CUMBERLAND TECHNOLOGIES INC
Form 10-Q
August 14, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[Mark One]

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2002.

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________ to ________.

Commission File No. 0-19727

CUMBERLAND TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida	59-3094503
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
4311 West Waters Avenue, Suite 501 Tampa, Florida	33614
(Address of principal executive office)	(Zip code)

(813) 885-2112

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and formal fiscal year, if changed since last report)

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

Applicable Only to Insurers Involved in Bankruptcy
Proceedings During the Preceding Five Years

Indicate by a check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities

Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes [ ] No [ ]

Applicable Only to Corporate Issuers

The number of shares of the Registrant's common stock, $.001 par value, outstanding as of June 30, 2002 was 5,915,356 shares.

CUMBERLAND TECHNOLOGIES, INC.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION FORM 10-Q
PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CUMBERLAND TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2002	December 31, 2001
	(unaudited)	
Investments:		
Securities available-for-sale at fair value:		
Debt securities	$10,022,619	$ 9,339,353
Debt securities held-to-maturity at amortized cost (fair value, 2002 - $371,257 2001 - $374,436)	359,700	359,475
Mortgage loans on real estate, at unpaid principal	717,745	681,790
Short-term investments	433,993	433,993
Total investments	11,534,057	10,814,611
Cash and cash equivalents	--	2,654,131
Accrued investment income	159,562	154,527
Reinsurance recoverable	3,959,638	3,124,052
Accounts receivable:		
Nonaffiliate less allowance for doubtful accounts of $60,089 and $13,750 at June 30, 2002 and December 31, 2001, respectively	3,315,202	4,615,327
Affiliate	85,463	72,201
Income tax recoverable	888,868	--
Deferred income tax asset	586,694	499,145
Deferred policy acquisition costs	2,128,153	1,903,547
Intangibles, net	332,038	380,951
Goodwill	134,000	152,780
Other investment	640,872	640,872
Other assets	678,013	371,893
	$24,442,560	$25,384,037

See notes to condensed consolidated financialstatements.

CUMBERLAND TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2002	December 31, 2001
	(unaudited)	
Policy liabilities and accruals:		
Loss and loss adjustment expenses	$ 3,160,601	$ 4,113,232
Derivative instruments	2,904,658	1,978,891
Unearned premiums	6,123,048	5,582,640
Ceded reinsurance payable	198,150	1,035,123
Accounts payable and other liabilities	4,447,343	3,388,269
Income tax payable	--	113,284
Debt:		
Nonaffiliate	491,417	651,940
Affiliate	604,055	604,055
Total liabilities	17,929,272	17,467,434
Stockholders' equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized, no shares issued	--	--
Common stock, $.001 par value; 10,000,000 shares authorized; 5,915,356 shares issued	5,916	5,916
Capital in excess of par value	7,270,316	7,270,316
Accumulated other comprehensive income	146,478	70,729
Retained earnings (deficit)	(645,703)	833,361
	6,777,007	8,180,322
Less treasury stock, at cost, 318,112 shares	(263,719)	(263,719)
Total stockholders' equity	6,513,288	7,916,603
	$ 24,442,560	$ 25,384,037

See notes to condensed consolidated financial statements.

CUMBERLAND TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Six Months Ended June 30, 2002	2001
Revenue:		
Direct premiums earned	$ 7,011,536	$ 6,958,863
Assumed premiums earned	1,868,583	1,531,775
Less ceded premiums	(1,875,395)	(2,231,004)
Net premium income	7,004,724	6,259,634
Net investment income	246,485	299,596
Net realized investment losses	(12,857)	(16,440)
Other income	1,071,459	1,073,073
Total revenue	8,309,811	7,615,863
Benefits and Expenses:		
Losses and loss adjustment expenses	3,969,319	962,693
Derivative expense	1,041,472	869,048
Amortization of deferred policy acquisition costs	2,315,653	2,038,957
Operating expenses	3,325,365	3,293,745
Interest expense	19,063	87,979
Total expenses	10,670,872	7,252,422
(Loss) income before income tax (benefit) expense	(2,361,061)	363,441
Income tax (benefit) expense	(881,997)	114,826
Net (loss) income	$ (1,479,064)	$ 248,615
Weighted average shares outstanding - basic	5,597,244	5,580,957
Net (loss) income per share - basic	$ (0.26)	$ 0.04
Weighted average shares outstanding - diluted	5,597,244	5,650,457
Net (loss) income per share - diluted	$ (0.26)	$ 0.04

See notes to condensed consolidated financial statements.

