ATEC GROUP INC
Form PRE 14A
February 11, 2003

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Solicitation Material Pursuant to Rule 14a-11(c) or rule 14a-12

ATEC GROUP, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.

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

1) Title of each class of securities to which transaction applies: Common Stock and Series K Convertible Preferred Stock*
2) Aggregate number of securities to which transaction applies: 5,562,456 shares of Common Stock and 1,854,152 shares of Series K Convertible Preferred Stock*
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): **
4) Proposed maximum aggregate value of transaction: **
5) Total fee paid: $5,362.66

[X] Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

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* These registrant securities are being issued for the acquisition of all of the equity securities of Interpharm, Inc. The total number of shares of Common Stock to be issued to Interpharm shareholders at the closing of the acquisition of Interpharm will represent approximately 42% of all of the issued and outstanding Common Stock post-closing. If no conversion restriction existed and all of the Series K

Convertible Preferred Stock to be issued to Interpharm shareholders were converted into Common Stock immediately following the closing of the acquisition of Interpharm, the total number of shares of Common Stock issued to the Interpharm shareholders at the closing together with the total number of shares of Common Stock issued upon conversion of the Series K Stock will represent approximately 80% of all of the issued and outstanding voting securities.

** The proposed maximum value of the transactions is $25,582,655, calculated as follows: Each share of Common Stock is valued at its "market value" (the average of the high and low prices for such a share on the American Stock Exchange on December 19, 2002,; each share of Series K Convertible Preferred Stock is valued at the market value of the number of shares of the registrant's Common Stock into which a share of Series K Convertible Preferred Stock is convertible, calculated on January 20, 2003; and $4,278,184, which represents the amount of cash and promissory notes to be paid to the registrant for the sale of its assets. The registrant will receive two promissory notes in the aggregate principal amount of $1.75 million for the sale of its assets and will receive cash for the remainder of the purchase price. The registrant anticipates that the cash portion of the purchase price will be paid in part by approximately $1.2 million of the registrant's cash which is part of the assets to be sold in the asset sale.

PRELIMINARY COPY

ATEC GROUP, INC.
69 Mall Drive
Commack, NY 11725

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON [_____], 2003

To the Stockholders of ATEC Group, Inc.:

You are cordially invited to attend the annual meeting of stockholders of ATEC Group, Inc. ("Atec, our, we or us"), a Delaware corporation, to be held at the Huntington Hilton, Melville, New York, on [_____], [_____], 2003, at 10:00 a.m. local time, for the following purposes:

1. To approve the acquisition of all of the outstanding stock of Interpharm, Inc., a manufacturer of generic pharmaceuticals, in exchange for shares of common stock and a new series preferred stock of Atec;

2. To approve an amendment to Atec's Certificate of Incorporation to change the name of Atec to "Interpharm Holdings, Inc.";

3. To approve the sale of the assets relating to the sole current business of Atec to, and assumption of substantially all of the liabilities of Atec by, Baar Group, Inc., the principals of which are certain members of present management, in consideration of cash and promissory notes totaling $4,278,184, subject to certain closing adjustments.

4. To elect six members to the board of directors of Atec to serve until their respective successors are elected and qualified;

5. To ratify and approve Weinick Sanders Leventhal & Co., LLP, as our independent public accountants, to audit our financial statements for the fiscal year ending June 30, 2003; and

6. To approve the adjournment of the annual meeting in the event a quorum is not present at the meeting or sufficient votes in favor of Proposals 1, 2 and 3 are not received by the date of the meeting.

Only stockholders of record at the close of business on [January 10], 2003 (the "Record Date") are entitled to notice of and to vote at the meeting.

The acquisition of Interpharm and the sale of Atec's assets to Baar Group are contingent on each other. Specifically, the manner in which they are contingent on each other is as follows: Passage of Proposals 1 and 2 is contingent upon approval of each of Proposals 1 through 3. In addition, passage of Proposals 1 and 2 is contingent upon the election of Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria, the two director nominees of Interpharm, Inc., in Proposal 4. In the event that Proposal 1, 2 and/or 3 is not approved or that the two director nominees of Interpharm, Inc. are not elected, Proposals 1 and 2 will not pass, the two director nominees of Interpharm, Inc. will not be elected and immediately after the annual meeting of stockholders the Board of Directors will appoint Ashok Rametra and James Charles (current Atec directors) to fill the vacancies created.

In addition, the passage of Proposal 3 is contingent on the approval of Proposals 1 and 2 and the election of Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria, the two director nominees of Interpharm,

Inc., in Proposal 4. In the event that Proposals 1 and 2 are not approved and/or the two director nominees of Interpharm, Inc. are not elected, Proposal 3 will not pass.

Under Delaware law, Atec's stockholders will not be entitled to dissenters' rights of appraisal in connection with the acquisition of Interpharm or the sale of assets to Baar Group.

Mona Rametra, the owner of 20% of Interpharm's capital stock, is the daughter-in-law of Surinder Rametra, our chairman and a member of Atec's Board. She is also the daughter of Dr. Maganlal K. Sutaria, the Chairman of the Board and chief executive officer of Interpharm. Mrs. Rametra will receive 20% of all of the consideration to be issued to the Interpharm shareholders for their Interpharm stock. Although Dr. Sutaria does not own any Interpharm stock, his other two children (i.e. Mrs. Rametra's brothers) collectively own 55% of Interpharm stock and his nephew, Ravi Sutaria, owns the remaining 25%. Ravi Sutaria is the son of Bhupatlal K. Sutaria, the President of Interpharm. In addition, Munish K. Rametra, who is Mrs. Rametra's husband and Surinder Rametra's son, will share a finder's fee of $100,000 with three other individuals relating to the acquisition of Interpharm.

As of January 10, 2003, our directors, executive officers and the members of management who also are principals of Baar Group own approximately 26% of Atec stock entitled to vote on the proposals. Atec believes that these individuals will vote their shares to approve all of the proposals.

A proxy statement and proxy are enclosed with this notice. If you are unable to attend the meeting in person you are urged to sign, date and return the enclosed proxy promptly in the envelope provided, which requires no postage if mailed within the United States. If you attend the meeting in person, you may withdraw your proxy and vote your shares. Details of the proposed acquisition, the sale of assets to members of management and the other business to be conducted at the annual meeting are described in the enclosed Proxy Statement. We have also enclosed a copy of our 2002 Annual Report for the fiscal year ended June 30, 2002.

By Order of the Board of Directors

Ashok Rametra, Secretary

Hauppauge, New York
[_____], 2003

PRELIMINARY COPY

ATEC GROUP, INC.
69 Mall Drive
Commack, NY 11725

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
[_____], 2003

Approximate Date of Mailing of this Proxy Statement: [_____], 2002.

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the board of directors of Atec Group, Inc. ("Atec, our, we or us"), a Delaware corporation, for the annual meeting of stockholders to be held at 10:00 a.m. local time at the Huntington Hilton, Melville, New York on [_____], [_____], 2003, or any continuation or adjournment thereof. At the meeting, the stockholders will be asked to vote on proposals, which are listed in the Atec notice of annual meeting of stockholders and described in more detail below.

This proxy statement and the enclosed proxy card are being mailed on or about [_____], 2003, to all stockholders entitled to vote at the meeting. Atec's Annual Report for the fiscal year ended June 30, 2002, including financial statements, is being mailed to all stockholders' entitled to vote at the annual meeting. The Annual Report does not constitute a part of the proxy solicitation material, except to the extent incorporated herein by reference.

At the meeting, Atec stockholders will be asked:

1. To approve the acquisition of all of the outstanding stock of

Interpharm, Inc., a manufacturer of generic pharmaceuticals, in exchange for shares of common stock and a new series preferred stock of Atec (the "Acquisition");

2. To approve an amendment to Atec's Certificate of Incorporation to change the name of Atec to "Interpharm Holdings, Inc.";

3. To approve the sale of the assets relating to the sole current business of Atec to, and assumption of substantially all of the liabilities of Atec by, Baar Group, Inc., the principals of which are certain members of present management, in consideration of cash and promissory notes totaling $4,278,184, subject to certain closing adjustments (the "Management Buy-Out");

4. To elect six members to the board of directors of Atec to serve until their respective successors are elected and qualified;

5. To ratify and approve Weinick Sanders Leventhal & Co., LLP, as our independent public accountants, to audit our financial statements for the fiscal year ending June 30, 2003; and

6. To approve the adjournment of the annual meeting in the event a quorum is not present at the meeting or sufficient votes in favor of Proposals 1, 2 and 3 are not received by the date of the meeting.

The Acquisition and the Management Buy-Out are contingent on each other. Specifically, the manner in which they are contingent on each other is as follows: Passage of Proposals 1 and 2 is contingent upon approval of each of Proposals 1 through 3. In addition passage of Proposals 1 and 2 is contingent upon the election of Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria, the two director nominees of Interpharm,

Inc., in Proposal 4. In the event that Proposal 1, 2 and/or 3 is not approved or that the two director nominees of Interpharm, Inc. are not elected, Proposals 1 and 2 will not pass, the two director nominees of Interpharm, Inc. will not be elected and immediately after the annual meeting of stockholders the Board of Directors will appoint Ashok Rametra and James Charles (current Atec directors) to fill the vacancies created.

In addition, the passage of Proposal 3 is contingent on the approval of Proposals 1 and 2 and the election of Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria, the two director nominees of Interpharm, Inc., in Proposal 4. In the event that Proposals 1 and 2 are not approved and/or the two director nominees of Interpharm, Inc. are not elected, Proposal 3 will not pass.

Summary Term Sheet

This summary term sheet highlights selected information contained in this proxy statement. It may not contain all the information that is important to you. To understand the acquisition of Interpharm and the sale of our assets, we urge you to carefully read the entire proxy statement, including the exhibits and the documents to which we refer in this proxy statement. We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary.

The Companies

Atec, a Delaware corporation, is in the business of computer operations

and provides a full line of information technology products and services to businesses, professionals, government and educational institutions. Atec's core competencies are system design, networking, server-based computing, help desk, e-commerce, ASP and Internet/Intranet solutions. Atec's principal executive offices are located at Atec Group, Inc., 69 Mall Drive, Commack, New York 11725, and its telephone number is (631) 543-2800.

Interpharm, Inc. ("Interpharm"), a privately held New York corporation, is in the business of developing, manufacturing, and selling both prescription strength and over the counter generic drugs in the United States. Interpharm's sales are primarily to distributors and wholesalers. Interpharm's executive offices are located at Interpharm, Inc., 75 Adams Avenue, Hauppauge, New York 11788, and its telephone number is (631) 952-0214.

Baar Group, Inc. ("Baar Group") was organized in July, 2002 for the purposes of acquiring the assets of Atec and has not yet conducted any business operations. Baar Group's prinicipal executive offices are located at 1762 Central Avenue, Albany, New York 12205.

The Acquisition

The Acquisition of Interpharm (page 9)

Our board of directors has unanimously approved the acquisition of all of the capital stock of Interpharm. If the Acquisition of Interpharm is completed, Interpharm will become a wholly owned subsidiary of Atec.

