accounts for investments in marketable securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities", which requires that the Company classify investments in marketable securities according to management's intended use of such investments. The Company invests its excess cash and has established guidelines relative to diversification and maturities in an effort to maintain safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. The Company considers all investments as available for use in its current operations and, therefore, classifies them as short-term, available-for-sale investments. Available-for-sale investments are stated at fair value, with unrealized gains and losses, if any, reported net of tax, as a separate component of shareholders' equity and comprehensive income (loss). The cost of the securities sold is based on the specific identification method. Investments in corporate and government securities as of September 30, 2003, are scheduled to mature within one year.

(f) Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company records a reserve for slow moving and obsolete products and raw materials.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation is provided using the straight-line method over estimated useful lives of the assets ranging from three to forty-five years. Maintenance and repairs are expensed as incurred. Improvements that extend the useful lives of the assets or provide improved efficiency are capitalized.

(h) Financial Instruments

Financial instruments which potentially subject the Company to concentrations of credit risk include cash and cash equivalents, investments in marketable securities, and trade receivables. The Company maintains its cash balances in the form of bank demand deposits with financial institutions that management believes are creditworthy. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. The Company has no financial instruments with off-balance sheet risk of accounting loss.

The recorded amounts for cash and cash equivalents, receivables, other current assets, and accounts payable and accrued expenses approximate fair value due to the short-term nature of these financial instruments. The fair value of investments in marketable securities is based upon quoted market value. The Company's long-term debt bears interest at a variable rate, the lender's base rate, which approximates the prime rate. The carrying value of long-term debt approximates fair value as of September 30, 2003 and December 31, 2002.

i) Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(j) Income Taxes

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax

asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which related temporary differences become deductible. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

k) Revenue Recognition

Revenue is recognized upon delivery of products to customers, which is when title passes. Reserves for estimated market development support, pricing allowances and returns are provided in the period of sale as a reduction of revenue. Reserves for returns and allowances are recorded as a reduction of revenue, and are maintained at a level that management believes is appropriate to account for amounts applicable to existing sales. Reserves for coupons and certain other promotional activities are recorded as a reduction of revenue at the later of the date at which the related revenue is recognized or the date at which the sales incentive is offered. At September 30, 2003 and December 31, 2002 approximately \$1,078,000 and \$1,174,600, respectively, had been reserved as a reduction of accounts receivable, and approximately \$155,000 and \$215,400, respectively, had been reserved as current liabilities.

(l) Advertising Costs

The Company expenses advertising costs as incurred.

(m) Stock-based Compensation

The Company has elected to follow Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock options. Under APB No. 25, employee stock options are accounted for based upon the intrinsic value, which is the difference between the exercise price and fair value of the underlying common stock. Generally, if the exercise price of employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recorded. The Company has adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-based Compensation".

The Company granted 164,000 options for shares of the Company's common stock during the first quarter of 2003 with an exercise price equal to \$0.46. No options were granted during the third quarter of 2003 or 2002. Had compensation cost been recorded based on the fair value of options granted by the Company, the Company's pro-forma net loss and net loss per share would have been as follows:

	Nine Months Ended September 30,			
	2003		2002	
	As Reported	Pro Forma	As Reported	Pro-Forma
Net income (loss)	\$ (931,700)	\$ (978,200)	\$ 428,600	\$ 360,000
Basic income (loss) per share	\$ (.09)	\$ (.10)	\$ .04	\$ .04
Diluted income (loss) per share	\$ (.09)	\$ (.10)	\$ .04	\$ .04

The fair value of options granted has been estimated as of the date of grant using the following assumptions as of:

	Nine Months Ended September 30,	
	2003	2002
Dividend rate	\$ -	\$ -
Expected volatility	170%	175%
Risk-free interest rate	3.06%	3.31%
Expected life (in years)	4.5	4.5

(n) Reclassifications

Certain 2002 amounts have been reclassified to conform to the 2003 presentation.

Note 2.

