ATEC GROUP INC
Form PRE 14A
December 20, 2002

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

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.

[X] 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: 5,970,053 shares of Common Stock and 1,990,018 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

[ ] 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 proposed maximum value of the transactions is $26,813,305, 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 [within 5 days of filing of preliminary proxy materials]; 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.

PRELIMINARY COPY

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FEBRUARY 25, 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 Tuesday, February 25, 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 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; and

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

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.

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.

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
January [__], 2003

PRELIMINARY COPY

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

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
FEBRUARY 25, 2003

Approximate Date of Mailing of this Proxy Statement: January __, 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 Tuesday, February 25, 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 January [__], 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 to:

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 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; and

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

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.

Summary Term Sheet

The Acquisition

On November 25, 2002, we entered into a Capital Stock Exchange Agreement with Interpharm and all of its shareholders. Interpharm is a manufacturer and distributor of generic drugs based in Long Island, New York. It

markets its products primarily to wholesalers and drug distributors. (See "Interpharm " for a further description of Interpharm and its business.) Mona Rametra, a shareholder of Interpharm and a party to the Capital Stock Exchange Agreement, is the daughter-in-law of Surinder Rametra, our chairman, and the daughter of Dr. Maganlal K. Sutaria, the Chairman of the Board and chief executive officer of Interpharm. Munish K. Rametra, who is the son of Surinder Rametra, the son-in-law of Dr. Maganlal K. Sutaria and the husband of Mona Rametra is to receive a portion of the finder's fee due under the Capital Stock Exchange Agreement (see "Interests of Certain Persons" for further description of the interests of certain directors, officers, employees or shareholders). Pursuant to the terms of the Capital Stock Exchange Agreement:

1. the Interpharm shareholders will exchange all of their shares of Interpharm for (i) shares of our Common Stock and (ii) shares of our newly created Series K Convertible Preferred Stock (see "Terms of the Acquisition" for further description

of shares to be issued to Interpharm shareholders);

2. the aggregate number of shares of our Common Stock to be issued to the Interpharm shareholders at closing will be equal to approximately 72% of the total outstanding number of our shares of Common Stock outstanding immediately prior to the closing;

3. the aggregate number of shares of our Series K Convertible Preferred Stock to be issued to the Interpharm shareholders at closing will be equal to approximately 24% of the total outstanding number of shares of our Common Stock outstanding immediately prior to the closing;

   a. upon the occurrence of certain events, each share of Series K Stock will be convertible into shares of Atec Common Stock pursuant to a formula (see "The Series K Stock" for further detail on the conversion features of the Series K Stock);

   b. the Series K Stock is entitled to one vote per share, voting together as a class with the holders of Common Stock; and entitled to a sum of $7.50 per share upon liquidation of Atec, subject to other classes of stock ranking senior to it (see " The Series K Stock " for further description of the terms of the Series K Stock);

4. immediately following the closing of the Acquisition, the Interpharm shareholders will collectively own approximately 49% of our voting securities, with the eventual right, through conversion of Series K Stock, to own approximately 80% of our voting securities;

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

6. our name will be changed to "Interpharm Holdings, Inc." (see "Proposal 2" for description of the name change); and

7. the Interpharm shareholders will be entitled to certain registration rights concerning the shares of our Common Stock received by them, including shares of our Common Stock to be issued to them upon the conversion of the Series K Stock, in accordance with the Registration Rights Agreement, dated November 25, 2002 (see "The Registration Rights Agreement" for description of the terms of the Registration Rights Agreement).

The Management Buy-Out

On November 25, 2002, we entered into an Asset Purchase Agreement with Baar Group. The principals of Baar Group consist of Ashok Rametra, Balwinder Singh Bathla, Rajnish Rametra and Arvin Gulati, each of whom is a current director, officer, employee and/or stockholder of Atec (see "Interests of Certain Persons" for further description of the interests of certain directors, officers, employees or stockholders). Pursuant to the Asset Purchase Agreement:

1. Baar Group essentially will acquire our current computer operations by acquiring our assets and assuming substantially all of our liabilities (see "Acquired Assets" and "Assumed Liabilities" for a description of assets to be acquired and the

liabilities to be assumed by Baar Group) for;

a. cash in the amount of $2,528,184, subject to certain closing adjustments;

b. a three year promissory note, in the principal amount of $750,000 and bearing an interest rate of one and a half percent in excess of the prime rate as published by Citibank; and

c. a twelve month promissory note, in the principal amount of $1,000,000 and bearing an interest rate of one and a half percent in excess of the prime rate as published by Citibank (see "Terms of the Management Buy-Out" for further details regarding the purchase price, including the terms of the promissory notes); and

2. the promissory notes will be secured by substantially all of the assets of Baar Group and will be personally guaranteed by Ashok Rametra, Rajnish Rametra and Arvin Gulati.