Stock to be issued to Interpharm shareholders (page 37)

In exchange for their Interpharm stock, Interpharm shareholders will receive shares of our Common Stock and Series K Preferred Stock. Immediately following the Acquisition, the Interpharm shareholders will own collectively approximately 42% of all of our outstanding Common Stock. In addition, immediately following the Acquisition, the Interpharm shareholders will own collectively shares of Series K Stock equal to approximately 14% of our outstanding Common Stock. As a result, immediately following the Acquisition, the Interpharm shareholders will own approximately 48% of all our voting securities, which are Common Stock and Series A, B and C preferred stock.

Series K Stock (page 38)

The Series K Stock to be issued to the Interpharm shareholders has the following terms:

- Voting. The Series K Stock is entitled to one vote per share, voting together as a class with the holders of our Common Stock.

- Conversion. Upon the occurrence of certain events, the Series K Stock will be convertible into shares of our Common Stock. Upon full conversion of the Series K Stock, the number of shares of our Common Stock Interpharm shareholders will own will be equal to approximately 80% of the number of our voting securities as of the date the date of the closing of the acquisition of Interpharm.

- Liquidation Preference. In the event of a liquidation, dissolution or winding up of Atec, the holders of the Series K

Stock will be entitled to $7.50 per share prior to distribution on any class of stock ranking junior to the Series K Stock, including the Common Stock.

The Board of Directors (page 53)

Balwinder Singh Bathla, James Charles and Ashok Rametra will resign as members of our Board and be replaced by Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria , two designees of Interpharm.

Name Change (page 45)

Our name will be changed to "Interpharm Holdings, Inc."

Registration Rights (page 42)

The Interpharm shareholders will receive rights to demand that we register the shares of our Common Stock they receive for resale by them, including the shares of Common Stock that they will receive upon the conversion of the Series K Stock.

Conditions to closing (page 40)

The obligations of each of the parties to complete the Acquisition are subject to the satisfaction or waiver of various conditions, including the following:

- all governmental and third-party consents and approvals necessary for the Acquisition must be received; and
- there must not be any court order or injunction preventing the Acquisition.

Our obligation to complete the Acquisition is also subject to the satisfaction or waiver of various conditions, including the following:

- Interpharm and its shareholders must have materially performed their obligations under the Capital Stock Exchange Agreement;
- there must not have occurred a material adverse change in the business and condition of Interpharm;
- the representations and warranties of Interpharm and its shareholders must be true in all material respects; and
- the Acquisition and the Management Buy-Out must be approved by our stockholders.

The obligations of Interpharm and its shareholders are also subject to the satisfaction or waiver of various conditions, including the following:

- we must have materially performed our obligations under the Capital Stock Exchange Agreement;
- there must not have occurred a material adverse change in our business and condition since September 30, 2002;
- our representations and warranties must be true in all material respects;

- the Management Buy-Out must have been completed;

- we must have not more than $650,000 in total liabilities, not less than $3.7 million in stockholders' equity and not less than $1.25 million in cash.

Interests of our directors and officers in the Acquisition (page 44)

Mona Rametra is married to the son of our Chairman of the Board, Surinder Rametra. Ms. Rametra is a shareholder of Interpharm and will receive 20% of all of our Common Stock and Series K Stock that is issued to the Interpharm shareholders. Additionally, Ms. Rametra's father is the chairman and chief executive officer of Interpharm. Her husband, Surinder Rametra's son, will share a $100,000 finder's fee with three other individuals.

Recommendation of the Board (page 36)

Our Board has determined that the Acquisition of Interpharm is fair to you and in your best interests. Accordingly, our board, including all of the unaffiliated members, has approved the Acquisition and has recommend that you vote "FOR" the Acquisition.

The Management Buy-Out

The sale of our assets (page 45)

Our board of directors has unanimously approved the sale of our sole current business consisting of computer operations to Baar Group for a purchase price of $4,278,184 and assumption of substantially all our liabilities.

The purchase price is composed of $2,528,184 in cash and two promissory notes in the aggregate amount of $1.75 million. The cash portion of the purchase price will be increased by 34% of income from operations from our Albany, New York City and New Jersey computer operations from July 1, 2002 through the date of the closing and reduced by expenses which are allocated to our Long Island, New York office from July 1, 2002 through the date of the closing.

We anticipate that the cash portion of the purchase price will be paid in part by returning approximately $1.2 million of Atec's cash which is being acquired by Baar Group as part of the asset sale. We estimate that as of December 31, 2002, the purchase price, as adjusted, would have been $3,754,184 and, as of April 15, 2003, will be $3,578,184.

The promissory notes (page 47)

The principal amount of the first note is $1 million and is to be paid in 12 monthly equal installments. The second note is $750,000 and is to be paid in 36 equal monthly installments. Both of the promissory notes also have the following terms:

- Interest. The interest rate is equal to 1.5% in excess of the prime rate as announced by Citibank.

- Repayment. Repayment of the principal and interest commences one month from the date of closing of the Management Buy-Out.

- Security Interest. The obligations under the promissory notes are secured by substantially all of the assets of Baar Group, including the assets it acquires pursuant to the Management Buy-Out.

- Personal Guarantees. The obligations under the promissory notes are personally guaranteed by Ashok Rametra, Rajnish Rametra and Arvin Gulati.

Conditions to closing (page 50)

Our obligation to complete the Acquisition is also subject to the satisfaction or waiver of various conditions, including the following:

- the representations and warranties of Baar Group must be true in all material respects;

- Baar Group must have materially performed its obligations under the Asset Purchase Agreement;

- there must not be pending any suit or proceeding which prevents the Management Buy-Out or adversely effects the assets to be sold;

- the Management Buy-Out must be approved by our stockholders; and

- the Acquisition of Interpharm must have been completed.

The obligation of Baar Group is also subject to the satisfaction or waiver of various conditions, including the following:

- our representations and warranties must be true in all material respects;

- we must have materially performed our obligations under the Asset Purchase Agreement;

- all governmental and third-party consents and approvals necessary for the Management Buy-Out must be received;

- there must not be pending any suit or proceeding which prevents the Management Buy-Out or adversely effects the assets to be sold; and

- Baar Group must have received at least $500,000 in funding.

Interests of our directors and officers in the Acquisition (page 52)

The principals of Baar Group are the following members of our management and board:

- Ashok Rametra, our President, Treasurer and a director;

- Balwinder Singh Bathla, our Chief Executive Officer and a director;

- Rajnish Rametra, our chief operating officer of technology integration services; and

- Arvin Gulati, our chief operating officer of distribution.

Recommendation of the Board (page 46)

Our Board has determined that the Management Buy-Out is fair to you and in your best interests. Accordingly, our board, including all of the unaffiliated members, has approved the Management Buy-Out and has recommend that you vote "FOR" the Management Buy-Out.

Record Date; Outstanding Shares

Only stockholders of record at the close of business on January 10, 2003 are entitled to receive notice of, and vote at our annual meeting. As of January 10, 2003, the number and class of stock outstanding and entitled to vote at the meeting consisted of:

- 7,719,326 shares of common stock, par value $.01 per share,
- 8,371 shares of series A preferred stock, par value $.01 per share,
- 1,458 shares of series B preferred stock, par value $.01 per share and
- 309,600 shares of series C preferred stock, par value $.01 per share.

Each share of our common and preferred stock is entitled to one vote on all matters. As of the record date, we had 8,038,755 shares of our common and preferred stock entitled to one vote per share outstanding. Atec has no other voting securities.

Expenses of Soliciting Proxies

Atec will pay the expenses of soliciting proxies to be voted at the Annual Meeting. Following the original mailing of the proxies and other proxy materials, Atec and its agents may also supplement the solicitation of proxies by mail, telephone, internet, telegraph or in person. Following the original mailing of the proxies and other proxy materials, Atec will request that brokers, custodians, nominees and other record holders of our common stock forward copies of the proxy and other annual meeting materials to persons for whom they hold shares of common stock and request authority for the exercise of proxies. In these cases, Atec will reimburse such record holders for their reasonable expenses if requested to do so.

Revocability of Proxies

If you attend the meeting, you may vote in person, regardless of whether you have submitted a proxy. Any person giving a proxy in the form accompanying this proxy statement has the power to revoke it at any time before it is voted. It may be revoked by filing, with the corporate secretary of Atec at its principal offices, 69 Mall Drive, Commack, NY 11725, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person.

Voting and Votes Required for Approval

Every stockholder of record is entitled, for each share held, to one vote on each proposal or item that comes before the meeting. There are no cumulative voting rights. By submitting your proxy, you authorize Ashok Rametra to represent you and vote your shares at the meeting in accordance with your instructions. If the meeting is adjourned, Mr. Rametra will be authorized to vote your shares at any adjournment or postponement of the meeting.

To vote by mail, please sign, date and complete the enclosed proxy and return it in the enclosed self-addressed envelope. If you hold your shares through a bank, broker or other nominee, it will give you separate instructions for voting your shares.

In addition to solicitations by mail, we may solicit proxies in person, by telephone, facsimile or e-mail.

Proposal 1: Acquisition of Interpharm. Although the Delaware General Corporation Law does not require Atec's stockholders to approve the acquisition of Interpharm, such approval is being sought because of (i) the significant relationships family members of certain members of our Board of Directors and our management have with shareholders and members of management of Interpharm and (ii) the rules of the American Stock Exchange ("AMEX"), which require stockholder approval of issuances of our Common Stock, among other things, in connection with an acquisition of another company (A) if any individual director, officer or substantial shareholder has a 5% or greater interest (or such persons have a 10% or greater interest), directly or indirectly, in the company to be acquired and the issuance of common stock, or securities convertible into common stock, could result in an increase in outstanding common shares by 5% or more, or (B) if the issuance of common stock, or securities convertible into common stock, could result in an increase in outstanding common shares of 20% or more. Under Delaware law, the affirmative vote of at least a majority of our shares entitled to vote, and voting together as a class, present in person or represented by proxy at our annual meeting at which a quorum is present is necessary for ratification of the acquisition of Interpharm. A quorum is present if one-third of our outstanding shares of common stock and Series A, B and C preferred stock collectively is present in person or by proxy at the annual meeting. In the event Proposal 1 is not ratified by our stockholders, Atec will not consummate the acquisition of Interpharm or the Management Buy-Out.

Proposal 2: Amendment to Certificate of Incorporation. The affirmative vote of stockholders owning at least a majority of the issued and outstanding shares of our Series A, B and C preferred stock and Common Stock, voting together as a class, is necessary for ratification of the amendment of the Certificate of Incorporation changing our name to "Interpharm Holdings, Inc."

Proposal 3: Sale of the Assets in the Management Buy-Out. The affirmative vote of stockholders owning at least a majority of the issued and outstanding shares of our Series A, B and C preferred stock and Common Stock, voting together as a class, is necessary for ratification of the sale of our assets to Baar Group. In the event Proposal 3 is not ratified by our stockholders, Atec will not consummate the Management Buy-Out or the acquisition of Interpharm.

Proposal 4: Election of Directors. Directors are elected by a plurality vote and the six nominees who receive the most votes will be elected. In the election of Directors, votes may be cast in favor of or withheld with respect to each nominee.

Proposal 5: Ratification of Selection of Auditors. The affirmative vote of stockholders owning at least a majority of our shares of common and preferred stock entitled to vote, and voting together as a single class, present in person or represented by proxy at our annual meeting at which a quorum is present is necessary for ratification of the selection of our auditors.