#### Basis of Preparation of Financial Statements

These unaudited interim consolidated financial statements of Scott's Liquid Gold-Inc. and subsidiaries (collectively, the "Company") have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Such rules and regulations allow the omission of certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles as long as the statements are not misleading. In the opinion of management, all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal recurring nature. These interim financial statements should be read in conjunction with the financial statements of the Company included in its 2002 Annual Report on Form 10-K.

#### Recently Issued Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement provides guidance on the classification of gains and losses from the extinguishment of debt and on the accounting for certain specified lease transactions. The Company adopted SFAS No. 145 January 1, 2003. Adoption of SFAS No. 145 did not have a material impact on the Company.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," (effective January 1, 2003) which replaces Emerging Issues Task Force (EITF) Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and states that an entity's commitment to an exit plan, by itself, does not create a present obligation that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The Company adopted this statement on January 1, 2003; adoption did not have an effect on results of operations and financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." This statement amends FASB Statement No. 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of this statement relating to alternative transition methods and annual disclosure requirements are effective for the year ended December 31, 2002. The provisions of this statement relating to interim financial information are effective for the quarter and nine months ending September 30, 2003. The transitional provisions did not have an impact on the Company's financial statements as it has elected to retain the intrinsic value method. The provisions relating to annual and interim disclosures have changed the manner in which the Company discloses information regarding stock-based compensation.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (the Interpretation), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees. The Interpretation requires the guarantor to recognize a liability for the non-contingent component of the guarantee, this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is

required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company adopted the disclosure provisions of the Interpretation beginning with its fiscal 2003 consolidated financial statements, and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. However, the Company is not a guarantor of indebtedness of others.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN No. 46)". This interpretation clarifies existing accounting principles related to the preparation of consolidated financial statements when the equity investors in an entity do not have the characteristics of a controlling financial interest or when the equity at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 requires a company to evaluate all existing arrangements to identify situations where a company has a "variable interest" (commonly evidenced by a guarantee arrangement or other commitment to provide financial support) in a "variable interest entity" (commonly a thinly capitalized entity) and further determine when such variable interests require a company to consolidate the variable interest entities' financial statement with its own. The Company is required to perform this assessment by December 31, 2003 and consolidate any variable interest entities for which it will absorb a majority of the entities' expected losses or receive a majority of the expected residual gains. Management has not yet performed this assessment, however it does not have any variable interest entities as of September 30, 2003.

In May 2003, FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after September 15, 2003. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

Note 3.

The following table is a reconciliation of the Company's net loss to its total comprehensive loss for the three and nine months ended September 30, 2003 and 2002:

	Three Months		Nine Months	
	2003	2002	2003	2002
Net loss	\$ 231,100	\$ 871,900	\$ (931,700)	\$ 428,600
Unrealized gain (loss) on investment securities	(2,100)	3,900	(1,300)	(1,400)
Comprehensive loss	\$ 229,000	\$ 875,800	\$ (933,000)	\$ 427,200

Note 4.

Per share data was determined by using the weighted average number of common shares outstanding. Potentially dilutive securities, including stock options, are considered only for diluted earnings per share, unless considered anti-dilutive. The potentially dilutive securities, which are comprised of outstanding stock options of 1,121,100 and 1,186,500 at September 30, 2003 and 2002, were excluded from the computation of weighted average shares outstanding due to the anti-dilutive effect.

A reconciliation of the weighted average number of common shares outstanding for the three and nine months ended September 30, 2003 follows:

	Three Months	Nine Months	Total Shares
	-----	-----	-----
Common shares outstanding beginning of period	10,153,100	10,153,100	10,153,100
Stock issued to ESOP	34,000	11,300	152,900
Stock options exercised	-	-	-
	-----	-----	-----
Weighted average number of common shares outstanding	10,187,100	10,164,400	10,306,000
Dilutive effect of common share equivalents	16,400	-	-
	-----	-----	-----
Diluted weighted average number of common shares outstanding	10,203,500	10,164,400	10,306,000
	=====	=====	=====

At September 30, 2003, there were authorized 50,000,000 shares of the Company's \$.10 par value common stock and 20,000,000 shares of preferred stock issuable in one or more series.