CUMBERLAND TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30, 2002	2001
Revenue:		
Direct premiums earned	$ 3,643,392	$ 3,573,710
Assumed premiums earned	1,076,037	780,760
Less ceded premiums	(799,866)	(1,179,533)
Net premium income	3,919,563	3,174,937
Net investment income	118,000	143,662
Net realized investment losses	(8,531)	(16,440)
Other income	468,895	473,635
Total revenue	4,497,927	3,775,794
Benefits and Expenses:		
Losses and loss adjustment expenses	2,319,623	291,864
Derivative expense	965,418	657,485
Amortization of deferred policy acquisition costs	1,305,000	942,336
Operating expenses	1,864,815	1,827,445
Interest expense	1,510	25,660
Total expenses	6,456,366	3,744,790
(Loss) income before income tax (benefit) expense	(1,958,439)	31,004
Income tax (benefit) expense	(745,097)	4,406
Net (loss) income	$(1,213,342)	$ 26,598
Weighted average shares outstanding - basic	5,597,244	5,597,244
Net (loss) income per share - basic	$ (0.22)	$ 0.01
Weighted average shares outstanding - diluted	5,597,244	5,666,744
Net (loss) income per share - diluted	$ (0.22)	$ 0.01

See notes to condensed consolidated financial statements.

CUMBERLAND TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001 AND
THE SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)

	Common Shares Stock	Common Shares Amount	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retai Earni (Defic
Balance at January 1, 2001	5,871,356	$ 5,872	$ 7,264,860	$ 104,485	$ 774
Exercise of 44,000 shares under 1991 stock option plan.............	44,000	44	5,456		
Net unrealized depreciation of available-for-sale securities, net of income tax				(33,756)	
Net income					58
Comprehensive income					
Balance at December 31, 2001	5,915,356	5,916	7,270,316	70,729	833
Net unrealized appreciation of available-for-sale securities, net of income tax.............				75,749	
Net loss					(1,479
Comprehensive loss..........					
Balance at June 30, 2002	5,915,356	$ 5,916	$ 7,270,316	$ 146,478	$ (645

See notes to condensed consolidated financial statements.

CUMBERLAND TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 2002	2001
Operating activities:		
Net (loss) income	$(1,479,064)	$ 248,615
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:		
(Amortization) accretion of investment discounts and premiums	18,300	(16,729)
Policy acquisition costs amortized	2,315,653	2,038,957
Policy acquisition costs deferred	(2,540,259)	(2,344,824)
Amortization	67,693	72,305
Net realized loss on disposal of investments	12,857	16,440
(Increase) decrease in:		
Accrued investment income	(5,035)	(5,104)
Reinsurance recoverable	(835,586)	783,338
Accounts receivable	1,300,125	(1,665,749)
Deferred income tax asset	(87,549)	--
Income tax recoverable	(914,092)	(67,800)
Other assets	(306,120)	(143,247)
Increase (decrease) in:		
Policy liabilities and accruals	(412,223)	(276,307)
Derivative liability	925,767	1,004,087
Ceded reinsurance payable	(836,973)	577,004
Accounts payable and other liabilities .	1,059,075	433,548
Income tax payable	(113,284)	--
Net cash (used in) provided by operating activities	(1,830,715)	654,534
Investing activities:		
Securities available-for-sale:		
Purchases - fixed maturities	(3,172,826)	(1,228,810)
Proceeds from fixed maturities	2,559,150	154,912
Securities held-to-maturity:		
Proceeds from sales - fixed maturities	--	865,000
Purchase of - mortgage loan	(35,955)	--
Short-term assets	--	649
Other investment	--	(22,629)
Net cash used in investing activities	(649,631)	(230,878)
Financing activities:		
Payments on debt, affiliate and non-affiliate	(160,523)	(156,793)
Stock options exercised	--	5,500
Net change in advances from affiliates	(13,262)	(6,865)
Net cash used in financing activities	(173,785)	(158,158)
Increase (decrease) in cash and cash equivalents ..	(2,654,131)	265,498
Cash and cash equivalents, beginning of period	2,654,131	693,778
Cash and cash equivalents, end of period	$ --	$ 959,276

Supplemental cash flows disclosure:

Cash paid for interest	$ 2,451	$ 27,611
Cash paid for income taxes	$ 185,000	$ 64,000

See notes to condensed consolidated financial statements.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

1. Ownership and Organization

Cumberland Technologies, Inc. ("CTI" or "the Company") f/k/a Cumberland Holdings, Inc., a Florida Corporation, was formed on November 18, 1991, to be a Holding Company and a wholly-owned subsidiary of Kimmins Corp. ("KC"). Effective October 1, 1992, KC contributed all of the outstanding common stock of two of its other wholly-owned subsidiaries, Cumberland Casualty & Surety Company ("CCS") and Surety Specialists, Inc. ("SSI") to CTI. KC then distributed to its stockholders CTI's common stock on the basis of one share of common stock of CTI for each five shares of KC common stock and Class B common stock owned (the "Distribution".) Effective January 30, 1997, Cumberland Holdings, Inc. changed its name to Cumberland Technologies, Inc. CTI conducts its business through five wholly-owned subsidiaries. CCS, a Florida corporation formed in May 1988, provides underwriting for specialty surety and performance and payment bonds for contractors. The surety services provided include direct surety and to a lesser extent, assumed reinsurance. SSI, a Florida corporation formed in August 1988, is a general lines agency which operates as an independent agent. Surety Group ("SG"), a Georgia corporation, and Associates Acquisition Corp. d/b/a Surety Associates ("SA"), a South Carolina corporation, purchased in February and July 1995, respectively, are general lines agencies which operate as independent agencies. Qualex Consulting Group, Inc. ("Qualex"), a Florida corporation formed in November 1994, provides claim and contracting consulting services.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CTI and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2002. For further information, refer to consolidated financial statements and notes thereto for the year ended December 31, 2001, included in the Company's Form 10-K as filed with the United States Securities and Exchange Commission on April 1, 2002.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