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:

- 8,284,971 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 8,604,400 shares of our common and preferred stock entitled to one vote per share outstanding. Atec has no other voting securities.

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, Solicitation 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. Mr. Rametra may also vote your shares to adjourn the meeting from time to time and will be authorized to vote your shares at any adjournment or

postponement of the meeting.

Proposal 1: Acquisition of Interpharm. Although 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 interests that family members of certain members of our Board of Directors and our management have in 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 stockholders owning at least a majority of our shares entitled to vote represented and voting at our annual meeting at which a quorum is present is necessary for ratification of the acquisition of Interpharm. A quorum is present if a majority of our outstanding shares of common and preferred stock is represented in person or by proxy at the annual meeting.

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.

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 owing at least a majority of our shares of common and preferred stock represented and voting at our annual meeting at which a quorum is present is necessary for ratification of the selection of our auditors.

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.

Adjourned Meeting

If a quorum is not present at the scheduled time of the meeting, the stockholders who are represented may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the

time the adjournment is taken, and no other notice will be given. An adjournment will have no effect on the business that may be conducted at the meeting.

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 a majority of the shares of common and preferred stock entitled to vote 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 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, is being mailed to stockholders with this Proxy Statement. Such Annual Report of Form 10-K is 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. 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 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. The description set forth below of the material terms of the Acquisition is qualified in its entirety by reference to the complete text of the Capital Stock Exchange Agreement, the Certificate of Designations and the Registration Rights Agreement, including the exhibits thereto, which are incorporated by reference.

Interpharm

Interpharm's Corporate History , Management and Ownership Structure

Interpharm, Inc., a privately held New York corporation ("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 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," in 1984, 19% of prescription drugs sold in the United States were generic. Now, according to a Federal Trade Commission Study in July, 2002, "Generic Drug Entry Prior to Patent Expiration," 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 branded product through the filing of an abbreviated new drug application ("ANDA"). The ANDA may rely on information from the brand-name drug's application initial NDA 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 then $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.

During the nine months ended September 30, 2002, two Interpharm customers collectively accounted for approximately 57% of total sales. The loss of either of these customers could have a material adverse effect on Interpharm's business.

Most of Interpharm's 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.

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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).

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.

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 over the counter 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 protection 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 over the counter 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 prior to the year 2000 were negligible. In the fiscal years ending 2000 and 2001, Interpharm's expenditures on research and development were approximately $110,000. Interpharm has expended approximately $127,450 for research and development through September 30, 2002 of the current fiscal year.

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 require 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 as described above.

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 that under specified circumstances allows its customers to return product within a specified period of the expiration date.

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. In addition to generic manufacturers, Interpharm has also experienced competition from brand 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 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 the 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 pharmaceuticals, instituting legal action that automatically delays approval of generic products, the approval of which requires certifications that the brand 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 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 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 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. Interpharm does not have any 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. 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 a building in Hauppauge, New York, pursuant to a lease expiring in October, 2019, which houses its manufacturing, warehousing and executive offices. 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.

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 was injured as a result of ingesting guaifenesin/phenylpropanolamine of which Interpharm was the alleged designer, constructor, manufacturer, producer, marketer, seller and distributor. 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. 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. 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, from time to time has made loans totaling $3,000,000 to Interpharm. The principal balance of the loan is to be repaid by January, 2012, and Interpharm is to pay Dr. Sutaria 5% interest per year. Repayment of the $3,248,000 is subordinated to Interpharm's bank debt.

Lease

On November 17, 2002, 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.

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.