Proposal 6: Adjournment of the Annual Meeting. The affirmative vote of stockholders owing at least a majority of our shares of common and preferred

stock entitled to vote, and voting together as a single class, present in person or represented by proxy at our annual meeting at which a quorum is present is necessary to adjourn the meeting.

The Acquisition and the Management Buy-Out are contingent on each other. Specifically, the manner in which they are contingent on each other is as follows: Passage of Proposals 1 and 2 is contingent upon approval of each of Proposals 1 through 3. In addition passage of Proposals 1 and 2 is contingent upon the election of Dr. Maganlal K. Sutaria and Bhupatlal Sutaria, the two director nominees of Interpharm, Inc., in Proposal 4. In the event that Proposal 1, 2 and/or 3 is not approved or that the two director nominees of Interpharm, Inc. are not elected, Proposals 1 and 2 will not pass, the two director nominees of Interpharm, Inc. will not be elected and immediately after the annual meeting of stockholders the Board of Directors will appoint Ashok Rametra and James Charles (current Atec directors) to fill the vacancies created.

In addition, the passage of Proposal 3 is contingent on the approval of Proposals 1 and 2 and the election of Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria, the two director nominees of Interpharm, Inc., in Proposal 4. In the event that Proposals 1 and 2 are not approved and/or the two director nominees of Interpharm, Inc. are not elected, Proposal 3 will not pass.

Tabulation of Votes

The votes will be tabulated and certified by Atec's transfer agent, North American Transfer.

Voting by Street Name Holders

If you are the beneficial owner of shares held in "street name" by a broker, the broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not give instructions to the broker, the broker will nevertheless be entitled to vote the shares with respect to "discretionary" items but will not be permitted to vote the shares with respect to "non-discretionary" items (in which case, the shares will be treated as "broker non-votes").

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the annual meeting is one-third of the issued and outstanding shares of common and Series A, B and C preferred stock, collectively, at the annual meeting, in person or by proxy. Shares that are voted "FOR," "AGAINST" or "WITHHELD FROM" a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares represented and voting the votes cast at the annual meeting with respect to such matter.

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, Atec believes that abstentions should be counted for purposes of determining both: (i) the presence or absence of a quorum for the transaction of business; and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the contrary, Atec intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

Under current Delaware case law, while broker non-votes (i.e. the votes of shares held of record by brokers as to which the underlying beneficial owners have given no voting instructions) should be counted for purposes of determining

the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Atec intends to treat broker non-votes in this manner. Thus, a broker non-vote will make a quorum more readily obtainable, but the broker non-vote will not otherwise affect the outcome of the voting on a proposal.

Incorporation by Reference

A copy of Atec's Annual Report on Form 10-K and Amendment No. 1 to the Annual Report on Form 10-K/A for the year ended June 30, 2002, previously filed with the Securities and Exchange Commission by Atec pursuant to the Securities Exchange Act of 1934, as amended, are being mailed to stockholders with this Proxy Statement. Such Annual Report on Form 10-K and Amendment No. 1 are hereby incorporated by reference to this Proxy Statement.

This Proxy Statement incorporates documents by reference which are not presented herein. Such documents are also available to any person including any beneficial owner to whom this Proxy Statement is delivered, without charge on written or oral request directed to Atec Group, Inc., 69 Mall Drive, Commack, New York 11725, Attention: chief financial officer, (631) 543-2800. Atec will send the requested documents by first class mail within one business day of its receipt of the request.

PROPOSALS TO STOCKHOLDERS

PROPOSAL NO. 1

ACQUISTION OF INTERPHARM

On November 25, 2002, Atec entered into a Capital Stock Exchange Agreement with Interpharm and all of the shareholders of Interpharm, whereby Atec agreed to acquire all of the outstanding stock of Interpharm in exchange for Common Stock and a new Series K Stock. For a discussion on the number of Common Stock and Series K Stock to be issued to the Interpharm shareholders, and the number of shares that will be outstanding after the Acquisition, see page 37. The issuance of the Common Stock and Series K Stock may substantially dilute your ownership percentage in us and the value of your shares. The Capital Stock Exchange Agreement provides that the Acquisition is subject to the approval of Atec's stockholders. You should carefully read the documents, including the Capital Stock Exchange Agreement, the Certificate of Designations, Preferences and Rights of the Series K Stock and the Registration Rights Agreement which are included in this Proxy Statement as Appendix A, as well as Atec's Form 10-K and Form 10-K/A for the year ended June 30, 2002 and Form 10-Q for the quarter ended September 30, 2002 which also are included in this Proxy Statement.

In the event there is a material change in the terms of the Acquisition, including a material change resulting from the waiver of a condition to closing, Atec will not consummate the Acquisition until its stockholders have approved the Acquisition, with such change.

The Series K Stock to be issued to the Interpharm shareholders has the following material terms and characteristics:

- Title. $.01 par value per share Series K Convertible Preferred Stock.

- Voting. The Series K Stock is entitled to one vote per share, voting together as a class with the holders of our Common

Stock.

- Conversion. Upon the occurrence of certain events as detailed at page __ below, the Series K Stock will be convertible into shares of our Common Stock. Upon full conversion of the Series K Stock, the number of shares of our Common Stock Interpharm shareholders will own will be equal to approximately 80% of our outstanding voting securities on the date of the closing of the Acquisition.

- Liquidation Preference. In the event of a liquidation, dissolution or winding up of Atec, the holders of the Series K Stock will be entitled to $7.50 per share prior to distribution on any class of stock ranking junior to the Series K Stock, including the Common Stock.

- Dividend Rights. None.

- Redemption Provisions. None.

- Amount Authorized. 3 million shares.

Interpharm

Interpharm's Corporate History, Management and Ownership Structure
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Interpharm is in the business of developing, manufacturing, and selling both prescription strength and over the counter ("OTC") generic drugs in the United States. Interpharm's sales are primarily to distributors and wholesalers. Interpharm was incorporated in 1984 and its plant and executive offices are located at 75 Adams Avenue, Hauppauge, New York 11788, and its telephone number is (631) 952-0214. Interpharm has a 50% owned subsidiary, Saturn Chemical, LLC, a New York limited liability company,

which acts as a purchasing agent for it.

Interpharm is owned and run by members of the Sutaria family. The shareholders of Interpharm are Raj Sutaria, Perry Sutaria, Ravi Sutaria and Mona Rametra. The members of Interpharm's Board of Directors are Dr. Maganlal K. Sutaria, who serves as Chairman of the Board of Directors, Bhupatlal K. Sutaria and Vimla Sutaria. Interpharm's current management and officers are as follows:

Name	Position
Dr. Maganlal K. Sutaria	Chief Executive Officer
Bhupatlal K. Sutaria	President
Vimla Sutaria	Vice President
Jyoti Sutaria	Secretary/Treasurer
Raj Sutaria	Assistant Secretary

Dr. Maganlal K. Sutaria and Bhupatlal K. Sutaria are brothers. Dr. Maganlal K. Sutaria is married to Vimla Sutaria and Bhupatlal K. Sutaria is married to Jyoti Sutaria. Raj Sutaria, Perry Sutaria and Mona Rametra are the

children of Dr. Maganlal K. Sutaria and Vimla Sutaria. Ravi Sutaria is the son of Bhupatlal K. Sutaria and Jyoti Sutaria. See also "Interpharm Related Party Transactions"

The Generic Drug Market and Necessary Approvals

Pharmaceutical products in the United States are generally marketed as either "brand-name" or "generic" drugs. Brand-name products are drugs generally sold by the holder of the drug's patent or through an exclusive marketing arrangement. A company that receives approval for a new drug application ("NDA") from the U.S. Food and Drug Administration ("FDA"), usually the patent holder, has the exclusive right to produce and sell the drug for about 20 years from the date of filing of the patent application. This market exclusivity generally provides brand-name products the opportunity to build up physician and customer loyalties.

Once a patent on a drug expires, a manufacturer can obtain FDA approval to market a "generic" version. A generic drug is therefore usually marketed after the patent on a brand drug expires and is comparable to a brand-name drug. In fact, the FDA requires that generic drugs to have the same quality, strength, purity, identity and efficacy as brand-name drugs. While comparable to brand-name drugs, generic drugs are usually far less costly than brand-name drugs, resulting in substantial savings to consumers and hospitals. These cost savings have resulted in sustained growth of the generic pharmaceutical industry in the United States. According to a Congressional Budget Office study, "How Increased Competition from Generic Drugs has Affected Prices and Returns in the Pharmaceutical Industry," (available at http://www.cbo.gov/showdoc.cfm?index=655&sequence=0) in 1984, 19% of prescription drugs sold in the United States were generic. In 2002, according to a Federal Trade Commission Study in July, 2002, "Generic Drug Entry Prior to Patent Expiration," (available at http://www.ftc.gov/os/2002/07/genericdrugstudy.pdf) that figure reached more than 47%.

Much of the growth of the generic pharmaceutical industry has been attributed to The Drug Price Competition and Patent Term Restoration Act of 1984 (the "Waxman-Hatch Act") which encourages generic competition. Before the Waxman-Hatch Act, generic drug manufacturers had to put their products through an approval process similar to that for the original approval for brand-name drugs. Now, there is an accelerated approval process in which the generic manufacturer needs only to demonstrate to the FDA that the generic product is bioequivalent to the brand-name product through the filing of an abbreviated new drug application ("ANDA"). The ANDA may rely on information from the brand-name drug's application with the FDA.

It has been estimated that the average drug takes 12 years and $270 million from initial discovery, through FDA testing and approvals, to public use.(1) Generic drug manufacturers can avoid almost all of these costs through the ANDA process, which has typically cost Interpharm less than $500,000.

Interpharm's Business

Interpharm currently manufactures and markets twenty generic drug products in solid dosage form. Interpharm holds an ANDA for ten of the products. The remaining products are manufactured under an OTC monogram or are pre-1938 drugs which do not require ANDAs. Interpharm's products are solid oral dosage form consisting of tablets, caplets and capsules.

Approximately 35% of Interpharm's sales are to wholesalers and distributors which sell Interpharm's products to retailers and other wholesalers under their own labels. Approximately 65% of Interpharm's sales are under its own label. Interpharm distributes its products as follows:

- to distributors who sell to retail chain stores;

- directly to retail chains;

- to resellers who repackage Interpharm's products and sell them to retail chains; and

- with respect to a contract awarded to Interpharm by the U.S. Department of Veterans Affairs described below, through a government appointed prime vendor which purchases Interpharm's products and ships them as needed by the end user hospitals and facilities.

During the nine months ended September 30, 2002, two Interpharm customers collectively accounted for approximately 56% of total sales. During the fiscal year ended December 31, 2001, three customers accounted for 19%, 20% and 22%, respectively, of total sales. Except as described below, Interpharm does not have a contract with any of these customers. The customers submit purchase orders to Interpharm and are invoiced for their orders.

During 2001, Interpharm had a contract with the Department of Veterans Affairs for the supply of Ibuprofen through a prime vendor which accounted for 19% of total sales. That contract expired June 30, 2002, but has again been awarded to Interpharm as of December 5, 2002 as described under "Recent Business Developments," below.