On February 22, 2001, the Company's Board of Directors adopted a shareholder rights plan for its common stock. One right was issued for each share of common stock issued and outstanding on March 2, 2001. One right will also be issued for each share of common stock that is issued or sold after that date and prior to the "Distribution Date." The Distribution Date means generally a date which is ten days after a person becomes an "Acquiring Person" or the commencement of a tender offer that would make a person a beneficial owner of 15% or more of the Company's common stock. An Acquiring Person means generally a person or group owning beneficially 15% or more of the outstanding shares of common stock, with certain exceptions.

Each right entitles shareholders to buy one share of the Company's common stock at an exercise price of \$8.00 per share, subject to adjustments; however, the rights are not exercisable until the Distribution Date. The rights will expire on February 21, 2011 or upon earlier redemption of the rights. If any person becomes an Acquiring

Person, or certain other events relating to an Acquiring Person occur, the right will entitle each holder to receive shares of common stock (or stock of the acquiring party after a merger or business combination) having a market value of two times the exercise price of the right. The Board of Directors may redeem the rights at a redemption price of \$.01 per right at any time prior to a Distribution Date or the expiration date of the rights on February 21, 2011.

Note 5.

The Company operates in two different segments: household products and skin care products. The Company's products are sold in the United States and internationally (primarily Canada), directly and through independent brokers, to mass marketers, drug stores, supermarkets, wholesale distributors and other retail outlets. Management has chosen to organize the Company around these segments based on differences in the products sold. The household products segment includes "Scott's Liquid Gold" for wood, a wood cleaner which preserves as it cleans, and "Touch of Scent," a room air freshener. The skin care segment includes "Alpha Hydrox," alpha hydroxy acid cleansers and lotions, a retinol product, "Diabetic Skin Care," a healing cream and moisturizer developed to address skin conditions of diabetics, and skin care and other sachets of Montagne Jeunesse distributed by the Company.

The following provides information on the Company's segments as of and for the three and nine months ended September 30, 2003 and 2002:

<b>Three Months Ended September 30,</b>				
	<b>2003</b>		<b>2002</b>	
	<b>Household Products</b>	<b>Skin Care Products</b>	<b>Household Products</b>	<b>Skin Care Products</b>
Net sales to external customers	\$ 2,293,900	\$ 3,729,700	\$ 2,474,100	\$ 3,752,800
Income before profit sharing, bonuses, and income taxes	\$ 154,000	\$ 77,100	\$ 432,900	\$ 439,000
Identifiable Assets	\$ 3,503,000	\$ 7,123,000	\$ 3,677,800	\$ 7,261,000
<b>Nine Months Ended September 30,</b>				
	<b>2003</b>		<b>2002</b>	
	<b>Household Products</b>	<b>Skin Care Products</b>	<b>Household Products</b>	<b>Skin Care Products</b>
Net sales to external customers	\$ 6,610,900	\$10,756,400	\$ 7,600,200	\$ 9,312,600
Income (loss) before profit sharing, bonuses and income taxes	\$ (329,800)	\$ (601,900)	\$ 716,200	\$ (770,600)
Identifiable Assets	\$ 3,503,000	\$ 7,123,000	\$ 3,677,800	\$ 7,261,000

The following is a reconciliation of segment information to consolidated information as of and for the three and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales to external customers	\$ 6,023,600	\$ 6,226,900	\$17,367,300	\$16,912,800
Income (loss) before profit sharing, bonuses and income taxes for reportable segments	\$ 231,100	\$ 871,900	\$ (931,700)	\$ (54,400)
Identifiable assets for reportable segments	\$10,626,000	\$10,938,800	\$10,626,000	\$10,938,800
Corporate assets	14,257,200	15,541,900	14,257,200	15,541,900
Consolidated total assets	\$24,883,200	\$26,480,700	\$24,883,200	\$26,480,700

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation (Unaudited)