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 $1.5 million to Interpharm;

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

3. HSBC Credit Facility for $500,000 to Interpharm's 50% owned subsidiary.

Interpharm has guaranteed the following loans relating to its leased premises:

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. February 26, 2002 $3.9 million 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, 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 which is 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

Atec will have almost no assets, liabilities or operations, after giving effect to the Management Buy-Out. Accordingly, the transaction will be treated as a reverse merger in the form of a recapitalization of Interpharm. As a result, the financial statements of Interpharm will become the historical financial statements of Atec. Pro forma financial statements are not required to be presented. The consolidated balance sheet of Atec upon consummation of the Interpharm transaction will include Interpharm's assets and liabilities on an historical cost basis, plus the net assets of Atec, which will primarily consist of cash and promissory notes approximating $4 million obtained from the Management Buy-Out.

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 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 that under specified circumstances allows its customers to return product within a specified period of the expiration date. Sales are recognized when the product is shipped and appropriate provisions are made for returns.

For the nine months ended September 30, 2002, two Interpharm customers accounted for approximately 57% 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, 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. Interpharm's prospects must be considered in light of the risks experienced by companies in highly competitive markets such as the market for generic drugs and there can be no assurance that those risks will be adequately addressed. Although Interpharm has experienced significant sales growth recently, it may not be able to sustain this trend.

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. This 35% increase in net sales is attributable to increased orders from existing customers and the introduction of Naproxen to Interpharm's product line. Naproxen sales were approximately $2 million. 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. This increase is primarily raw material and labor costs associated with Interpharm's increased production. Raw material prices were constant during the period.

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 are primarily made up of salaries, selling commissions and freight expenses.

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.

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%. This increase in net sales was attributable to increased orders from existing customers. Also, in 2001 Interpharm increased its production capacity. 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.

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%. This increase was attributable to increased raw material and labor costs associated with increased production. 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 timing of projects currently in development.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $2.0 million, or 11% of net revenues, for fiscal 2001, compared to $1.3 million, or 11% of net revenues, for fiscal 2000. This increase was attributable to an increase in corporate general and administrative expenses.

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.

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. 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.

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. The principal on that loan is due to be repaid in January, 2012 and 5% interest is payable to Dr. Sutaria annually.

Bank Loans and Lines of Credit

Interpharm has the following loans and credit lines outstanding as of December 1, 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 1, 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

During 2001, Interpharm adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. This Statement requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on its intended use and the resulting designation. Implementation of SFAS No. 133 did not have any material impact on the consolidated financial statements of Interpharm.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 provides guidance on the accounting for a business combination at the date a business combination is completed. The statement requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001, thereby eliminating use of the pooling-of-interests method. 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. This statement will apply to existing goodwill and intangible assets, beginning in 2002, and will not have a material impact on the consolidated financial statements of Interpharm.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or 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. Interpharm will adopt SFAS No.144 in 2002. It is not expected to have a material impact on the consolidated financial statements of Interpharm.

On April 30, 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 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 is expected to have 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 statement is expected to have no material impact on the consolidated financial statements of Interpharm.

Risk of Product Liability Claims

The testing, manufacturing and marketing of pharmaceutical products subject Interpharm to the risk of product liability claims. Interpharm believes that it maintains an adequate amount of product liability insurance, but no assurance can be given that such insurance will cover all existing and future claims or that Interpharm will be able to maintain existing coverage or obtain additional coverage at reasonable rates.

Quantitative And Qualitative Disclosures About Market Risk

Interpharm presently does not use any derivative financial instruments to hedge its exposure to adverse fluctuations in interest rates, fluctuations in commodity prices or other market risks, nor does it invest in speculative financial instruments. Borrowings under Interpharm's lines of credit are indexed to the prime rate.

Due to the nature of Interpharm's borrowings and short-term investments, it has concluded that there is no material risk exposure.

Forward-Looking Statements

The statements set forth in this proxy statement concerning the manner in which Interpharm intends to conduct its future operations, potential trends that may impact future results of operations, and managements' beliefs or expectations about future operations are forward-looking statements. The following statements that Interpharm makes in this proxy statement, in other filings made with the SEC, in press releases, on Interpharm's website, or in other contexts (including statements made by Interpharm's authorized representatives, either orally or in writing), are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995:

(i) any statement regarding possible or assumed future results of operations of Interpharm's business, the market for its products, anticipated expenditures, regulatory developments or competition;

(ii) any statement preceded by, followed by or that includes the words "intends," "estimates", "believes," "expects", "anticipates", "should", "could", or the negative or other variations of these or other similar expressions; and

(iii) other statements regarding matters that are not historical facts.