The loss of any of Interpharm's largest customers could have a material adverse effect on Interpharm's business.

As is the case with Interpharm's largest customers, most of Interpharm's other sales are not made pursuant to contracts, but pursuant to individual purchase orders. Therefore, there is nothing requiring many of Interpharm's customers to continue to purchase generic drugs from Interpharm and there can be no guarantee that they will continue to do so.

Interpharm's Product Line

Below is a list of drugs manufactured by Interpharm. The names of all of the drugs under the caption "Brand-Name Drug" are registered trademarks. The holders of the registered trademarks are non-affiliated pharmaceutical manufacturers.

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(1) PROJECTIONS OF DRUG APPROVALS, PATENT EXPIRATIONS, AND GENERIC ENTRY FROM 2000 TO 2004, C. Daniel Mullins, Ph.D., Francis Palumbo, Ph.D., J.D., and Bruce Stuart, Ph.D. (2000).

Product Name	BRAND-NAME DRUG
1. Acetaminophen 500 mg White Tablets	Tylenol(R)

2. Acetaminophen 500 mg White Caplets	Tylenol(R)
3. Acetaminophen 325 mg White Tablets	Tylenol(R)
4. Acetaminophen, Pseudoephedrine, Chlorpheniramine Maleate, USP Tablets 650mg/60mg/ 4mg	Singlet(R)
5. Clorpheniramine Maleate 4mg Yellow Tablets	Chlortrimetron(R)
6. Ibuprofen 200mg White Tablets	Advil(R)
7. Ibuprofen 200mg Brown Tablets	Advil(R)
8. Ibuprofen 200mg Orange Tablets	Motrin(R)
9. Ibuprofen 200mg White Caplets	Advil(R)
10. Ibuprofen 200mg Brown Caplets	Advil(R)
11. Ibuprofen 200mg Orange Caplets	Motrin(R)
12. Ibuprofen 400mg White Tablets	Motrin(R)
13. Ibuprofen 600mg White Tablets	Motrin(R)
14. Ibuprofen 800mg White Tablets	Motrin(R)
15. Isometheptene Mucate, Dichloralphenazone, Acetaminophen, Red/Red Capsule, 65mg/100mg/325mg	Midrane(R)
16. Naproxen 250mg White Tablets	Naprosyn(R)
17 Naproxen 375mg White Tablets	Naprosyn(R)
18. Naproxen 500mg White Tablets	Naprosyn(R)
19. Pseudoephedrine HCl 60mg White Tablets	Sudafed(R)
20. Pseudoephedrine HCl, Triprolidine HCl White Tablets, 2.5mg/60mg	Actifed(R)

Product Development

During the fiscal years ended December 31, 2000 and 2001, and the interim period ended September 30,2002, the majority of Interpharm's revenues were derived from sales of Ibuprofen tablets in both OTC and prescription strength.

Interpharm believes that its growth in recent years has been due primarily to its ability to create competitive advantages in its existing product line through efficient manufacturing processes, cost competitiveness, and the ability to create loyalty among its customers.

Over the next few years, patent protections on a large number of brand-name drugs are expected to

expire which represent billions of dollars in sales. These patent expirations may provide opportunities for the manufacturers of generic drugs. In order to

take advantage of these opportunities, Interpharm intends to expand its product line and concentrate its new product development activities on brand-name products that have proven markets.

FDA approval is required before any generic drug can be marketed through an ANDA. While the ANDA has significantly streamlined the process of obtaining FDA approval for generic drugs, it is difficult to predict how long the process will take for any specific drug. Therefore, there is always the risk that the introduction of new products can be delayed.

The ANDA process requires that a company's manufacturing procedures and operations conform to FDA requirements and guidelines, generally referred to as current Good Manufacturing Practices ("cGMP"). The requirements for FDA approval encompass all aspects of the production process, including validation and record keeping, and involve changing and evolving standards. Compliance with cGMP regulations requires substantial expenditures of time, money and effort in such areas as production and quality control to ensure full technical compliance. The evolving and complex nature of these regulatory requirements, the broad authority and discretion of the FDA and the generally high level of regulatory oversight result in a continuing possibility that Interpharm may be adversely affected by regulatory actions despite its efforts to comply with regulatory requirements.

The ANDA process also requires bioequivalency studies to show that the generic drug is bioequivalent to the approved drug. Bioequivalence compares the bioavailability of one drug product with that of another formulation containing the same active ingredient. When established, bioequivalency confirms that the rate of absorption and levels of concentration in the bloodstream of a formulation of the approved drug and the generic drug are equivalent. Bioavailability indicates the rate and extent of absorption and levels of concentration of a drug product in the bloodstream needed to produce the same therapeutic effect.

Supplemental ANDAs are required for approval of various types of changes to an approved application, and these supplements may be under review for six months or more. In addition, certain types of changes may only be approved once new bioequivalency studies are conducted or other requirements are satisfied.

In December 2001 Interpharm received ANDA approval from the FDA to produce prescription strength Naproxen. In addition, Interpharm has two new drugs that are under development. There can be no assurances, however, that the FDA will ultimately approve the drugs that are under development.

Even if an ANDA is approved, brand-name companies can impose substantial barriers to market entry which may include: filing new patents on drugs whose original patent protection is about to expire, developing patented controlled-release products or other product improvements, developing and marketing, as OTC products, brand-name products that will soon face generic competition, and commencement of marketing initiatives, regulatory activities and litigation. While none of these actions have been taken against Interpharm, to date, there can be no assurance that they will not be taken in the future.

Recent Business Developments

In January 2002 Interpharm entered into an agreement to manufacture, on a contract basis, four drugs in various dosage strengths. The contract is subject to Interpharm receiving a Site Transfer Approval ("STA") from the FDA.

The agreement is for a five year term, which may be renewed for an additional two years. The agreement also contains a non-compete provision

stating that Interpharm may not distribute any of the drugs covered by the agreement for five years after its termination.

Whereas an ANDA approves the formula for a given product produced at a specified location, an STA granted by the FDA allows for the production of an approved drug at a site other than the one

approved in the ANDA. In order for the FDA to approve an STA, the new production location must demonstrate that it will be able to comply with all of the terms and conditions set forth in the approved ANDA, which include sources for raw materials, equipment, facility approval, and standard operating procedures. Interpharm believes that it may obtain an STA for the four drugs by the end of the second quarter of 2003. There can be no assurances, however, that an STA for each drug will be granted by the FDA.

On December 5, 2002, Interpharm was awarded a contract by the Department of Veterans Affairs to supply Ibuprofen tablets for the period January 2, 2003 through January 1, 2004 and includes four one year renewal options after that at the option of the Department of Veterans Affairs. The Department of Veterans Affairs has advised Interpharm that its estimated yearly value of the contract is $5,054,879. Interpharm previously had this contract which expired June 30, 2002.

The contract covers sales to the following entities: all Department of Veterans Affairs facilities, all Indian Health Service facilities, Department of Health and Human Service Supply Center at Perry Point and all Option 2 State Veterans Homes. Upon mutual agreement, other government entities may be added to the contract.

Interpharm believes that its continued growth is dependent upon its ability (i) to continue increasing its market share in its existing product lines by utilizing its manufacturing efficiency, cost competitiveness, and customer loyalty, (ii) to obtain FDA approval for the drugs currently under development, (iii) to continue to increase its product line, (iv) to leverage off of its competitive strengths to capture market share on its new product lines and (v) to utilize its manufacturing efficiencies to enter into additional contract manufacturing arrangements. Interpharm believes that it will be successful in implementing the strategies above, but there can be no assurance that it will do so.

Research and Development

Interpharm's research and development expenses in and prior to 2000 were negligible. In the fiscal year ended 2001, Interpharm's expenditures on research and development were approximately $110,000. Interpharm has expended approximately $127,450 for research and development from January 1, 2002 through September 30, 2002.

Interpharm's research and development activities consist of (i) identifying and conducting patent and market research on brand name drugs for which patent protection has expired or will expire in the near future, (ii) researching and developing new product formulations based upon such drugs, (iii) obtaining approval from the FDA for such new product formulations, and (iv) introducing technology to improve production efficiency and enhance product quality. The scientific process of developing new products and obtaining FDA approval is complex, costly and time consuming and there can be no assurance that any products will be developed and approved despite the amount spent on research and development. The development of products may be curtailed in the

early or later stages of development due to the introduction of competing generic products or for other strategic reasons.

The research and development of oral solid dosage products requires studies and FDA review and approval which has historically taken approximately two to three years. However, the length of time necessary to bring a product to market can vary significantly and can depend on, among other things, availability of funding, problems relating to formulation, safety or efficacy, patent issues associated with the product or barriers to market entry from brand-name product manufacturers.

Interpharm contracts with outside laboratories to conduct biostudies, which, in the case of oral solids, generally are required for FDA approval. Historically, the vast majority of Interpharm's research and development expenditures have been on biostudies. While Interpharm believes that the companies contracted to perform the biostudies are reliable, there can be no assurance that they will use the proper due diligence or that their work will otherwise be accurate.

Intellectual Property

Interpharm does not currently hold or license any patents and has not trademarked its name.

Marketing

Interpharm markets its products primarily to wholesalers, drug distributors, repackagers, and other manufacturers through its internal sales staff as well as independent sales representatives. Some of Interpharm's wholesalers and distributors purchase products that are warehoused for drug chains, independent pharmacies, state and federal governmental agencies and managed healthcare organizations. Consistent with industry practice, Interpharm has a return goods policy. Pursuant to its policy, any unopened items in its original packaging may be returned if accompanied by (i) an authorization form obtained from Interpharm, a "Returned Goods Authorization Number" obtained from Interpharm and a proof of purchase. Transportation charges for returns are paid by the customer. If the foregoing procedures are followed, Interpharm will return the customer's original purchase price or the current market price, whichever is lower.

Pursuant to its return policy, Interpharm will not accept any of the following for return: (i) short-dated products (14 months or less remaining on the expiration date), (ii) expired products, products which have been opened, tampered with or which have a broken seal, (iii) products which have stickers or other price markings, (iv) products which have been damaged by improper handling, fire, flood or other catastrophes, (v) products stored under conditions other than as specified on the label, (vi) products returned by someone other than the direct purchaser from Interpharm, or (vii) products without proof of purchase.

Interpharm has not experienced returns of material quantities of any of the products it sells and therefore, does not believe that it is subject to material risk of inventory buildup attributable to returns.

Subsidiary

Interpharm has a 50% owned subsidiary called Saturn Chemical, LLC, a New York limited liability company. Saturn acts solely as a purchasing agent for Interpharm by purchasing Ibuprofen powder and supplying it to Interpharm. No written agreement exists between Interpharm and the other 50% owner of Saturn with respect to Saturn or the supply of Ibuprofen powder.

Interpharm has in the past sold finished goods to the other 50% owner of Saturn. For the fiscal year ended December 31, 2001, there were $3,506,267 in sales to the other owner. For the nine months ended September 30, 2002 however, there were no sales to it.