2. Summary of Significant Accounting Policies (continued)

Investments

The Company accounts for marketable securities in accordance with Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Debt securities that the Company has both the positive intent and ability to hold to maturity are classified as "held-to-maturity" securities and are reported at amortized cost. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts from the date of purchase to maturity. Such amortization and accretion, which is calculated under the interest method, is included in investment income.

Marketable equity securities and debt securities not classified as "held-to-maturity" or "trading" are classified as "available-for-sale." Available-for-sale securities are reported at estimated fair value, with the unrealized gains and losses, net of any related income taxes, reported as a separate component of stockholders' equity and of other comprehensive income (loss). Realized gains and losses and declines in value judged to be other-than-temporary are included in income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities are included in investment income.

Short-term investments primarily include certificates of deposit having maturities of more than three months when purchased. These investments are reported at cost, which approximates fair value.

Cash Equivalents

The Company considers all highly liquid investments having a maturity of three months or less when purchased to be cash equivalents.

Deferred Policy Acquisition Costs

To the extent recoverable from future policy revenues, the costs of acquiring new surety business, principally commissions, are deferred and amortized in a manner which charges each year's operations in direct proportion to the premium revenue recognized.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

2. Summary of Significant Accounting Policies (continued)

Intangibles

As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be separately disclosed from other intangible assets in the statement of financial position, and no longer be amortized but tested for impairment on a periodic basis. The provisions of this accounting standard also require the completion of a transitional impairment test within six months of adoption, with any impairments identified treated as a cumulative effect of a change in accounting principle.

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective January 1, 2002. A reconciliation of previously reported net income and earnings per share to the amounts adjusted for the exclusion of goodwill amortization net of the related income tax effect follows:

	Three Months Ended June 30,	
	2002	2001
Reported net (loss) earnings	$ (1,213,342)	$ 26,598
Add: Goodwill amortization, net of tax ...	--	13,953
Adjusted net (loss) earnings	$ (1,213,342)	$ 40,551
Basic earnings per common share:		
Reported net (loss) earnings	$ (0.22)	$ 0.01
Goodwill amortization, net of tax	--	--

Adjusted net (loss) earnings	$ (0.22)	$ 0.01
Diluted earnings per common share:		
Reported tax (loss) earnings	$ (0.22)	$ 0.01
Goodwill amortization, net of tax	--	--
Adjusted net (loss) earnings	$ (0.22)	$ 0.01

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

2. Summary of Significant Accounting Policies (continued)

Intangibles (continued)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Reported net (loss) earnings	$ (1,479,064)	$ 248,615
Add: Goodwill amortization, net of tax	--	27,907
Adjusted net (loss) earnings	$ (1,479,064)	$ 276,522
Basic earnings per common share:		
Reported net (loss) earnings	$ (0.26)	$ 0.05
Goodwill amortization, net of tax	--	--
Adjusted net (loss) earnings	$ (0.26)	$ 0.05
Diluted earnings per common share:		
Reported tax (loss) earnings	$ (0.26)	$ 0.05
Goodwill amortization, net of tax	--	--
Adjusted net (loss) earnings	$ (0.26)	$ 0.05

The Company completed the transitional impairment tests and the results indicated that the fair value of goodwill was not materially different than the carrying value.

Intangible assets are stated at cost and principally represent purchased customer accounts, noncompete agreements, purchased contract agreements, and the excess of costs over the fair value of identifiable net assets acquired ("Goodwill"). Prior to the implementation of SFAS No. 142, Goodwill was amortized on a straight-line basis over 15 years. All other intangible assets are amortized on a straight-line basis over the related estimated lives and contract periods, which range from 3 to 15 years. Purchased customer accounts are records and files obtained from acquired businesses that contain information on insurance policies and the related insured parties that is essential to policy renewals.

The carrying value of Goodwill and other intangible assets are reviewed periodically for impairment. If this review indicates that the intangible assets will not be recoverable, as determined based on the fair value of the entity acquired over the remaining amortization period, the Company's carrying value of the Goodwill and other intangible assets will be reduced to approximate fair value.