Because such statements are subject to risks and uncertainties, actual result may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to:

- uncertainties regarding Interpharm's ability to successfully develop and introduce new products on a timely basis in relation to competing product introductions;
- Interpharm's ability to obtain required FDA approvals for new products on a timely basis;
- the effects of vigorous competition on commercial acceptance of Interpharm's products and their pricing;
- uncertainties regarding continued market acceptance of and demand for Interpharm's core products;
- potential legislative or regulatory changes affecting the pharmaceutical industry;
- uncertainties associated with the licensing of products developed by others and the successful integration of acquired businesses;
- Interpharm's exposure to product liability and other lawsuits and contingencies associated with Interpharm's products;
- Interpharm's ability to attract and retain key personnel; and
- changes in accounting and related standards promulgated by the accounting profession or regulatory agencies.

The cautionary statements contained or referred to above should be considered in connection with any subsequent written or oral forward-looking statements that may be made by Interpharm or by persons acting on its behalf. Interpharm undertakes no duty to update these forward-looking statements, even

though its situation may change in the future.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

During the previous two fiscal years, and the subsequent interim period, Interpharm's accountant has not resigned, declined to stand for re-election and was not dismissed. During the previous two fiscal years, and the subsequent interim period, there were no material disagreements with Interpharm's accountant with respect to any matter.

Similarly, during the previous two fiscal years, and the subsequent interim period, Atec's accountant has not resigned, declined to stand for re-election and was not dismissed. During the previous two fiscal years, and the subsequent interim period, there were no material disagreements with Atec's accountant with respect to any matter.

Background of the Acquisition

The Atec Board of Directors has been considering potential suitable acquirers of, or merger candidates with, Atec for some time. Consideration of such a transaction began in February 2000, when Atec received an unsolicited proposal from Applied Digital Solutions, Inc. ("ADS") to acquire Atec. Following negotiations, a letter of intent was entered into during the Spring 2000. The letter of intent provided that Atec and a wholly owned subsidiary of ADS would merge. However, following due diligence, the parties mutually terminated the term sheet in Summer 2000, and the transaction was never consummated.

Then, in October 2000, ADS revisited the transaction but indicated that it only wanted to acquire the shares of Atec held by our then Chairman and Chief Executive Officer, Surinder Rametra. Accordingly, it entered into a Stock Purchase Agreement with Surinder Rametra. However, the transaction was terminated by ADS in March 2001.

Thereafter, in April 2002, in order to improve shareholder value, our Board instructed management to explore strategic opportunities for Atec, including exploring potential candidates who would merge with Atec and thus create a larger, more competitive company or who would acquire or could be acquired by Atec. The Board believed that, given the current economic conditions, which were compounded by the recent tragic events of September 2001, the acquisition by, or a merger with, another company would be in the best interest of Atec and its stockholders.

In Spring 2002, we entered into negotiations with Chell Group Corporation ("Chell") to sell our assets for a purchase price of $4 million in cash and stock of Chell. In June 2002, following due diligence, Atec ceased any further discussions with Chell.

At about the same time, Ashok Rametra, Balwinder Singh Bathla, Rajnish Rametra and Arvin Gulati, all members of our management, approached our Board to inquire about acquiring the assets of Atec and assuming its liabilities. Such members of management believed Atec's current computer operation would be more competitive and profitable as a privately held business without the overhead associated with a public reporting company. Once the Chell transaction was abandoned, the management group proposed to purchase our computer operations for the value of our working capital plus $750,000.

As a result of the management team's proposal, a special committee of independent directors of the board (the "Special Committee"), consisting of

David Reback and Stewart Benjamin, with Mr. Reback as the Chairperson of the Special Committee, was formed to review the proposed management buy-out. Although the members of the Special Committee believed that the management's proposal appeared fair and was on terms more favorable than any other viable proposal, Atec continued to explore other candidates for a potential merger or to acquire Atec. At the same time, Mr. Reback continued his discussions with the management group. Following the receipt of the management group's proposal, Atec considered numerous other potential transactions, including potential acquisitions of Atec, but the Special Committee determined that the terms offered by the management group, including the purchase price, were more favorable than any of the other potential transactions. Accordingly, Mr. Reback and our Chief Financial Officer continued negotiations with the management group in order to consummate a management buy-out.