Results of Operations

**Summary of Results as a Percentage of Net Sales**

	<b>Year Ended December 31, 2002</b>	<b>Nine Months Ended September 30, 2003</b>	<b>Nine Months Ended September 30, 2002</b>
	----- (Audited)	----- (Unaudited)	----- (Unaudited)
Net sales			
Scott's Liquid Gold			
household products	40.7%	38.1%	44.9%
Neoteric Cosmetics	59.3%	61.9%	55.1%
	-----	-----	-----
Total Net Sales	100.0%	100.0%	100.0%
Cost of Sales	53.5%	53.1%	53.3%
	-----	-----	-----
Gross profit	46.5%	46.9%	46.7%
Operating expenses	43.7%	51.6%	49.6%
	-----	-----	-----
Income (loss) from operations	2.8%	(4.7%)	(2.9%)
Interest and other income	2.6%	0.3%	3.8%
Interest expense	(1.0%)	(1.0%)	(1.2%)
	-----	-----	-----
Income (loss) before income taxes	4.4%	(5.4%)	(0.3%)
	=====	=====	=====

Nine Months Ended September 30, 2003  
Compared to Nine Months Ended September 30, 2002

Consolidated net sales for the first nine months of the current year were \$17,367,300 vs. \$16,912,800 for the first nine months of 2002, an increase of \$454,500 or about 2.7%. Average selling prices for the first nine months of the year 2003 were up by \$319,100 over those of the comparable period of 2002. Average selling prices of skin care products accounted for this increase, which was primarily due to a decrease in coupon expense in 2003 versus 2002. Co-op advertising, marketing funds, slotting fees and coupon expenses paid to retailers were subtracted from gross sales in accordance with current accounting policies totaling \$1,422,100 in the first nine of 2003 versus \$2,293,200 in the same period in 2002, a decrease of \$871,100 or 38.0%. Of this decrease \$463,400 was a decrease in coupon expenses and a decrease of \$436,800 in cooperative advertising expenses.

During the first nine months of the year, net sales of skin care products accounted for 61.9% of consolidated net sales compared to 55.1% for the first nine months of 2002. Net sales of these products for those periods were \$10,756,400 in 2003 compared to \$9,312,600 in 2002, an increase of \$1,443,800 or 15.5%. The Company has continued to experience a drop in unit sales of the Company's earlier-established alpha hydroxy acid products due at least in part to maturing in the market for alpha hydroxy acid-based skin care products and intense competition from producers of similar or alternative products, many of which are considerably larger than Neoteric Cosmetics, Inc.

Sales of the Company's Alpha Hydrox products (with and without alpha hydroxy acid) have also decreased during 2002 and the first nine months of 2003, due to reduced distribution of those products at retail stores, including the Company's largest and other customers having reduced in prior quarters and the third quarter of 2003 the number of types of those products carried on their shelves and discontinuation of these products at certain retail chains. In addition, increased television advertising for Alpha Hydrox products in the first half of 2003 was not cost effective in terms of the impact on sales. In the second quarter of 2003, the Company's largest customer (which accounted for 23.6% of sales of Alpha Hydrox skin care products in 2002) decreased significantly the number of stores carrying Alpha Hydrox products of the Company. This change has resulted, and is likely to result in the future, in lower sales of those products. For the first nine months of 2003, the sales of the Company's Alpha Hydrox products accounted for 20.2% of net sales of skin care products and 10.1% of total net sales.

For the first nine months of 2003, sales of Montagne Jeunesse products comprised a majority of net sales of the Company's skin care products and offset declining shipments of Alpha Hydrox products. Net sales of Montagne Jeunesse were approximately \$7,581,400 in the first nine months of 2003 compared to \$5,022,300 in the first nine months of 2002. The Company believes that this increase in sales of Montagne Jeunesse is attributable primarily to wider distribution of the product, with more retail store chains carrying brands of Montagne Jeunesse sachets, new skin and hair care items in sachets of Montagne Jeunesse, and consumer acceptance of the product.

As part of its sales efforts in the first half of 2003, the Company used direct response television (infomercial) commercials for the sale of its Alpha Hydrox products. The Company has not used television advertisements for the Montagne Jeunesse products. The Company did not introduce new products during the first nine months of 2003, except different items in Montagne Jeunesse sachets.