Competition

The generic pharmaceutical industry is immensely competitive. Interpharm has identified at least seven principal competitors. The primary means of competition involve manufacturing capabilities and efficiencies, innovation and development, timely FDA approval, product quality, marketing, reputation, level of service, including the maintenance of sufficient inventory levels to assure timely delivery of products, product appearance and price. Price is one of the key factors in the generic pharmaceutical business. To compete effectively and remain profitable, a generic drug manufacturer must manufacture its products in a cost effective manner. Interpharm maintains adequate levels of inventories to meet customer demand and have them readily available.

In addition to generic manufacturers, Interpharm has also experienced competition from brand-name companies that have purchased generic companies or license their products prior to or as relevant patents expire. No further regulatory approvals are required for a brand-name manufacturer to sell its pharmaceutical products directly or through a third party to the generic market, nor do such manufacturers face any other significant barriers for entry into such market.

As is the case with many generic pharmaceutical manufacturers, many of Interpharm's competitors have longer operating histories and greater financial resources than Interpharm. Consequently, some of theses competitors may have larger production capabilities, may be able to develop products at a significantly faster pace at a reduced cost, and may be able to devote far greater resources to marketing their product lines.

Certain manufacturers of brand-name drugs and/or their affiliates have been introducing generic pharmaceutical products equivalent to such brand-name drugs at relatively low prices. Such pricing, with its attendant diminished profit margins, could have the effect of inhibiting Interpharm and other manufacturers of generic pharmaceutical products from developing and introducing generic pharmaceutical products comparable to certain brand-name drugs. This, in turn, may discourage Interpharm's development of new products, reduce Interpharm's sales and limit or preclude its profitability. Additionally, consolidation among wholesalers, distributors, and repackagers, and technological advances in the industry and pricing pressures from large buying groups, could create pricing pressure, which would reduce Interpharm's profit margins on its product lines.

In addition, increased price competition among manufacturers of generic pharmaceutical products, resulting from new generic pharmaceutical products being introduced into the market and other generic pharmaceutical products being reintroduced into the market, has led to an increase in demands by customers for downward price adjustments by the manufacturers of generic pharmaceutical

products. No assurance can be given that such price adjustments, which reduce gross profit margins, will not continue, or even increase, with a consequent adverse effect on Interpharm's earnings.

Brand-name companies also pursue other strategies to prevent or delay generic competition. These strategies may include: seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate bioequivalence, initiating legislative efforts in various states to limit the substitution of generic versions of certain types of brand-name pharmaceuticals, instituting legal action that automatically delays approval of generic products, the approval of which requires certifications that the brand-name drug's patents are invalid or unenforceable, or introducing "second generation" products prior to the expiration of market exclusivity for the reference product, obtaining extensions of market exclusivity by conducting trials of brand-name drugs, persuading the FDA to withdraw the approval of brand-name drugs, for which the patents are about to expire, thus allowing the brand-name company to obtain new patented products serving as substitutes for the products withdrawn, or seeking to obtain new patents on drugs for which patent protection is about to expire.

The ability of brand-name companies to successfully delay generic competition in any of Interpharm's targeted new product lines may adversely affect Interpharm's ability to enter into the desired product line or may impact its ability to attain its desired market share for that product.

The Food and Drug Modernization Act of 1997 includes a pediatric exclusivity provision that may provide an additional six months of market exclusivity for indications of new or currently marketed drugs if certain agreed upon pediatric studies are completed by the applicant. Brand-name companies are utilizing this provision to extend periods of market exclusivity.

Some brand-name companies have lobbied Congress for amendments to the Waxman-Hatch legislation that would give them additional advantages over generic competitors. For example, although the term of a company's drug patent can be extended to reflect a portion of the time an NDA is under regulatory review, some companies have proposed extending the patent term by a full year for each year spent in clinical trials, rather than the one-half year that is currently permitted. If proposals like these become effective, Interpharm's entry into the market and its ability to generate revenues associated with these products will be delayed.

Raw Materials

Production and development depends upon Interpharm's ability to procure raw materials, which are generally available, at prices which allow Interpharm to compete with other generic drug

manufacturers. The raw materials purchased by Interpharm consist primarily of the generic drugs it sells, in powder form, which Interpharm then mixes with several other ingredients and manufactures into tablet form. Interpharm does not have any contracts or other long-term arrangements with any supplier and therefore, there is no guarantee that necessary materials will continue to be procured at the prices or delivery terms currently available or acceptable to Interpharm. Interpharm usually purchases its raw materials by submitting a purchase order to the supplier for which it receives an invoice.

With respect to raw material purchases, Interpharm's 50% owned subsidiary, Saturn Chemical, LLC, acts as a purchasing agent to supply Ibuprofen to Interpharm. Saturn, however, is not the sole supplier. There is no written

agreement between Interpharm and Saturn.

During the nine month period ended September 30, 2002, Interpharm purchased raw materials from two suppliers totaling approximately 70% of its total raw material purchases. During the fiscal years ended December 31, 2001 and December 31, 2000, Interpharm purchased raw materials from three suppliers totaling approximately 65% and 53% of its total raw material purchases.

To date, Interpharm has experienced no significant difficulty in obtaining raw materials and believes that raw materials will generally continue to be available in the future. However, since the federal drug application process requires specification of raw material suppliers, if raw materials from a specified supplier were to become unavailable, FDA approval of a new supplier would be required. While a new supplier becomes qualified by the FDA and its manufacturing process is judged to meet FDA standards, a delay of six months or more in the manufacture and marketing of the drug involved could result, which, depending on the particular product, could have a material adverse effect on Interpharm's financial condition.

Generally Interpharm attempts to minimize the effects of any lack of raw materials supply by specifying, where economical and feasible, two or more suppliers of raw materials for the drugs it manufactures.

Employees

Interpharm currently has 128 full time employees.

Product Liability

Like all pharmaceutical companies, Interpharm faces the risk of loss resulting from, and adverse publicity associated with, product liability lawsuits, whether or not such claims are valid. Interpharm currently has products liability coverage for $2,000,000 per occurrence with a $2,000,000 aggregate limit. Although Interpharm believes that it has reasonably adequate insurance coverage, it cannot be certain that such coverage will, in fact, be adequate to cover claims or that Interpharm will be able to get adequate insurance coverage in the future at acceptable costs. A successful product liability claim that is excluded from coverage, or that exceeds Interpharm's policy limits, could require it to pay substantial sums.

Government Regulation

All pharmaceutical manufacturers are subject to extensive, complex and evolving regulation by Federal local and state governmental entities, principally by the FDA, and, to a lesser extent, by the Drug Enforcement Administration and state governmental agencies. The Federal Food, Drug, and Cosmetic Act, the Controlled Substances Act, the Waxman-Hatch Act, the Generic Drug Enforcement Act and other Federal statutes and regulations govern or influence the testing, manufacture, packaging, safety, labeling, storage, record keeping, approval, advertising and promotion of Interpharm's products.

Noncompliance with applicable requirements can result in judicially and/or administratively imposed sanctions including the initiation of product seizures, injunction actions, fines and criminal prosecutions. Administrative enforcement measures can involve the recall of products, as well as the refusal of the government to enter into supply contracts or to approve new drug applications. The FDA also

has the authority to withdraw approval of drugs in accordance with regulatory due process procedures. Although, Interpharm has internal compliance programs and standard operating procedures which have been reviewed by independent consultants, and has had a favorable compliance history, if these programs were not to meet regulatory agency standards in the future, or if Interpharm's compliance were deemed deficient in any significant way, it could have a material adverse effect on Interpharm's business and earnings.

The FDA inspects manufacturer's facilities to assure compliance with cGMP. Manufacturers must follow cGMP regulations at all times during the manufacture and processing of drugs. To comply with the standards set forth in these regulations, Interpharm must continue to expend significant time, money and effort in the areas of production, quality control and quality assurance.

In addition to the Federal government, individual states have laws regulating the manufacture and distribution of pharmaceuticals, as well as regulations pertaining to the substitution of generic drugs for brand-name drugs. Interpharm's operations are subject to regulation, licensing requirements and inspection by the states in which Interpharm is located or conducts business.

Interpharm must also comply with federal, state and local laws of general applicability, such as laws regulating working conditions and equal opportunity employment. Additionally, Interpharm is subject, as are all manufacturers, to various federal, state and local environmental protection laws and regulations, including those governing the discharge of materials into the environment. Historically, the costs of complying with such environmental provisions have not had a material adverse effect on Interpharm's earnings, cash requirements or competitive position, and Interpharm does not expect such costs to have any such material adverse effect in the foreseeable future. However, if changes to such environmental provisions are made that require significant changes in its operations or the expenditure of significant funds, such changes could have a material adverse effect on Interpharm's earnings, cash requirements or competitive position.

Continuing studies of the proper utilization, safety and efficacy of pharmaceutical products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products. There can be no assurances that these studies will not, in the future, result in the discontinuance of product marketing.

Description of Property

Interpharm does not own any real property. It leases an entire building in Hauppauge, New York, pursuant to a lease expiring in October, 2019, which houses its manufacturing, warehousing and executive offices. The leased building is approximately 100,000 square feet and is located in an industrial/office park. The current annual lease payments to the landlord, Sutaria Family Realty, LLC, are $480,000. Sutaria Family Realty, LLC is owned by Mona Rametra, Perry Sutaria and Raj Sutaria. Upon a change in ownership of Interpharm, and every three years thereafter, the annual base rent will be adjusted to fair market value, as determined by an independent appraisal. There are no tenants in the building other than Interpharm.

Legal Proceedings

On or about January 31, 2002, Teresa Casey and Jerry Casey, as

plaintiffs, commenced a lawsuit against Interpharm, as defendant in Superior Court, State of Washington, County of Pierce. Plaintiffs allege that Teresa Casey suffered a hemorrhagic stroke and aneurysm caused by ingesting guaifenesin/phenylpropanolamine ("PPA") for relief of bronchitis symptoms. Plaintiffs allege that Teresa Casey suffered severe injuries, including, but not limited to, invasive surgery, physical and cognitive impairment, emotional distress and other economic and non-economic damages. Plaintiffs allege that Interpharm was the alleged designer, constructor, manufacturer, producer, marketer, seller and distributor of the PPA Teresa Casey ingested. Plaintiffs have alleged nine causes of action for product liability, tort liability, negligence, breach of implied and express warranties and violation of the Washington Consumer

Protection Act. Plaintiffs seek unspecified damages, attorney's fees, prejudgment interest, punitive damages and such other relief as the court deems just.

Interpharm has denied the material allegations of the complaint, believes it has meritorious defenses to the complaint and plans to vigorously defend the action.

On or about August 13, 2002, Interpharm, as plaintiff, commenced a lawsuit against General Star Indemnity Company, G.P. Insurance Agency, Inc. and Mortsan General Agency, Inc., as defendants in the Supreme Court of the State of New York, County of Suffolk. The lawsuit arose from General Star's refusal to cover or defend Interpharm under an insurance policy with respect to the Casey action discussed in the preceding paragraph. The insurance policy is alleged to have been obtained for Interpharm by G.P. Insurance Agency, Inc. and Mortsan General Agency, Inc.

The alleged factual basis for Interpharm's claims is as follows. On or about July 28, 2001, General Star notified Interpharm that its Commercial General Liability Insurance Policy would not be renewed, but did not provide it with notice of extended reporting period coverage as required under New York law. When Interpharm received the complaint in the Casey action above and forwarded it to General Star in February, 2002, General Star refused coverage. On or about June 7, 2002, Interpharm exercised its right to obtain extended reporting coverage under its General Star policy.