2. Summary of Significant Accounting Policies (continued)

Loss and Loss Adjustment Expenses

The liability for loss and loss adjustment expenses including incurred but not reported losses is based on the estimated ultimate cost of settling the claim using traditional paid and incurred loss development methods. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liabilities for loss and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. A liability for all costs expected to be incurred in connection with the settlement of unpaid loss and loss adjustment expenses are accrued when the related liability for unpaid losses is accrued. Loss adjustment expenses include costs associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees. Loss adjustment expenses also include other costs that cannot be associated with specific claims but are related to losses paid or in the process of settlement, such as internal costs of the claims function.

The Company does not discount its reserves for losses and loss adjustment expenses. The Company writes primarily surety contracts which are of short duration.

The Company does not consider investment income in determining if a premium deficiency relating to short duration contracts exists.

Unearned Premiums

Unearned premiums are deferred and amortized on a pro-rata basis.

Reinsurance

The Company assumes and cedes reinsurance and participates in various pools. The accompanying condensed consolidated financial statements reflect premiums, benefits and settlement expenses, and deferred policy acquisition costs, net of reinsurance ceded. Amounts recoverable from reinsurers for unpaid losses are estimated in a manner consistent with the claim liability associated with the reinsured policies.

Revenue Recognition

Premiums earned on direct insurance and assumed reinsurance are recognized on a pro-rata basis over the period of risk. Commission income, which is earned on ceded premiums and premiums written for other third party insurance carriers, is recognized at the effective date of the bonds issued. Other income, consisting primarily of consulting fees, is recognized when the negotiated services are provided.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

2. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

The Company has adopted only the pro forma disclosure provisions of Statement No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). SFAS No. 123 encourages, but does not require companies to record at fair value compensation cost for stock-based employee compensation plans. The Company accounts for equity-based compensation arrangements in accordance with the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Intrinsic value is the amount by which the market price of the underlying stock exceeds the exercise price of the stock option or award on the measurement date, generally the date of grant.

Income Taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income 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. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has recorded a deferred income tax asset of $586,694 and $499,145 at June 30, 2002 and December 31, 2001, respectively. Realization of the asset is dependent on generating sufficient taxable income in future years. Although realization is not assured, management believes it is more likely than not that all of the deferred income tax asset will be realized.

The Company files a consolidated tax return that includes all of its subsidiaries.

Earnings Per Share

The Company computes and discloses earnings (loss) per share in accordance with the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share. The Company excluded 54,700 outstanding stock options at June 30, 2002 in the computation of earnings per share, as the effect of these options would have been anti-dilutive. The inclusion of 45,300 outstanding stock options in the computation of earnings per share at June 30, 2001 resulted in diluted earnings per share that was the same as basic earnings per share.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

2. Summary of Significant Accounting Policies (continued)

Business Concentration

The majority of the Company's business relates to surety and performance bonds for contractors. Accordingly, the occurrence of adverse economic conditions in the contracting business could have a material adverse effect on the Company's business. The Company only requires collateral from surety bond customers if the customer meets between 80 percent to 99 percent of the Company's underwriting criteria. Customers that fail to meet at least 80 percent of the requirements are denied surety bonding.

Use of Estimates

The preparation of the consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known which would affect the amounts reported and disclosed herein.

New Accounting Standards

In July 2001, Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" was approved by the Financial Accounting Standards Board (FASB). SFAS No.141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations ("SFAS 143"). SFAS 143 provides accounting and reporting standards related to obligations associated with the retirement of tangible long-lived assets. SFAS 143 is effective on January 1, 2003, however, earlier application is encouraged. The Company has not evaluated the effect, if any, that the adoption of SFAS 143 will have on the Company's consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"). SFAS 144 provides accounting and reporting standards for the impairment or disposal of long-lived assets. SFAS 144 supersedes SFAS 121 but retains SFAS 121's fundamental provisions for (a) recognition/measurement of impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 also supersedes the accounting/reporting provisions of Accounting Principles Board Opinion No. 30 ("APB 30") for segments of a business to be disposed of but retains APB 30's requirement to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. SFAS 144 is effective January 1, 2002. The Company adopted SFAS 144 effective January 1, 2002, and the adoption of this statement had no impact on the financial condition, results of operations, or cash flows of the Company.

2. Summary of Significant Accounting Policies (continued)

New Accounting Standards (continued)

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 addresses the accounting for gains and losses from the extinguishment of debt, economic effects and accounting practices of sale-leaseback transactions and makes technical corrections to existing pronouncements. The Company adopted SFAS No. 145 on April 1, 2002, and the adoption did not have a material effect on the Company's financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employees Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Charges relating to the exit of an activity or disposal of long-lived assets will be recorded when they are incurred and measurable. Prior to SFAS No. 146 these charges were accrued at the time of commitment to exit or dispose and activity. The Company has not yet determined the impact of the adoption of this statement.

Reclassifications

Certain amounts in the 2001 consolidated financial statements have been reclassified to conform to the 2002 consolidated financial statement presentation.