Sales of household products for the first nine months of this year accounted for 38.1% of consolidated net sales compared to 44.9% for the same period of 2002. These products are comprised of "Scott's Liquid Gold" for wood, a wood cleaner which preserves as it cleans, and "Touch of Scent", a room air freshener. During the nine months ended September 30, 2003, sales of household products were \$6,610,900, as compared to sales of \$7,600,200 for the same nine months of 2002. Sales of "Scott's Liquid Gold" for wood were down by \$589,800, a decrease of 10.8%, largely in management's view because of the limited television advertisement to support this product, additional competitive products, and possibly decreased distribution of the product. The Company has as a sales goal for the second half of 2003 the re-establishment of Scott's Liquid Gold for wood in certain national and local retail store chains. Sales of "Touch of Scent" were down by \$399,500 or 18.5%. primarily due to a decrease in orders for, and distribution of, the Company's Touch of Scent dispenser package.

As sales of a consumer product decline, there is the risk that retail stores will stop carrying the product. The loss of any significant customer for any skin care products, "Scott's Liquid Gold" for wood or "Touch of Scent", could have a significant adverse impact on the Company's revenues and operating results. The Company believes that its future success is highly dependent on favorable acceptance in the marketplace of Montagne Jeunesse products and the sales of its Alpha Hydrox products and "Scott's Liquid Gold" for wood.

On a consolidated basis, cost of goods sold was \$9,223,500 during the first nine months of 2003 compared to \$9,017,700 for the same period of 2002, an increase of \$205,800. As a percentage of consolidated net sales for the first nine months of 2003, cost of goods sold was 53.1% compared to 53.3% in 2002. The cost of goods sold as a percentage of consolidated net sales for the nine months ended September 30, 2003 compared to the same period in 2002 is almost unchanged as a result of offsetting factors. These factors include higher sales in 2003 of Montagne Jeunesse products (which have a higher cost than products manufactured by the Company) and spreading ongoing manufacturing costs of the Company over lower unit production in 2003 compared to 2002, offset by a decrease in 2003 of coupons and cooperative advertising deducted from gross revenues.

The Company is working on ways to more fully utilize its production capacity at its manufacturing facilities in Denver. The Company has explored from time to time manufacturing private label products, but those discussions have not resulted in any agreements. The Company is currently considering with a party the possibility of manufacturing certain products as part of a joint project to manufacture and sell products in the United States. The Company does not know whether it will be successful in these efforts to manufacture products for third parties.

Operating expenses, comprised primarily of advertising, selling and general and administrative expenses, increased by \$571,300 or 2.0% in the first nine months of 2003, when compared to the first nine of 2002, largely because of the increase in advertising expenses. The various components of operating expenses are discussed below.

Advertising expenses for the first nine months of 2003 were \$1,671,700 compared to \$804,200 for the comparable nine months of 2002, an increase of \$867,500 or 107.9%. Advertising expenses applicable to household products increased by \$497,400 (191.5%) during the first nine months of 2003, and advertising expenses for Alpha Hydrox products increased for the comparative nine-month period by \$370,100 (68.0%). The Company will be decreasing the amount of television advertising for both its skin care and household products for the remainder of the 2003 year when compared to the first nine months of the year.

Selling expenses for the first nine months of 2003 were \$4,410,300 compared to \$4,201,400 for the comparable nine months of 2002, an increase of \$208,900 or 5.0%. That increase was comprised of an increase of \$74,400 in freight and brokerage costs, an increase in travel expenses of \$48,400, an increase in salary and fringe benefits of \$26,100, an increase in internet and direct television sales expenses of \$108,900 and a net increase in a variety of other expenses, none of which by itself, was significant, of \$19,600, offset by a decrease in promotional expenses of \$51,800, and a decrease in postage of \$16,700.

General and administrative expenses for the first nine months of 2003 were \$2,875,100 compared to \$3,380,300 for the comparable period of 2002, a decrease of \$505,200 or 14.9%. That decrease is made up of a decrease in salary and fringe benefits cost of \$804,600 (2002 included the expensing of a separation agreement pertaining to the retirement of the Company's executive vice president), offset by an increase in professional fees of \$242,300, and a net increase in other administrative expenses, none of which, by itself, was material of \$57,100.