Munish K. Rametra, our Chairman's son who is a merger and acquisition consultant, was aware that Interpharm was considering going public and that Atec was seeking an acquisition candidate. He recommended that Atec and Interpharm meet for discussions. As a result, Surinder Rametra met with Interpharm's management. The Chairman of Interpharm's Board of Directors, Dr. Maganlal K. Sutaria, is Munish K. Rametra's father-in-law and Mr. Rametra's wife, Mona Rametra, is an Interpharm shareholder.

During the next few weeks, the discussions and negotiations continued with Interpharm's management. These discussion and negotiations resulted in a proposal whereby Atec would acquire all of the outstanding stock of Interpharm.

On October 21, 2002 after reviewing the proposal submitted by Interpharm, our Board recommended that Surinder Rametra and James Charles, continue to negotiate with Interpharm with a view towards consummating the acquisition of Interpharm.

Following further negotiations between Atec and Interpharm management and due diligence review, Interpharm revised its proposal to the terms which were incorporated into the final version of the Capital Stock Exchange Agreement.

After careful due diligence review of Interpharm, on November 25, 2002, the Special Committee determined that both the proposed management buy-out and the proposed acquisition were fair and in the best interest of Atec and its stockholders. It recommended the consummation of both the management buy-out and the acquisition of Interpharm, each subject to a fairness opinion. Upon receipt of the Special Committee's recommendation, our Board unanimously approved the management buy-out and the acquisition of Interpharm and recommended their approval to Atec stockholders, each subject to a fairness opinion.

Consequently, on November 25, 2002, both the Asset Purchase Agreement and the Capital Stock Exchange Agreement were executed by the relevant parties. On November 27, 2002, the Special Committee selected vFinance Investments, Inc. as the independent investment banker to issue a fairness opinion with respect to the terms of the Management Buy-Out and the Acquisition of Interpharm (see "Opinion of vFinance").

Reasons for the Acquisition

In concluding that the Acquisition was fair to, and in the best interest of all Atec stockholders, including unaffiliated stockholders, the Board and the Special Committee considered the following information and factors:

1. the offer to purchase Atec's computer operations by the management group was, in the determination of the Board and the Special Committee, superior to all the other offers considered or any other bona fide offer the Board and the Special Committee believed they could receive;

2. Interpharm's historical growth rate and the potential for future growth;

3. Interpharm's historical profitability;

4. the downturn in demand for Atec's services and products, as well a general reduction in spending for information and computer technology due to the recent economic and market conditions; and

5. information concerning the historical financial performance, business operations, financial condition and prospects of Interpharm.

The Board and the Special Committee also considered potentially negative factors relating to the Acquisition, including (i) the dilutive effect on the current stockholders of Atec, (ii) the risk that the Acquisition will not be treated as a tax-free organization and that a ruling regarding such treatment would not be sought from the Internal Revenue Service, (iii) all of the uncertainties associated with the Acquisition, and (iv) the risk factors and uncertainties which are described above in description of Interpharm's business. The Board and the Special Committee concluded that these factors were outweighed by the potential benefits to be gained by the Acquisition. Thus, after taking into consideration all of the factors set forth above, the Board and the Special Committee unanimously determined that the Acquisition was in the best interests of Atec and its stockholders, and that Atec should consummate the Acquisition.

Terms of the Acquisition

Pursuant to the terms of the Capital Stock Exchange Agreement, each Interpharm shareholder will exchange all of their Interpharm stock for shares of Atec Common Stock and Atec Series K Stock, thus making Interpharm a wholly owned subsidiary of Atec. Immediately, following the exchange, the Interpharm shareholders will own approximately 49% of the total voting equity of Atec. This will be accomplished by issuing to Interpharm shareholders (i) ATEC Common Stock equal to approximately 72% of the total outstanding number of shares of Atec Common Stock outstanding as of the closing, and (ii) Atec Series K Stock equal to approximately 24% of the total outstanding number of shares of Atec Common Stock outstanding as of the closing.