Interpharm seeks a declaratory judgment that General Star is obligated to cover and defend the action and seeks damages, costs and attorney's fees for fraud misrepresentation and other claims.

Interpharm Related Party Transactions

Because Interpharm is a family owned business, it and its owners and affiliates have engaged in a number of related party transactions as detailed below.

Loans from Shareholders, Officers and Directors

Dr. Maganlal K. Sutaria and Interpharm shareholders, from time to time have made loans to Interpharm. Approximately $3,000,000 of the loans have a maturity date of January 1, 2012, and the balance of the advances, as reflected in Interpharm's September 30, 2002 financial statements, have no definitive repayment terms. As of December 31, 2002, repayment of $3,000,000 of these loans is subordinated to Interpharm's bank debt. In December 2002, Interpharm repaid

approximately $759,000 of these loans.

Lease

On November 17, 1997, Interpharm entered into a lease for its facility with Perry Sutaria, Mona Rametra and Raj Sutaria as landlords, ending October 31, 2019. Each of the landlords is an Interpharm shareholder and Raj Sutaria is an Interpharm Officer. The current monthly lease payments are $40,000. The lease was subsequently assigned to, and assumed by, Sutaria Family Realty, LLC which is owned by Perry Sutaria, Raj Sutaria and Mona Rametra. Pursuant to the terms of the lease, upon a change in ownership of Interpharm, and every three years thereafter, the annual base rent will be adjusted to fair market value, as determined by an independent appraisal.

No third party assessment or appraisal of the lease was made at the time it was entered into or at any subsequent time. The Special Committee of Atec's Board of Directors has taken the lack of a third party assessment into account but believe that the lease terms are in line with other leases in the area. This belief is based on the fact that Atec's offices are in the same area as Interpharm's leased premises and ATEC is currently subletting similar space for $5.50 per square foot whereas Interpharm is paying $4.80 per square foot.

An oral agreement exists among Vimojy Realty, Inc. and the owners of 75 Adams Avenue, Hauppauge, New York for Vimojy to act as managing agent for the property. Vimojy is wholly owned by

Bhupatlal K. Sutaria, Interpharm's President.

As managing agent, Vimojy is responsible for and performs the following functions: collection of rent, making mortgage, tax and insurance payments and management and maintenance of the property, including, but not limited to, arranging repairs, purchasing supplies and ensuring compliance with the lease.

Guarantees

Raj Sutaria (Shareholder/Officer), Bhupatlal K. Sutaria (Officer), Perry Sutaria (Shareholder) and Mona Rametra (Shareholder) have provided unconditional joint and several guarantees of payment by with respect to:

1. HSBC Advised Secured Line of Credit Facility for $2.0 ($1.5 million to Interpharm; and $.5 million to Saturn Chemical); and

2. HSBC Non-Revolving Secured Facility for Equipment Purchases for $1.5 million to Interpharm.

Interpharm has guaranteed the following loans relating to its leased premises. Interpharm does not receive any payments or other consideration for these loan guarantees which relate to its leased building.

1. July 21, 1999 Loan and Use Agreement relating to an $820,000 loan for the purchase of 75 Adams Avenue, Hauppauge, New York, among Bi-County Development Corporation, Perry M. Sutaria, Mona M. Sutaria, Raj M. Sutaria, Interpharm and the New York Job Development Authority;

2. July 21, 1999 Loan Agreement by and among Perry M. Sutaria, Mona M. Sutaria and Raj M. Sutaria, as borrower, Interpharm as

guarantor, and the Long Island Development Corporation ("LIDC") for an $850,000 loan from LIDC under guarantee by the U.S. Small Business Administration; and

3. April 29, 2002 $1,859,000 mortgage loan from HSBC to Sutaria Family Realty, LLC, which is owned by Perry Sutaria, Raj Sutaria and Mona Rametra.

Market Price of and Dividends on Interpharm's Common Equity and Related Stockholder Matters

Interpharm has one class of common stock, $.001 par value, which is held by the following four shareholders in the following amounts:

Name	Number of Shares
Raj Sutaria	1,400,000
Ravi Sutaria	1,000,000
Mona Rametra	800,000
Perry Sutaria	800,000

Interpharm's stock has never been publicly traded and no dividends have ever been paid to the holders of Interpharm stock. Interpharm does not have any equity compensation plans in place, nor does it have any outstanding options, warrants or securities convertible into its common stock.

Financial Statements of Atec and Interpharm

For the audited financial statements of Interpharm for the fiscal years ended December 30, 2000

and 2001, as well as the unaudited financial statements of Interpharm for the nine months ended September 30, 2002 and 2001, which are incorporated herein by reference, see Appendix B.

For the audited financial statements of Atec for the fiscal years ended June 30, 2001 and 2002, as well as selected financial data and quantitative and qualitative disclosures about market risks, see Atec's Form 10-K and Form 10-K/A which are being provided with this Proxy Statement and is incorporated herein by reference. For unaudited financial statements of Atec for the quarter ended September 30, 2002, as well as quantitative and qualitative disclosures about market risks, management's discussion and analysis of financial condition and results of operations, see Atec's Form 10-Q for the Quarter ended September 30, 2002, which is being provided with this Proxy Statement and is incorporated herein by reference.

Pro Forma Financial Statements

INTRODUCTION TO UNAUDITED PRO FORMA
CONDENSED COMBINED BALANCE SHEET

The following unaudited pro forma condensed combined balance sheet, as of September 30, 2002, is based on the historical financial statements of Atec Group, Inc. and Subsidiaries ("Atec") and Interpharm, Inc. and Subsidiary

("Interpharm") and gives effect to the pro forma adjustments described herein as though the Management Buy-Out (as defined below) and the acquisition of Interpharm (as described below) had been consummated at September 30, 2002. The acquisition of Interpharm will be accounted for as a reverse merger in the form of a recapitalization of Interpharm. Since the historical financial statements of Interpharm will become the financial statements of Atec, a pro forma statement of operations is not presented.

The unaudited pro forma condensed combined balance sheet should be read in conjunction with the notes thereto and with the historical financial statements of Atec, as filed in its annual report on Form 10-K and Form 10-K/A for the year ended June 30, 2002 and in its quarterly report on Form 10-Q for the quarter ended September 30, 2002 and with the historical financial statements of Interpharm included elsewhere herein. The unaudited pro forma condensed combined balance sheet is not necessarily indicative of the Company's combined financial position that would have been achieved had the Management Buy-Out and the acquisition been consummated at September 30, 2002.

On November 25, 2002, Atec entered into an Asset Purchase Agreement with Baar Group whereby Baar Group agreed to purchase the assets of Atec's sole current operations and assume substantially all of the liabilities of Atec for a purchase price of $4,278,184, subject to certain adjustments (the "Management Buy-Out"). The purchase price is payable by delivery of (a) a $1 million promissory note payable within 12 months, (b) a $750,000 promissory note payable within 3 years and (c) cash for the remainder of the purchase price. The principals of Baar Group consist of current directors, officers, employees and/or shareholders of Atec. The column labeled "Atec Group, Inc.- After Management Buy-Out" in the pro forma condensed combined balance sheet reflects the Atec financial position as if the Management Buy-Out were completed on September 30, 2002, prior to recording the affects of the Interpharm acquisition.

Under the terms of the Capital Stock Exchange Agreement dated November 25, 2002, Atec will purchase all of the issued and outstanding common stock of Interpharm, in exchange for Atec common stock and a new Series K Convertible Preferred Stock. Immediately following the exchange, Interpharm shareholders will own approximately 48% of Atec's total voting stock.

The pro forma adjustments reflect the transactions based on currently available information and certain estimates and assumptions as set forth in the notes to the unaudited pro forma condensed combined balance sheet. However, the actual amounts may differ from the pro forma amounts.

ATEC GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2002

	ATEC GROUP, INC. Historical	ATEC GROUP, INC. Pro Forma Adjustments Debt	Credit	ATEC GROUP, INC. After Management Buy-out Pro Forma	INTERPHAR INC. Historic
A S S E T S					

Current assets:									
Cash	$ 2,012,000	(1)	$2,204,000		(1)	$2,012,000	$2,204,000	$	120,0
Note receivable - current portion	--	(1)	1,250,000			--	1,250,000		
Marketable securities,	--						--		33,0
Accounts receivable	2,978,000		--		(1)	2,978,000	--		3,874,0
Inventories	620,000		--		(1)	620,000	--		3,129,0
Deferred taxes	401,000		--		(3)	401,000	--		44,0
Other current assets	713,000		--		(1)	356,000	--		110,0
					(2)	357,000	--		
Total current assets	6,724,000		3,454,000			6,724,000	3,454,000		7,310,0
Property and equipment	250,000		--		(1)	243,000	7,000		3,146,0
Goodwill	865,000		--		(1)	507,000	--		
					(2)	358,000	--		
Note receivable - non-current portion	--	(1)	500,000			--	500,000		
Other assets	191,000		--		(2)	191,000	--		11,0
Deferred tax assets	--		--		##	--	--		103,0
	$ 8,030,000		$3,954,000			$8,023,000	$ 3961,000		$10,570,0
LIABILITIES AND STOCKHOLDERS' EQUITY									
Current liabilities:									
Revolving lines of credit	$ 249,000		$ --		(1)	249,000	$ --	$	943,0

Accounts payable	1,281,000		--		(1)	1,239,000	42,000		2,875,0
Accrued expenses	756,000		--		(1)	537,000	219,000		

Current maturities of bank notes payable	--	--		--	--	250,0
Due to related parties	--	--		--	--	1,029,0
Other current liabilities	314,000	--	(1)	314,000	--	
Total current liabilities	2,600,000	--		2,339,000	261,000	5,097,0
Other liabilities:						
Bank notes payable, less current maturities	--	--		--	--	404,0
Due to related parties	--	--		--	--	3,000,0
Total other liabilities						3,404,0
TOTAL LIABILITIES	2,600,000	--	##	2,339,000	261,000	8,501,0
Stockholders' equity:						
Preferred stocks	836,000	--		--	836,000	
Common stock - ATEC Group, Inc.	74,000	--		--	74,000	
Common stock - Interpharm, Inc.	--	--		--	--	4,0
Additional paid-in capital	12,177,000	--		--	12,177,000	2,366,0
Discount on preferred stocks	(743,000)	--		--	(743,000)	
Accumulated other comprehensive loss	--	--		--	--	(4,0
Deficit	(6,175,000)	(4) 1,730,000		--	(7,905,000)	(297,0
	6,169,000	1,730,000		--	4,439,000	2,069,0
Less: Treasury stock - at cost	(739,000)	--		--	(739,000)	
Total stockholders' equity	5,430,000	1,730,000		--	3,700,000	2,069,0
Total liabilities and stockholders' equity	$ 8,030,000	$1,730,000		2,339,000	$3,961,000	$10,570,0

ATEC GROUP, INC. AND SUBSIDIARIES
PRO FORMA ADJUSTMENTS
SEPTEMBER 30, 2002
(Unaudited)

(1) Record net proceeds, of $3,700,000 from the sale of the existing business and various assets and assumption of various liabilities of the ATEC GROUP, Inc.(Atec) follows:

Cash		$2,204,000
Notes receivable		1,750,000
Retained assets and liabilities		
Property and equipment	$7,000	
Liabilities	(261,000)	
		(254,000)
		$3,700,000

Pursuant to the terms of the Asset Purchase Agreement between Baar Group, Inc. and Atec Group, Inc., the Baar Group, Inc. will acquire substantially all of the assets and assume substantially all of the liabilities of Atec for a purchase price of $4,278,184, subject to certain closing adjustments. Since one of the conditions of closing the acquisition of Interpharm is that Atec must have not less than $3,700,000 in equity, the purchase price was reduced to reflect the minimum net assets pursuant to the agreement. The actual purchase price may vary. The notes receivable will consist of two interest-bearing notes: a $1,000,000 note which is payable over 12 months, and a $750,000 note which is payable over 36 months. Accordingly, $1,250,000,of the notes receivable, is classified as current and $500,000 is classified as long-term.