3. Related Party Transactions

In 1988, CCS issued a surplus debenture to KC in exchange for $3,000,000 which bears interest at 10 percent per annum. Interest and principal payments are subject to approval by the Florida Department of Insurance. On April 1, 1997, CTI forgave $375,000 of its $3,000,000 surplus debenture due to CCS. As a result, CCS increased paid in capital by $375,000. On June 30, 1999, CTI forgave $576,266 of its $2,625,000 surplus debenture due from CCS. As a result, CCS increased paid-in capital to $1,000,000. As of June 30, 2002 and December 31, 2001, no payments could be made under the terms of the debenture.

On March 8, 2002, Cumberland purchased a residential mortgage from Francis M. Williams. Mr. Williams is Chairman of the Board of the Company. The principal balance on the loan was $36,906. Interest accrued through the date of acquisition was $129 at an annual interest rate of 7.5%. No prior liens exist related to taxes, assessments or other similar charges.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

4. Investments

The components of unrealized appreciation of investments recorded in stockholders' equity are as follows:

	June 30, 2002	December 31, 2001
Fixed maturities, net of income tax....................	$ 146,478	$ 70,729

5. Income Taxes

The Company's provision for income taxes for the quarters ended June 30, 2002 and 2001 has been calculated using an effective rate of approximately 37.4% and 31.6%, respectively.

6. Debt

Affiliate

Effective November 10, 1998, CTI entered into a $1,000,000 convertible term note agreement with TransCor Waste Services, Inc., a subsidiary of KC. The note is due November 10, 2002 and bears interest equal to one half of one percent per annum in excess of the stated interest rate established by the Bank of America. On December 26, 2001, the Company made a principal note payment of $395,495 reducing the note to $604,055. The lender may convert the principal amount of the note or a portion thereof into common stock at $3.00 per share subsequent to a six-month anniversary and prior to the maturity date.

Nonaffiliate

In connection with the acquisition of certain agencies during 1995, the Company entered into two notes payable with the agencies' previous owners. One note is due March 1, 2002 and bears interest at 8% through February 28, 2001 and 10% thereafter. Principal payments of $125,000 are due annually beginning March 1, 2000. The other note is due June 30, 2010 and bears interest 9%. Principal payments of $40,000 were due annually for three years beginning January 5, 1996. Payments of $11,104 including principal and interest were paid monthly from April 1, 1997 through June 30, 2001. On December 3, 2001, SA reached an agreement with the holder on this note payable, whereby the terms of the note were modified, such that the effective interest rate was 6%, and principal payments became payable at $6,000 per month. On March 1, 2002, a final payment of $125,000 was made on the note due March 1, 2002.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

7. Reinsurance

The Company assumes and cedes reinsurance and participates in various pools. The financial statements reflect premiums, benefits and settlement expenses, and deferred policy acquisition costs, net of reinsurance ceded. Amounts recoverable from reinsurers are estimated in a manner consistent with the future policy benefit and claim liability associated with the reinsured policies.

Accounts recoverable from reinsurers for unpaid losses are presented as an asset in the accompanying consolidated financial statements.

8. Accounting for Derivative Instruments

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS No. 133 effective January 1, 2001. The Company identified one product that meets the definition of a derivative instrument as defined in SFAS No. 133. The policy is issued to registered investment advisors ("Advisors"), and insures losses suffered by the Advisors as a result of market declines on covered investment principal, provided that the Advisors have followed the investment guidelines required by the policy. The identified derivative was formerly accounted for as an insurance contract within the policy liabilities for loss and loss adjustment expenses account in the consolidated balance sheet prior to January 1, 2001. There was no cumulative effect of change in accounting principal due to the fact that the policy liability recorded for this policy at December 31, 2000 approximated the fair value of the derivative instrument at January 1, 2001. The fair value of the derivative instrument at June 30, 2002 and December 31, 2001 is $2,904,658 and $1,978,891, respectively. The Company is not involved in any hedging activities. At June 30, 2002 the fair value of the derivative instrument has been determined by using a financial model that incorporates market data and other assumptions. Due to the volatility in the marketplace, the Company has suspended marketing of this product effective September 2001.

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

9. Statutory Accounting Practices

CCS is domiciled in Florida and prepares its statutory-basis financial statements in accordance with accounting practices prescribed or permitted by the Florida Insurance Department. "Prescribed" statutory accounting practices include state laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners ("NAIC"). "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state, and may change in the future. In 1998, the NAIC adopted the Codification of Statutory Accounting Principles (Codification) for insurance companies. Codification, which is intended to standardize regulatory accounting and reporting for the insurance industry, is effective January 1, 2001. The Company implemented codification at January 1, 2001. On a statutory accounting basis, CCS reported losses net of taxes of ($1,679,537) for the six months ended June 30, 2002. Statutory surplus (shareholders' equity) of these operations was $5,148,613 and $6,503,218 as of June 30, 2002 and December 31, 2001, respectively.