The Series K Stock. The relative rights, preferences and limitations of the Series K Stock, $.01 par value per share, are governed by the Certificate of Designations, Preferences and Rights of the Series K Stock, annexed to the Capital Stock Exchange Agreement which is attached to this Proxy Statement. Each share of Series K Stock is entitled to one vote, voting as a class with the holders of Atec Common Stock. It also is entitled to receive dividends to the same extent and in the same amounts as Atec Common Stock. In the event of a liquidation, dissolution or winding up of Atec, the holders of the Series K Stock are entitled to receive, subject to the rights of any other class of stock ranking senior to the Series K Stock, $7.50 per share prior to distribution on any class of stock ranking junior to the Series K Stock, including the Common Stock.

The Series K Stock is convertible into shares of Atec Common Stock, no sooner than one year after the closing of the Acquisition, upon the happening of any of the following events (the "Triggering Events"): Atec is (i) deemed by AMEX to be in compliance with applicable listing standards; (ii) deemed by

another exchange to be in compliance with its applicable listing standards in the event Atec's securities are listed on such exchange; or (iii) Atec is no longer listed on AMEX, the Nasdaq National Market or SmallCap Market, or the New York Stock Exchange.

Upon the occurrence of any of the above Triggering Events, all of the shares of Series K Stock become convertible into an aggregate total number of shares of Common Stock in accordance with a formula set forth in the Certificate of Designations, Preference and Rights of the Series K Stock. The net effect of the conversion feature, together with the shares of Common Stock issued at closing, is to issue to Interpharm shareholders Atec Common Stock equal to approximately 80% of the total number of Common Stock outstanding as of the date of the Triggering Event, after giving effect to the conversion, less shares of Common Stock which may be issued between the date of the closing of the Acquisition and the date of the Triggering Event arising out of obligations which arose after the date of closing.

Beginning on the date of the Trigger Event and on each anniversary date thereof, one seventh of the total number of shares of Series K Stock will automatically convert into Common Stock until all of the Series K Stock has been converted, provided, however, if at any time after the date of the Triggering Event, the holders of the Series K Stock own less than 51% of Atec's outstanding Common Stock, then the holders may convert such number of Series K Stock as will be necessary such that the holder will own 51% of the outstanding Common Stock.

By way of example, if on the date of the closing there are 8,500,000 shares of Atec Common Stock outstanding, The Interpharm shareholders will receive 6,125,000 shares of Common Stock and 2,041,667 shares of Series K Stock at the closing of the Acquisition. Furthermore, assuming that following the closing, 2,500,000 additional shares of Common Stock are issued prior to the date of the Triggering Event, of which 2,000,000 shares are issued pursuant to obligations of Atec which existed as of the closing (for example, as a result of exercise of existing options) and 500,000 shares are issued pursuant to obligations which arose after the closing, then the 2,041,667 shares of Series K Stock will be convertible into approximately 35,875,000 shares of Common Stock. Of the 35,875,000 shares of Common Stock to be issued approximately 5,125,000 shares will be issued as of the date of the Triggering Event and as of each of the following six anniversary dates thereof, unless the holders of the Series K Stock in the aggregate own less than 51% of all of the outstanding Atec Common Stock. When all of the Series K Stock is converted, the former Interpharm shareholders would then hold a total of 42,000,000 shares of Common Stock (6,125,000 received on the closing date and 35,875,000 received through conversion of the Series K Stock).

Closing. Pursuant to the Capital Stock Exchange Agreement, the closing of the Acquisition will take place no later than February 1, 2003, or on a date to be agreed upon by the parties. The parties have agreed to select a closing date subsequent to the date of the shareholders meeting.

Representations and Warranties. In the Capital Stock Exchange Agreement, Atec and Interpharm, with its shareholders, make customary representations and warranties to each other, including representations and warranties regarding the following: (a) organization, (b) capitalization, (c) authority regarding the Capital Stock Exchange Agreement, (d) consents and approvals and absence of violations of or conflicts with certain laws and agreements, (e) absence of undisclosed liabilities, (f) absence of material events since the last financial statements reviewed by the parties, (g) taxes, (h) litigations, (i) subsidiaries, (j) employee, employee benefit matters and labor matters, (k) organizational documents, stock ledgers and minute books, (l)

intellectual property, (m) real property and (n) environmental matters.