Interest expense for the first nine months of 2003 was \$165,000 versus \$201,100 for the comparable period of 2002. Interest expense decreased because of the reduced principal of the Company's bank loan. Interest income for the nine months ended September 30, 2003 was \$46,600 compared to \$42,800 for the same period of 2002, which consists of interest earned on the Company's cash reserves in 2003 and 2002.

Other revenue for the nine and three months ended September 30, 2002 reflects \$594,600 received from a lawsuit settlement. This amount was the final judgment in the lawsuit against an insurer not participating in the settlement of an earlier environmental matter.

The income tax benefit of \$483,000 in the first nine months of 2002 results from the carry-back of the 2001 net operating loss made possible by a change in the tax laws in 2002.

During the third quarter of 2003 and of 2002, expenditures for research and development were not material (under 2% of revenues).

Three Months Ended September 30, 2003  
Compared to Three Months Ended September 30, 2002

Consolidated net sales for the third quarter of the current year were \$6,023,600 vs. \$6,226,900 for the comparable quarter of 2002, a decrease of \$203,300 or about 3.3%. Average selling prices for the third quarter of 2003 were up by \$214,400 over those of the comparable period of 2002, prices of household products being up by \$50,900, while average selling prices of skin care products were up by \$163,500. Co-op advertising, marketing funds, slotting fees and coupon expenses paid to retailers were subtracted from gross sales in accordance with current accounting policies totaling \$485,500 in the third quarter of 2003 versus \$558,600 in the same period in 2002, a decrease of \$73,100 or 13.1%. This decrease was due primarily to a decrease in coupon expense.

During the third quarter of 2003, net sales of skin care products accounted for 61.9% of consolidated net sales compared to 60.3% for the third quarter of 2002. Net sales of these products for those periods were \$3,729,700 in 2003 compared to \$3,752,800 in 2002, a decrease of \$23,100 or 0.6%. Net sales of Montagne Jeunesse were approximately \$2,914,300 in the third quarter of 2003 compared to \$2,142,000 in the third quarter of 2002. Please see the discussion above for the first nine months of 2003 for additional information regarding sales of skin care products, which is also applicable to sales of skin care products in the third quarter. However, the increases in sales of Montagne Jeunesse products were not sufficient to offset the continuing declines in sales of Alpha Hydrox products during the third quarter of 2003.

Sales of household products for the third quarter of this year accounted for 38.1% of consolidated net sales compared to 39.7% for the same period of 2002. These products are comprised of "Scott's Liquid Gold" for wood, a wood cleaner which preserves as it cleans, and "Touch of Scent", a room air freshener. During the third quarter of 2003, sales of household products were \$2,293,900, as compared to sales of \$2,474,100 for the same three months of 2002. Sales of "Scott's Liquid Gold" for wood were down by \$33,000, a decrease of 1.9%. Sales of "Touch of Scent" were down by \$147,200 or 20.4%. Please see the discussion above for the first nine months of 2003 for

additional information regarding sales of household products, which is also applicable to sales of household products in the third quarter of 2003.

On a consolidated basis, cost of goods sold was \$3,302,200 during the third quarter of 2003 compared to \$2,986,200 for the same period of 2002, an increase of \$316,000 (10.6%, on a sales decrease of 3.3%). As a percentage of consolidated net sales for the third quarter of 2003, cost of goods sold was 54.8% compared to 48.0% in 2002, an increase of 14.3%, which was essentially due to changes in product mix (the cost of Montagne Jeunesse is higher than products manufactured by the Company) and to spreading on-going (fixed) manufacturing costs over lower unit production in the third quarter of 2003 than in 2002.

Operating expenses, comprised primarily of advertising, selling and general and administrative expenses, decreased by \$455,100 or 6.0% in the third quarter of 2003, when compared to the same period during 2002, largely because of the decrease in advertising expenses, and general and administrative expenses. The various components of operating expenses are discussed below.

Advertising expenses for the third quarter of 2003 were \$171,100 compared to \$282,600 for the comparable quarter of 2002, a decrease of \$111,500 or 39.5%. Advertising expenses applicable to household products decreased by \$33,900 (21.4%), while advertising expenses for Alpha Hydrox products decreased by \$77,600 (62.5%).