10. Comprehensive Income

Comprehensive income is defined as any change in equity from transactions and other events originating from nonowner sources. In the Company's case, those changes are principally comprised of reported net income and changes in the unrealized appreciation and depreciation of the Company's available-for-sale securities. SFAS No. 130 requires that the Company report all components of comprehensive income. The following summaries present the components of comprehensive income, other than net income, for the six months ended June 30, 2002 and June 30, 2001, respectively.

	Consolidated Statements of Comprehensive Income	
	Six Months Ended June 30,	
	2002	2001
Net (loss) income	$(1,479,064)	$ 248,615
Other comprehensive income:		
Unrealized appreciation of available-for-sale securities arising during period, net of income tax	83,800	81,955
Reclassification adjustment for (gains) losses included in net income, net of income tax	(8,051)	2,716
Comprehensive (loss) income	$(1,403,315)	$ 333,286

CUMBERLAND TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 (UNAUDITED)

11. Contingencies

CCS has been named in a class action lawsuit in the United States District Court for the District of Colorado. The plaintiffs are clients of a registered investment advisor (the "Advisor") and have alleged that the Advisor, a registered broker-dealer, and certain other defendants (excluding CCS) were negligent or otherwise responsible for losses suffered by the plaintiffs resulting from embezzlement of the plaintiffs' investments by a third party. As a separate count in the lawsuit, the plaintiffs have also asserted claims against CCS based on a policy of insurance issued by CCS to the Advisor. The policy does not provide coverage for embezzlement, rather it insures losses caused by market declines, providing that the Advisor has followed the investment guidelines required by the policy. On July 31, 2002, the District Court granted CCS's motion for summary judgment and dismissed the claims against CCS.

CUMBERLAND TECHNOLOGIES, INC.

Forward-looking Statement Disclosure

All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-Q which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including statements regarding the Company's competitive position, changes in business strategy or plans, the availability and price of reinsurance, the Company's ability to pass on price increases, plans to install the Bond-Pro(R) program in independent insurance agencies, the impact of insurance laws and regulation, the availability of financing, reliance on-key management personnel, ability to manage growth, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, and other statements regarding future plans and strategies, anticipated events or trends similar expressions concerning matters that are not historical facts are forward-looking statements. These statements are based on certain assumptions and analysis made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ significantly and materially from past results and from the Company's expectations. These risks and uncertainties include, but are not limited to, changes in the market value of the Company's investments, increases in the Company's liability under derivative securities, losses on claims in excess of the Company's reserves, competition in the insurance industry, inability to recover from reinsurers for unpaid losses, unanticipated losses from litigation, the effects of new or existing government regulations, and the impact of new accounting pronouncements. All of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or development anticipated by the Company will be realized or, even if substantially realized that they will have the expected consequences to or effects on the Company or its business or operations.

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

LIQUIDITY AND CAPITAL RESOURCES

The capacity of a surety company to underwrite insurance and reinsurance is based on maintaining liquidity and capital resources sufficient to pay claims and expenses as they become due. Based on standards established by the National Association of Insurance Commissioners (NAIC) and promulgated by the Florida Department of Insurance, the Company is permitted to write net premiums up to an amount equal to three times its statutory surplus, or approximately $15,500,000 at December 31, 2002. Statutory guidelines impose an additional limitation on increasing net written premiums to no more than 33% of prior year's net written premiums. Under these guidelines, the Company could increase net written premiums by approximately $1,900,000 in the year 2002 subject to risk-based capital limitations.

At June 30, 2002, $24,442,560 of the Company's total assets calculated based on generally accepted accounting principles were comprised as follows: 48 percent in cash and investments (including accrued investment income), 30 percent in receivables and reinsurance recoverables, 6 percent in income tax recoverable and deferred tax asset, 10 percent in intangibles and deferred policy acquisition costs and 6 percent in other assets.

The Company follows investment guidelines that are intended to provide an acceptable return on investment while maintaining sufficient liquidity to meet its obligations.

Net cash (used in) provided by operating activities was ($1,830,715) and $654,534 for the six months ended June 30, 2002 and 2001, respectively. Net cash used in operating activities for the period ended June 30, 2002 is primarily attributed to loss from operations, a decrease in ceded reinsurance payable, an increase in reinsurance recoverable and is offset by increases in accounts payable and policy and derivative liabilities. Net cash provided by operating activities for the six months ended June 30, 2001 is primarily attributed to income from operations, a decrease in reinsurance recoverable and an increase in derivative liability which are offset by an increase in accounts receivable, derivative liability, and ceded reinsurance payable.

Net cash used in investing activities was $649,631 and $230,878 for the six months ended June 30, 2002, and 2001, respectively. Investing activities consist of purchases, sales, and maturities of investments.

Net cash used in financing activities was $173,785 and $158,158 for the six months ended June 30, 2002 and 2001, respectively. Financing activities consist primarily of payments on long-term debt.

It is anticipated that the liquidity requirements of the Company will be met primarily by funds generated from operations. The principal sources of operating cash flows are premiums, investment income, and sales and maturities of investments. The Company believes that total invested assets, including cash and short-term investments, are sufficient in the aggregate and have suitably scheduled maturities to satisfy all policy claims and other operating liabilities.