In addition, Interpharm and its shareholders also make customary representations to Atec regarding (a) acquisition of Atec stock for investment purposes, (b) adequate rights to Interpharm's property, (c) the accuracy of Interpharm financial statements, (c) material contracts and absence of defaults thereunder, (d) Interpharm's receivables, (e) Interpharm's business relationships with its largest customers, (f) any transactions with affiliates and (g) insurance matters.

In addition, Atec makes customary representations to Interpharm and its shareholders regarding (a) the accuracy of Atec's filings with the Securities and Exchange Commission, (b) the valid issuance of its stock, (c) compliance with securities laws, (d) matters relating to the listing of its securities with AMEX, (e) matters relating to the Investment Company Act and (f) outstanding stock options and warrants and (g) treatment of certain accrued expenses.

Conduct Pending Closing. The Capital Stock Exchange Agreement provides that, except as expressly contemplated thereby, during the period from the date of the Capital Stock Exchange Agreement and continuing until the closing, each of Atec and Interpharm will continue to (a) conduct its business in the ordinary course, (b) file tax returns and pay or make provisions for taxes when due, (c) maintain its insurance coverage and (d) comply with all laws and regulations applicable to it. In the case of Atec, it also agreed to file all reports due to be filed with the Securities and Exchange Commission and to use its reasonable efforts to maintain the eligibility of its Common Stock for listing on AMEX. In the case of Interpharm, it also agreed to use reasonable efforts to keep intact its business organizations and goodwill, to keep the services of its employees and officers and to maintain good relationships with its suppliers, lenders, employees, customers and others having a business or financial relationship with it.

Atec and Interpharm also agreed that, except as contemplated in the Capital Stock Exchange Agreement, each will not (a) amend its charter or by-laws, (b) (1) split, combine or reclassify any of its securities, or (2) declare, set aside or pay any dividends with respect to its capital stock, or (3) make, agree or commit to make any exchange for or redemption of any securities, (c) issue or agree to issue any additional shares of its capital stock, (d) incur any indebtedness for money borrowed or make or commit to capital expenditures, except in the ordinary course of business, (e) adopt or amend employee benefits or agreements or materially increase the compensation to its officers, directors or employees, (f) enter into any material contracts, and (g) not hold any meetings of the Board of Directors of stockholders without inviting a representative of the other party.

Notwithstanding the foregoing, Atec may enter into and consummate the Management Buy-Out and issue shares upon exercise of its existing options and warrants.

Each of the parties also agreed that pending the closing or the termination of the Capital Stock Exchange Agreement, it will not directly or indirectly, solicit, encourage or initiate any discussions with, negotiate with or provide any information to any other party other regarding any merger or acquisition of such party or any similar transaction. Except, in the case of Atec, it is not prohibited from complying with Rule 14e-2 and Rule 14d-9 under the Securities Exchange Act of 1934, as amended, with respect to a bona fide tender offer or exchange offer or from disclosing another proposal transaction involving a merger or acquisition of Atec or any of its subsidiaries if Atec's Board determines after consultation with legal counsel that such disclosure is

necessary. In addition, Atec may participate in negotiations or discussions with or furnish information to any person in connection with a merger or acquisition proposal if such proposal is not solicited by Atec after the date of the Capital Stock Exchange Agreement and such person submits the proposal in writing to Atec's Board. Prior to any such negotiation, discussion or furnishing of information, the Board must determine, after consultation with legal counsel and financial advisors, that such proposal is reasonably likely to lead to a superior proposal and that failure to participate in such negotiations, discussions or furnishing of information would be inconsistent with Board's fiduciary duties. If prior to the closing of the Acquisition, a majority of the Board determines that it has received a superior proposal and that consummating the Acquisition of Interpharm would be inconsistent with its fiduciary duties, the Board may withdraw or modify its approval or recommendation of the Acquisition, approve or recommend the superior proposal, terminate the Capital Stock Exchange Agreement and publicly announce its intention to do the foregoing.