Selling expenses for the three months ended September 30, 2003 were \$1,402,900 compared to \$1,431,400 for the comparable nine months of 2002, a decrease of \$28,500 or 2.0%. That decrease was comprised of a decrease in internet and direct television sales expenses of \$18,600, a decrease in travel expenses of \$15,200, offset by a net increase in other selling expenses, none of which by itself was significant, of \$5,300.

General and administrative expenses for the third quarter of 2003 were \$875,400 compared to \$1,190,500 for the comparable period of 2002, a decrease of \$315,100 or 26.5%. Such decrease was attributable to a decrease in salaries and fringe benefit costs of \$401,800 (2002 included the expensing of a separation agreement pertaining to the retirement of the Company's executive vice president), a net decrease in other administrative expenses, none of which by itself was significant, of \$82,600, offset by an increase in professional fees of \$125,400, and an increase in travel expenses of \$43,900.

Interest expense for the third quarter of 2003 was \$53,000 versus \$65,100 for the comparable period of 2002. Interest expense decreased because of the reduced principal of the Company's bank loan. Interest income for the three months ended September 30, 2003 was \$12,100 compared to \$6,200 for the same period of 2002. Other revenue consists of proceeds from a lawsuit settlement in 2002.

During the third quarter of 2003 and of 2002, expenditures for research and development were not material (under 2% of revenues).

#### Liquidity and Capital Resources

The Company has a bank loan for approximately \$3.9 million at the bank's base rate, adjustable yearly (5.0% at September 30, 2003), secured by the Company's land and buildings, with principal and interest payable monthly

through November 2007. The loan agreement contains a number of covenants, including the requirement for maintaining a current ratio of at least 1:1 and a ratio of consolidated long-term debt to consolidated net worth of not more than 1:1. The Company may not declare any dividends that would result in a violation of either of these covenants. The foregoing requirements were met at the end of the first nine months of 2003.

During the first nine months of 2003, the Company's working capital decreased by \$994,200, and concomitantly, its current ratio (current assets divided by current liabilities) decreased from 2.4:1 at December 31, 2002 to 2.1:1 at September 30, 2003. This decrease in working capital is attributable to a net loss in the first nine months of 2003 of \$931,700, and a reduction in long-term debt of \$649,300, both offset by depreciation in excess of capital additions of \$540,400 and a decrease in other assets of \$8,100. At September 30, 2003, the ratio of consolidated funded debt to consolidated net worth was .2:1.

At September 30, 2003, trade accounts receivable were \$1,487,900 versus \$1,808,000 at year-end, largely because sales in September of 2003 were less than those of December of 2002. Accounts payable increased from the end of 2002 through September of 2003 by \$501,400 primarily due to an increase in trade suppliers payables. At September 30, 2003 inventories were \$558,200 more than at December 31, 2002, largely due to the increase in Montagne Jeunesse inventory to support sales of these products in the upcoming quarters. Accrued expenses decreased by \$185,600 from December 31, 2002 to September 30, 2003, primarily due to a decrease in payroll and fringe benefit accruals, and a reduction in accrual for coupon costs.

The Company has no significant capital expenditures planned for 2003. The Company expects that its available cash and cash flows from operating activities will fund its cash requirements through at least September 30, 2004.

The Company's dependence on operating cash flow means that risks involved in its business can significantly affect its liquidity. Any loss of a significant customer, any further decreases in distribution of its skin care or household chemical products, any new competitive products affecting sales levels of the Company's products, or any significant expense not included in the Company's internal budget could result in the need to raise cash, such as through a bank financing. The Company has no arrangements for an external financing of debt or equity, and the Company is not certain whether any such financing would be available on acceptable terms. Please also see other risks summarized in "Forward Looking Statements" below.

#### Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss due to adverse changes in financial and commodity market prices and rates. The Company is not materially exposed to market risks regarding interest rates because the interest on the Company's outstanding debt is at the lender's base rate, which approximates the prime rate, adjustable yearly. The Company's investments in debt and equity securities are short-term and not subject to significant fluctuations in fair value. If interest rates were to rise 10% from year-end levels, the fair value of the Company's debt and equity securities would have decreased by approximately \$13,000. Further, the Company does not use foreign currencies in its business. Currently, it receives payments for sales to parties in foreign countries in U.S. dollars. Additionally, the Company does

not use derivative instruments or engage in hedging activities. As a result, the Company does not believe that near-term changes in market risks will have a material effect on results of operations, financial position or cash flows of the Company.

#### Forward-Looking Statements

This report may contain "forward-looking statements" within the meaning of U.S. federal securities laws. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and the Company's performance inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products in the marketplace; the degree of success of any new product or product line introduction by the Company; competitive factors; any decrease in distribution of (i.e., retail stores carrying) the Company's significant products; continuation of the Company's distributorship agreement with Montagne Jeunesse; the need for effective advertising of the Company's products; limited resources available for such advertising; new competitive products and/or technological changes; dependence upon third party vendors and upon sales to major customers; changes in the regulation of the Company's products, including applicable environmental regulations; adverse developments in any pending litigation; the loss of any executive officer; and other matters discussed in the Company's periodic filings with the Securities and Exchange Commission. The Company undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Please see "Market Risks" in Item 2 of Part I of this Report which information is incorporated herein by this reference.

#### Item 4. Controls and Procedures

##### Evaluation of disclosure controls and procedures.

The Company's management, with the participation of the Company's principal executive and principal financial officers, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2003. Based upon this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of that date for purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports that the Company files under the Exchange Act.

##### Changes in internal controls.

There were not any changes in the Company's internal control over financial reporting that occurred during the Company's quarter ended September 30, 2003 that has materially

affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Not Applicable

Item 2. Not Applicable

Item 3. Not Applicable

Item 4. Not Applicable

Item 5. Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K

The following reports were filed by the Company on Form 8-K during the third quarter of 2003: A report filed on August 8, 2003 regarding Item 12, Results of Operations and Financial Condition; and a report filed on September 29, 2003 regarding Item 5, Other Events

(b) Exhibits

31. Rule 13(a)-14(a) Certifications.

32. Section 1350 Certifications.

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.

SCOTT'S LIQUID GOLD-INC.

November 5, 2003

Date

BY: /s/ Mark E. Goldstein

Mark E. Goldstein  
President and Chief Executive Officer

November 5, 2003

Date

BY: /s/ Jeffry B. Johnson

Jeffry B. Johnson  
Treasurer and Chief Financial Officer\_

EXHIBIT INDEX

**Exhibit**

<b>No.</b>	<b>Document</b>
31.	Rule 13(a)-14(a) Certifications.
32.	Section 1350 Certifications.

**EXHIBIT 31**

CERTIFICATIONS

I, Mark E. Goldstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2003 of Scott's Liquid Gold-Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and;

(c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 5, 2003

/s/ Mark E. Goldstein

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Mark E. Goldstein  
President and Chief  
Executive Officer

I, Jeffry B. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2003 of Scott's Liquid Gold-Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and;

(c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 5, 2003

/s/ Jeffry B. Johnson

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Jeffry B. Johnson  
Treasurer and Chief  
Financial Officer

**EXHIBIT 32**

CERTIFICATION OF 10-Q REPORT  
OF  
SCOTT'S LIQUID GOLD-INC.

FOR THE QUARTER SEPTEMBER 30, 2003

1. The undersigned are the Chief Executive Officer and the Chief Financial Officer of Scott's Liquid Gold-Inc. ("Scott's Liquid Gold"). This Certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification accompanies the 10-Q Report of Scott's Liquid Gold for the quarter ended September 30, 2003.

2. We certify that such 10-Q Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of Scott's Liquid Gold.

This Certification is executed as of November 5, 2003.

/s/ Mark E. Goldstein

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Mark E. Goldstein  
President, Chief Executive Officer  
and Chairman of the Board

/s/ Jeffry B. Johnson

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Jeffry B. Johnson  
Treasurer and Chief Financial  
Officer