As of June 30, 2002, the Company believes that it has sufficient capital resources to fund its present capital requirements.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The Company believes the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of the Company's financial condition and operating results:

Asset Impairment

The Company reviews long-lived assets, including certain identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Upon determination that the carrying value of the asset is impaired, the Company would record an impairment charge or loss. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment that may not be reflected therein; and therefore, might require the Company to record an impairment charge in the future.

Derivatives

Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No.133") is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS No. 133 effective January 1, 2001. The Company identified one product that meets the definition of a derivative instrument as defined in SFAS No. 133. The identified derivative was formerly accounted for as an insurance contract within the policy liabilities for loss and loss adjustment expenses account in the consolidated balance sheet. At December 31, 2001 and June 30, 2002 the fair value of the derivative instrument has been determined by using a financial model that incorporates market data and other assumptions. Due to the volatility in the marketplace, the Company has suspended marketing of this product effective September 2001.

Critical Accounting Policies (continued)

Reserves for Unpaid Losses and Adjustment Expenses

The liability for loss and loss adjustment expenses including incurred but not reported losses is based on the estimated ultimate cost of settling the claim using traditional paid and incurred loss development methods. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liabilities for loss and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. A liability for all costs expected to be incurred in connection with the settlement of unpaid loss and loss adjustment expenses is accrued when the related liability for unpaid losses is accrued. Loss adjustment expenses include costs associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees. Loss adjustment expenses also include other costs that cannot be associated with specific claims but are related to losses paid or in the process of settlement, such as internal costs of the claims function. The Company does not discount its reserves for losses and loss adjustment expenses. The Company writes primarily surety contracts which are of short duration. The Company does not consider investment income in determining if a premium deficiency relating to short duration contracts exists.

Reinsurance

The Company assumes and cedes insurance with other insurers and reinsurers to limit maximum loss, provide greater diversification of risk and minimize exposure on larger risks. Premiums and loss and loss adjustment expenses that are ceded under reinsurance arrangements reduce the respective revenues and expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy and are reported as reinsurance recoverable.

Income Taxes

The Company accounts for income taxes under the liability method. Under the liability method, deferred income taxes are established for the future tax effects of temporary differences between the tax and financial reporting bases of assets and liabilities using currently enacted tax rates. Such temporary differences primarily relate to insurance reserves, deferred policy acquisition costs and intangible assets. The effect on deferred taxes of a change in tax rates is recognized in income in the period of enactment.

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

RESULTS OF OPERATIONS

COMPARISON OF SIX MONTHS ENDED JUNE 30, 2002 AND 2001

Direct, assumed and ceded premiums earned for the period ended June 30, 2002 exceeded premiums earned for the same period in 2001 by $745,090 or 12%. Net premium income for the period ended June 30, 2002 and 2001, was $7,004,724 and $6,259,634, respectively.

Net investment income for the period ending June 30, 2002 decreased by $53,111 when compared to the same period in 2001. The decrease is attributed to an overall decrease in interest rates earned on the bond and money market portfolio. Other income for the period ended June 30, 2002 was consistent when compared to the same period of 2001.

During the six months ended June 30, 2002, loss and loss adjustment expenses increased by $3,006,626 when compared to the same period in 2001. The increase is attributed to additional incurred losses and loss adjustment expenses on direct business and assumed business in the amount of $1,235,655 and $1,770,971, respectively. The increase in direct losses is attributed to one large claim failing to meet the Company's reinsurance treaty guidelines. The large volume of assumed losses incurred during the first six months of 2002 is due to a change in estimates based on information received from the Company's reinsurer. As a result of the unusually high volume of paid claims ($5,037,654 in the six months ended June 30, 2002 as compared to $2,006,861 for the same period in 2001) reserves were strengthened.

During the six months ended June 30, 2002, derivative expense increased by $172,424 or 20% when compared to the same period in 2001. The change is attributed to an increase in the market value of the derivative liability requiring an increase in the liability for derivative valuation.

During the six months ended June 30, 2002, amortization of deferred policy acquisition costs was $2,315,653 as compared to $2,038,957 for the same period in 2001. The amortization of deferred policy acquisition costs is 23% and 24% of written premiums for the six months ended June 30, 2002 and 2001, respectively.

Operating expenses for the six months ended June 30, 2002 when compared to the same period in 2001 increased by 1%. The Company's largest operating expense is salary and related expenses representing 56% and 51% of the total operating expense at June 30, 2002 and 2001, respectively. The Company goal for 2002 is maintaining consistency with prior year operating expenses without disruption of its marketing goals.

Interest expense represents payment to two subsidiary agencies previous owners. The decrease in interest expense for the six months ended June 30, 2002 is due to a decrease in the principal amount of the long-term debt.