(2) Write down of retained assets of Atec with no value, as a result of the sale as follows:

Goodwill	$358,000
Other assets	548,000
	$906,000

(3) Record a valuation allowance on the remaining net deferred tax asset of Atec ,of $401,000, as result of the sale of the existing business operations and various assets and liabilities.

(4) Record the net loss of $1,730,000, and increase in Atec accumulated deficit, as a result of adjustments 1,2 and 3.

(5) Record the acquisition of Interpharm by Atec based upon the following assumptions:

a. The acquisition transaction is based upon the total number of common shares (7,719,326) of Atec outstanding as of January 10, 2003-the latest date for which share information is available.

b. The shareholders of Interpharm will own approximately 48% of

the voting securities of Atec immediately after the transaction is consummated.

c. Atec will issue common shares, and a newly created Series K preferred stock, $.01 par value, in a 75/25 ratio to effectuate the transaction.

d. Based upon assumptions a, b and c, Atec would issue 5,562,456 of common shares and 1,854,152 Series K preferred shares in exchange for all of the outstanding common shares (4,000,000) of Interpharm.

e. Interpharm will incur an estimated $200,000 of costs associated with the

acquisition transaction, including a $100,000 finders fee and an estimated $100,000 in professional fees.

Management's Discussions and Analysis of Financial Condition and Results of Operations

For management's discussion and analysis of financial condition and results of operations regarding Atec, see Atec's Form 10-K and Form 10-K/A for the year ended June 30, 2002 and Form 10-Q for the quarter ended September 30, 2002 which are being provided with this Proxy Statement and are incorporated herein by reference.

The following Interpharm management's discussion and analysis should be read in conjunction with Interpharm's unaudited financial statements for the nine months ended September 30, 2002 and its audited Consolidated Financial Statements for the fiscal years ended December 31, 2001 and 2000, and related Notes to those financial statements which are attached to this Proxy Statement as Appendix B.

Overview

Interpharm, Inc. was incorporated in November 1984 and is in the business of developing, manufacturing, and selling both prescription strength and over the counter ("OTC") generic drugs in the United States. Approximately 35% of Interpharm's sales are to wholesalers and distributors which sell Interpharm's products to retailers and other wholesalers under their own labels. Approximately 65% of Interpharm's sales are under its own label. Interpharm currently manufactures and markets twenty generic drug products in solid dosage form. Most of Interpharm's revenues, approximately 70%, are derived from the sale of Ibuprofen in four different OTC and prescription dosages.

Interpharm sells its products through an internal sales staff as well as independent sales representatives. Some of Interpharm's wholesaler and distributor customers purchase products that are warehoused for drug chains, independent pharmacies, state and federal governmental agencies and managed healthcare organizations. Consistent with industry practice, Interpharm has a return goods policy. Sales are recognized when the product is shipped and appropriate provisions are made for returns.

Interpharm has not experienced returns of material quantities of any of the products it sells during the fiscal years ended December 31, 2001 or 2000 or the nine months ended September 30, 2002, and therefore, does not believe that it is subject to material risk of inventory buildup attributable to returns.

For the nine months ended September 30, 2002, two Interpharm customers accounted for approximately 56% of sales. For the fiscal year ended December 31, 2001, three Interpharm customers accounted for 61% of sales. The loss of any of

these larger customers and Interpharm's lack of a very large customer base could adversely impact Interpharm's business.

Over the previous two fiscal years and the subsequent interim period ended September 30, 2002, Interpharm has expanded its operations and production facilities in order to meet increased demand from its existing customers. Interpharm's management believes that its existing customers would purchase more of its products if Interpharm had increased manufacturing capacity. Accordingly, Interpharm leased an additional 38,000 square feet of space in its building in January 2002 and plans to spend an additional $1 million on equipment over the next 12 to 18 months which Interpharm believes will allow it to increase manufacturing capacity by 40 to 50%.

The market for Interpharm's products is extremely competitive and Interpharm anticipates that average selling prices for its products may decrease in future periods, although the timing and amounts of these decreases cannot be predicted with any certainty. These decreases may be offset by the introduction of new drug products.

Interpharm believes that period to period comparisons of its historical operating results should not be relied upon as being a good indication of Interpharm's future performance because of Interpharm's dependence on a small number of customers for the bulk of its sales. Should Interpharm lose one or more

of those customers, its business and operating results would be materially affected. Although Interpharm has experienced significant sales growth recently, it may not be able to sustain this trend.

The Special Committee of Atec's Board of Directors has taken Interpharm's dependence on a small number of customers for the bulk of its sales into account but determined that the acquisition of Interpharm is nevertheless in the best interests of Atec shareholders because of demonstrated growth in the past and the potential for future growth.

Results of Operations

Nine months ended September 30, 2002 compared to September 30, 2001

Financial Highlights

- Net sales increased 35% or $4.6 million to $17.7 million from $13.1 million.
- Gross profit increased 19% or $.5 million to $3.2 million from $2.7 million.
- Operating income increased 89% or $.6 million to $1.4 million from $.8 million.
- Net earnings increased 120% or $439,588 to $806,909 from $367,321.

Net Sales and Gross Profit

Net sales for the nine months ended September 30, 2002 were $17.7 million compared to $13.1 million for the nine months ended September 30, 2001, an increase of $4.6 million. Of this 35% increase in net sales approximately $4 million is attributable to increased orders from existing customers spread evenly across Interpharm's product lines and resulting from Interpharm's increased production capacity and $600,000 is attributable to the introduction of Naproxen to Interpharm's product line. The increase in net sales was not attributable to any change in prices which, for all products in Interpharm's

product line, remained stable from the nine months ended September 30, 2001 to the nine months ended September 30, 2002. Gross profit for the nine months ended September 30, 2002 was $3.2 million, an increase of 19% or .5 million from the $2.7 million for the prior year.

During the nine months ended September 30, 2002, two Interpharm customers accounted for approximately 45% and 12% of Interpharm's total sales, respectively.

Cost of Sales

Cost of sales increased to $14.4 million in the nine months ended September 30, 2002, or 39% from $10.4 million in the prior year due to increased production. Approximately $3.5 million, or 88% of this increase is primarily raw material purchases and approximately $.5 million, or 12%, was for increased labor costs. Raw material prices were constant during the period.

Interpharm increased its production to satisfy demand from existing customers which have additional purchasing capacity. The increase in production is attributable to the introduction of Naproxen as well as increased production of Ibuprofen and Iso Cap the production of which increased 22% and 28% respectively.

Research and Development

Research and development expenses for the nine months ended September 30, 2002 were $127,450, or 1% of net sales, compared to $110,000, or 1% of net sales in 2001, an increase of $17,450. Research and development expenses were used primarily for a biostudy for a new drug currently in development.

Selling, General and Administrative

Selling, general and administrative expenses were $1.6 million, in the nine months ended

September 30, 2002, or 9% of net sales, compared to $1.5 million, or 11% of net sales, for 2001.

Selling, general and administrative expenses for the nine months ended September 30, 2002 were primarily made up of salaries ($487,000), selling commissions ($121,000) freight expenses ($276,000), legal, accounting and other professional services ($136,000), repairs and maintenance costs ($109,000) and insurance expense ($63,000). Salaries increased $130,000 due to increases in staff to accommodate increased production and repair and maintenance costs increased by $60,000 because of increased production. In addition, bad debt expense decreased by $297,000 due to the write-off of one customer balance in the preceding year and no write-offs occurring during the nine months ended September 30, 2002. No sales were made to the customer whose balance was written off in the nine months ended September 30, 2002.

Income Taxes

The effective tax rate for the nine months ended September 30, 2002 was 33% compared to 31% for 2001. The increase in the effective tax rate for 2002 was primarily due to a decrease in the net deferred tax asset valuation allowance in the 2001 fiscal period. The deferred tax asset was primarily attributable to New York State investment tax and employment incentive tax credits. The tax credits utilized are limited to the state taxes computed on the minimum taxable income base. These tax credits also expire in 15 years if not

utilized. Management has estimated a reserve for the deferred tax asset based upon prior years' actual credits utilized and projected credits to be utilized on future taxable income. The valuation allowance reserve has decreased due to Interpharm's increased taxable income which has utilized more credits and management's estimate of future growth which has reduced the estimated credits that will not be utilized

Year ended December 31, 2001 compared to December 31, 2000

Financial Highlights

- Net sales increased 62% or $7 million to $18.4 million from $11.4 million
- Gross profit increased 58% or $1.3 million to $3.5 million from $2.2 million
- Operating income increased 20% or $172,679 to $1,035,957 from $863,278
- Net earnings increased 52% or $176,801 to $514,565 from $337,764

Net Sales and Gross Profit

Net sales for 2001 were $18.4 million compared to $11.4 million for fiscal 2000, an increase of $7 million or 62%. In 2001, Interpharm increased its production capacity to satisfy demand from existing customers with the capacity to make additional purchases. Once Interpharm's production capacity was increased, it received a corresponding increase in orders from these customers.

Gross profit for 2001 was $3.5 million, or 19% of net sales, compared to $2.2 million, or 19% of net sales, for fiscal 2000. This increase of $1.3 million, or 58%, was also attributable to increased production of Interpharm's generic products.

The increase in net sales was not attributable to any change in prices which, for all products in Interpharm's product line, remained stable between 2000 and 2001.

Cost of Sales

Cost of sales increased from $9.2 million in 2000 to $14.9 million in 2001, an increase of $5.7 million or 62% due to increased production. $2.6 million, or 46%, of this increase was attributable to raw material purchases, $1.9 million, or 33%, was attributable to manufacturing overhead, $.2 million, or 4%, was attributable to increases in the purchase of packing supplies and $.1 million, or 2%, was attributable to increased labor costs. Raw material prices were constant during the period.

Research and Development

Research and development expenses for fiscal 2001 were $110,000, or 1% of net sales, compared to $0, in fiscal 2000. This increase was largely attributable to the new drugs currently in development.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $2.0 million, or 11% of net sales, for fiscal 2001, compared to $1.3 million, or 11% of net revenues, for fiscal 2000. For fiscal 2001, selling general and administrative expenses were primarily made up of salaries ($456,000), freight expenses ($248,000), commissions ($166,000), legal, accounting and other professional services ($199,000), repairs and maintenance expenses ($89,000) and, a bad debt of

$297,000 for one customer, the other 50% owner of Interpharm's Saturn subsidiary. The bad debt and an increase in salaries of $218,000 relating to the hiring of additional personnel in order to increase production comprised most of the increase in selling, general and administrative expenses from 2000 to 2001.