Income taxes in the six months ending June 30, 2002 and 2001 were calculated using effective rates of 37.4% and 31.6%, respectively. The variation in the income tax rate is attributable to tax-exempt interest in the prior year.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

------ FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED JUNE 30, 2002 AND 2001

Direct, assumed and ceded premiums for the second quarter of 2002 increased $744,626 or 23% when compared to the same period in 2001. Net premium income for the period ended June 30, 2002 and 2001, was $3,919,563 and $3,174,937, respectively.

Net investment income for the period ending June 30, 2002 decreased by $25,662 when compared to the same period in 2001. The decrease is attributed to an overall decrease in interest rates earned on the bond and money market portfolio. Other income decreased slightly ($4,740) when compared to the same period of 2001.

During the three months ended June 30, 2002, loss and loss adjustment expenses increased by $2,027,759 when compared to the same period in 2001. The increase is primarily attributed to incurred losses and loss adjustment expenses on direct and assumed business. Direct losses increase of $1,146,056 for the three months ended June 30, 2002 when compared to the same period in 2001 is primarily the result of an incurred claim not covered and the Company reinsurance treaty. Assumed losses increased by $881,703 for the three months ended June 30, 2002 representing claims incurred due to a change in estimates received from the Company's reinsurers. As a result, reserves were strengthened.

During the three months ended June 30, 2002, derivative expense increased by $307,933 when compared to the same period in 2001. The change is attributed to an increase in the market value of the derivative liability requiring an increase in the liability for derivative valuation.

During the three months ended June 30, 2002, amortization of deferred policy acquisition costs was $1,305,000 as compared to $942,336 for the same period in 2001. The amortization of deferred policy acquisition costs is 29% and 26% of written premiums for the three months ended June 30, 2002 and 2001, respectively. The 3% variance is attributed to the mix of business.

Operating expenses for the three months ended June 30, 2002 when compared to the same period in 2001 increased by 2%. The Company's largest operating expense is salary and related expenses representing 58% and 51% of the total operating expense at June 30, 2002 and 2001, respectively. The Company goal for 2002 is maintaining consistency with prior year operating expenses while maintaining its marketing goals.

Interest expense represents payment to two subsidiary agencies' previous owners. The decrease in interest expense for the three months ended June 30, 2002 is due to a decrease in the principal amount of the long-term debt.

Income taxes in the three months ending June 30, 2002 and 2001 were calculated using annual effective rates of 38.0% and 14.2%, respectively.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company had approximately $11.5 million of investments as of June 30, 2002. These investments largely consist of state government obligations and have either variable rates of interest or stated interest rates ranging from 3.5% to 8.5%. The Company's investments are exposed to certain market risks inherent with such assets. The risk of defaults is mitigated by the Company's policy of investing in securities with high credit ratings and investing through major financial institutions with high credit ratings. The Company has notes payable of approximately $1.1 million at an average interest rate of 8.6%.

PART II - OTHER INFORMATION

Item 1. Legal proceedings

CCS has been named in a class action lawsuit. The plaintiffs are clients of a registered investment advisor (the "Advisor") and have alleged that the Advisor, a registered broker-dealer, and certain other defendants (excluding CCS) were negligent or otherwise responsible for losses suffered by the plaintiffs resulting from embezzlement of the plaintiffs' investments by a third party. As a separate count in the lawsuit, the plaintiffs have also asserted claims against CCS based on a policy of insurance issued by CCS to the Advisor. The policy does not provide coverage for embezzlement, rather it insures losses caused by market declines, providing that the Advisor has followed the investment guidelines required by the policy. On July 31, 2002, the District Court granted CCS' motion for summary judgment and dismissed the claims against CCS.

Item 2. Changes in securities

None

Item 3. Defaults upon senior securities

None

Item 4. Submission of matters to a vote of security holders

None

Item 5. Other Information

On April 19, 2002, the Company received a letter from The Nasdaq Stock Market indicating that certain financial indicators as reported in the Company's December 31, 2001 financial statements were below applicable minimum requirements issued by Nasdaq to maintain listing on the Nasdaq SmallCap Market, including its current trading price and market float. Unless these indicators do improve by September 3, 2002, the Company's stock will be de-listed from Nasdaq. The Company common stock is currently eligible to trade on the OTC Bulletin Board, but will only be traded if a qualified member of NASD decides to sponsor the stock for trading.

PART II - OTHER INFORMATION (CONTINUED)

Item 6. Exhibits and reports on Form 8-K

(a) The following documents are filed as exhibits to this Quarterly Report on Form 10-Q:

3(a) Articles of Incorporation*

3(b) Bylaws*

99.1 Certification of Periodic Financial Reports

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

* Incorporated by referenced to the same exhibit number filed with the Registrant's Registration Statement on Form 10 (File No. 0-19727).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUMBERLAND TECHNOLOGIES, INC.

Date: August 14, 2002

By: /s/ Joseph M. Williams

Joseph M. Williams
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 14, 2002	By: /s/ Carol S. Black
	Carol S. Black Secretary and Chief Financial Officer (Principal Accounting and Financial Officer)