Income Taxes

The effective tax rate for fiscal 2001 was 29% compared to 39% for fiscal 2000. The decrease in the effective tax rate was due to the decrease in the tax effect of permanent differences, primarily due to the minority owner's share of the loss of Interpharm's subsidiary during 2000. At December 31, 2001, Interpharm has net deferred tax assets of $298,000 primarily related to New York State investment tax credits of approximately $268,500 and cumulative losses in excess of its subsidiary basis. The net deferred tax asset has been reduced by a valuation allowance of $151,000 because Interpharm may not be able to utilize all of these deferred tax assets prior to their expiration.

Material Financial Statement Changes

Accounts Receivable

The accounts receivable increase from December 31, 2000 to December 31, 2001 is primarily attributable to the increase in sales throughout 2001, with a significant portion of such increase during the 4th quarter of 2001. This increase resulted in an increased accounts receivable balance at December 31, 2001.

The accounts receivable days outstanding for the periods December 31, 2000 through September 30, 2002 consistently ranged from 52-59 days.

Inventory

During the later part of 2000 and early 2001 Interpharm commenced a program to increase inventory production levels to meet the demand for increasing sales. Due to the increase in sales at the end of 2001 Interpharm's inventory had decreased. During 2002 Interpharm had increased production capacity to produce more inventory to meet future demand resulting in a more optimal level of inventory at September 30, 2002.

The inventory turnover for the periods ended December 31, 2000 through September 30, 2002 has consistently improved with a decrease in number days sales in inventory from 85 days to 50 days.

Accounts Payable

The accounts payable, accrued expenses and other liabilities increase from December 31, 2000 to September 30, 2001 is primarily attributable to increased inventory production to meet sales demands during 2001. Since September 30, 2001, the level of accounts payable and accrued expense has remained relatively constant due to the fact that increased sales resulted in increased cash from operations, which was used to pay current trade payables and operating expense obligations.

Liquidity and Capital Resources

Since Interpharm's inception, it has financed its operations and met capital expenditure requirements primarily through cash flows from operations, bank loans and lines of credit and loans from Interpharm's shareholders. While Interpharm relied more heavily on its shareholders in previous years, cash

provided from operations is currently the primary source of funds to operate and expand Interpharm's business. Cash flows from operations were $718,217 during year ended December 31, 2001 and $165,167 during 2000. As a result of Interpharm's cash flows from operations during 2001, working capital increased $.6 million to $2.1 million from $1.5 million in 2000. Cash flows provided by operating activities were $460,593 for the nine months ended September 30, 2002 and $534,135 in 2001. Working capital at September 30, 2002 was $2.2 million. Interpharm believes that its working capital and cash provided by operating activities are sufficient to meet current operating needs.

Net cash used in investing activities for the nine months ended September 30, 2002 and 2001 were $847,840 and $896,971, respectively. These were all for the purchase of production equipment except for $19,043 in 2002 for the purchase of marketable securities. In the year ended 2001, Interpharm purchased $964,259 of production equipment. Interpharm removed $313,166 of net equipment from service.

Interpharm expects to devote substantial resources to continue its research and development efforts, equipment purchases and internal expansion necessary to support its growth. As a result, Interpharm anticipates that capital expenditures will increase in absolute dollars over the next 12 to 18 months by approximately $1 million, which will be used primarily for purchases of equipment. Interpharm also plans to spend approximately $500,000 on leasehold improvements over the next 12 months to house additional equipment and production facilities. While Interpharm anticipates that its cash flow and current credit arrangements will be sufficient for at least the next 12 to 18 months, it may need or choose to raise additional funds or seek other financing arrangements to facilitate more rapid expansion, to develop new products, or to acquire or invest in complimentary businesses, technologies, services or products. In the event that additional financing is required, Interpharm may not be able to acquire it on acceptable terms, if at all.

Interpharm anticipates that once it has completed its internal expansion it will be able to sell more of the products it currently produces to its existing customers which have indicated additional purchasing capacity and which have increased the volume of their orders when Interpharm has increased its production capacity in the past. However, there can be no assurance that additional orders will be received from existing customers once Interpharm's internal expansion is completed because Interpharm has no agreements or other binding commitments for such orders.

From time to time in the past, Interpharm's shareholders, directors and officers had made loans to it for working capital. As of December, 2002, each of these loans was paid by Interpharm with the exception of a loan with a $3 million principal balance from Dr. Maganlal K. Sutaria to Interpharm. These loans, reflected in Interpharm's September 30, 2002 financial statements, bear interest at a rate of 5% per annum. $3,000,000 of these loans have a maturity date of January 1, 2012, and the balance of the advances have no definitive repayment terms. Repayment of $3,248,000 of these loans is subordinated to Interpharm's bank debt. In December 2002, Interpharm repaid approximately $759,000 of the loans.

Interpharm's Obligations

As of September 30, 2002, Interpharm's obligations and the periods in which they are scheduled to become due are set forth in the following table:

Obligation	Total	Due in Less than 1 Years	Due in 1-3 Years	Due in 4-5 Years	
Line of credit (1)	$ 943,000	$ 943,000	$ --	$ --	$
Bank notes payable (1)	653,721	249,741	299,783	104,197	
Due to related Parties (2)	4,029,396	1,029,396	--	--	
Operating lease (3)	8,200,000	480,000	960,000	960,000	
Total cash obligations	$ 13,826,117	$ 2,702,137	$ 1,259,783	$ 1,064,197	$

(1) As described in Note 6 to Interpharm's Consolidated Financial Statements for the years ended December 31, 2001 and 2000, as described below, Interpharm has a credit facility with a bank consisting of a $2,000,000 secured line of credit and a $1,500,000 non-revolving secured facility for equipment purchases. The line of credit is due on demand, but is reviewed by the bank at least annually, and automatically expires unless extended in writing. The line of credit is scheduled to be reviewed by September 30, 2003. The credit facility is collateralized by substantially all Interpharm assets and personally guaranteed by Interpharm's stockholders. In addition, Interpharm must comply with certain financial covenants. The material covenants (as defined in the agreement) are as follows:

- Minimum debt service ratio of at least 1.2 : 1, on an annual basis;

- Maximum debt to net worth ratio of not more than 1.0 : 1, on an annual basis;

- Maintain a tangible net worth plus subordinated debt of at least $3,900,000 as of December 31, 2001 with an increase of tangible net worth plus subordinated net of not less than $50,000 for each fiscal year end, thereafter. Repayment of $3,248,000 of the amounts due to related parties are subordinated to the bank.

- Interpharm is also required to provide financial statements and other financial information on a regular basis.

As of December 31, 2001 and September 30, 2002 and through the date of this proxy statement, the Company is in compliance with all of the above covenants.

(2) See Note 3 to Interpharm's Condensed Consolidated Financial Statements for the nine months ended September 30, 2002 and 2001. A portion of the amounts due to related parties was paid in December 2002.

(3) See Note 7 to Interpharm's Consolidated Financial Statements for the years ended December 31, 2001 and 2000, which describes the Company's guarantee of the mortgage related to these leased premises.

Bank Loans and Lines of Credit

Interpharm has the following loans and credit lines outstanding as of December 31, 2002:

1. HSBC Advised Secured Line of Credit Facility for $2.0 ($1.5 million for Interpharm and $500,000 for its subsidiary). The interest rate on this credit line is at HSBC's prime rate plus .5% or, at Interpharm's option, a fixed rate equal to HSBC's cost of funds plus 2.0%. The line of credit is due on demand. The facility is reviewed by the bank at least annually and automatically expires unless extended in writing. The line of credit is scheduled to be reviewed by September 30, 2003.

2. HSBC Non-Revolving Secured Facility for Equipment Purchases for $1.5 million. The secured credit facility is to amortize in no more than 60 equal monthly installments of principal and interest. Each advance under the Equipment Purchase Line cannot exceed 90% of the invoice amount of the new equipment. Each advance is converted into a separate note that is fully amortizing in up to 60 equal monthly installments of principal and interest. Interest on the notes payable is charged at the bank's prime rate plus .5%. At December 31, 2001, there were four separate notes outstanding with current aggregate monthly installments totaling $24,597. Such notes mature at various dates through July 2006.

Loans that are guaranteed by Interpharm

The following loans are guaranteed by Interpharm as of December 1, 2002:

1. July 21, 1999 Loan and Use Agreement relating to an $820,000 loan for the purchase of 75 Adams Avenue, Hauppauge, New York, among Bi-County Development Corporation, Perry M. Sutaria (Shareholder), Mona M. Sutaria (Shareholder), Raj M. Sutaria (Shareholder/Officer), Interpharm and the New York Job Development Authority; and

2. July 21, 1999 Loan Agreement by and among Perry M. Sutaria (Shareholder), Mona M. Sutaria (Shareholder) and Raj M. Sutaria (Shareholder/Officer), as borrower, Interpharm as guarantor, and the Long Island Development Corporation ("LIDC") for an $850,000 loan from LIDC under guarantee by the U.S. Small Business Administration.

3. April 29, 2002 $1,859,000 mortgage loan from HSBC to Sutaria Family Realty, LLC, which is owned by Perry Sutaria, Raj Sutaria and Mona Rametra.

As of December 31, 2002, there is approximately $3,350,000 due under the above guaranteed loans.

Interpharm leases its business premises from an entity controlled by three of its stockholders under a noncancelable lease expiring in October, 2019. Interpharm is obligated to pay minimum annual rent of $480,000, plus property taxes, insurance, maintenance and other expenses related to the premises. Upon a change in ownership of Interpharm, and every three years thereafter, the annual rent will be adjusted to fair market value, as determined by an independent party.

Recent Accounting Pronouncements

In January 2002, Interpharm adopted SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 provides guidance on how to account for goodwill and intangible assets after an acquisition is completed. The most substantive change is that goodwill will no longer be amortized, but instead will be tested for impairment periodically. Implementation of SFAS 142 did not have any material impact on the consolidated financial statements of Interpharm.

In January 2002, Interpharm adopted SFAS 144, "Accounting for the Impairment of Disposal of Long Lived Assets." SFAS No. 144 addresses the accounting model for long-lived assets to be disposed of by sale and resulting implementation issues. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. It also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the

entity in a disposal transaction. Implementation of SFAS No. 144 did not have any material impact on the consolidated financial statements of Interpharm.

On April 30, 2002, the Financial Accounting Standards Board 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 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect and eliminates an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Generally, SFAS No. 145 is effective for transactions occurring after May 15, 2002. The adoption of this standard had no material impact on the consolidated financial statements of Interpharm.

Effective July 30, 2002, the FASB issued SFAS No. 146 "Accounting for Cost Associated with Exit or Disposal Activities". The main provisions of this statement address the recognition of liabilities associated with an exit or disposal activity. The adoption of this standard had no material impact on the consolidated financial statements of Interpharm.

In January 2003, the FASB issued FASB Interpretation No. 46 (" FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entitie