Conditions. The obligations of Interpharm to effect the transactions contemplated by the Capital Exchange Agreement are subject to the satisfaction of the following conditions: (a) the receipt of all approval, consents, authorizations and waivers from governmental agencies and third parties required to consummate the Acquisition, (b) no injunction or other order of any court which prohibits the Acquisition shall be in effect, (c) Atec shall have performed in all material respects its obligations contained in the Capital Stock Exchange Agreement and complied with all material requirements, rules and regulations relating to the Acquisition, (d) no material adverse change in the business or condition of Atec since September 30, 2002, other than those permitted in the Capital Stock Exchange Agreement, (e) the representations and warranties of Atec set forth in Capital Stock Exchange Agreement shall be true in material respects as of the closing and as if made at the time of the closing, (f) the total number of shares of Atec Common Stock issued and outstanding shall not exceed 12,000,000, (g) the completion of the Management Buy-Out resulting in Atec having not more than $650,000 in total liabilities, (h) Atec shall have not less than $3.7 million in stockholders' equity, of which at least $1.25 million in cash, (i) the filing of the Certificate of Designations of the Series K Stock, (j) fairness opinions as to the Acquisition and the Management Buy-Out, (k) approval of the Acquisition and the Management Buy-Out by Atec stockholders, (l) employment agreements with Surinder Rametra for at least three years at an annual salary not in excess of $150,000 and with James Charles for at least two years at an annual salary not in excess of $80,000, and (m) Atec shall have entered into the Registration Rights Agreement.

Similarly, the obligations of Atec to effect the transactions contemplated by the Capital Exchange Agreement are subject to the satisfaction of the following conditions: (a) the receipt of all approval, consents, authorizations and waivers from governmental agencies and third parties required to consummate the Acquisition, (b) no injunction or other order of any court which prohibits the Acquisition shall be in effect, (c) Interpharm and its shareholders shall have performed in all material respects their obligations contained in the Capital Stock Exchange Agreement and complied with all material requirements, rules and regulations relating to the Acquisition, (d) no material adverse change in the business or condition of Interpharm, other than those permitted in the Capital Stock Exchange Agreement, (e) the representations and warranties of Interpharm and its shareholders set forth in Capital Stock Exchange Agreement shall be true in material respects as of the closing and as if made at the time of the closing, (f) no material change in the final financial statements to be delivered by Interpharm from the financial statements previously reviewed by Atec, (g) no more than 4,000,000 shares of Interpharm common stock outstanding, (h) the approval of the Acquisition and the Management Buy-Out by Atec stockholders, (i) receipt of all outstanding Interpharm stock free and clear of any liens, pledges or encumbrances, and (j) a fairness opinion as to the Acquisition.

Stockholder Meeting. In the Capital Stock Exchange Agreement, Atec has agreed to duly call and give notice of a shareholder meeting and to use its reasonable efforts to obtain the approval of its stockholders of the Acquisition and the Management Buy-Out as soon as practical. Atec has also agreed to prepare and file with the Securities and Exchange Commission a Proxy Statement, and Interpharm agreed to deliver as soon as practical its audited annual financial statements and reviewed financial statements for the quarter ended September 30, 2002 for inclusion in the Proxy Statement.

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Termination. The Capital Stock Exchange Agreement may be terminated at any time prior to the closing, whether before of after approval by stockholders: (a) by mutual consent of Atec, Interpharm and Interpharm shareholders, (b) by Interpharm and its shareholders if the conditions set forth above in "Conditions" above as they relates to their obligations to consummate the Acquisition have not been met by February 1, 2003, (c) by Atec if the conditions set forth above in "Conditions" above as they relates to its obligations to consummate the Acquisition have not been met by February 1, 2003, (d) by Interpharm and its shareholders if there is a material breach in any representation, warranty, covenant, agreement or obligation of Atec, (e) by Atec if there is a material breach in any representation, warranty, covenant, agreement or obligation of Interpharm or its shareholders, and (f) by Atec if it receives a superior proposal.

If the Capital Stock Exchange Agreement is terminated as provided in the Capital Stock Exchange Agreement, none of the parties will have any liability or further obligation to the other parties, except if the Capital Stock Exchange Agreement is terminated because it receives a superior proposal then, Atec is obligated to pay Interpharm and its shareholders' costs and expenses in connection with the Capital Stock Exchange Agreement. In addition, if the Capital Stock Exchange Agreement is terminated due to a breach in any representation, warranty or covenant of a party, such party is obligated to pay the other party a termination fee of $500,000 plus the costs and expenses of such other party.

Indemnification. Interpharm has agreed in the Capital Stock Exchange Agreement to keep in effect for a period of three years current insurance coverage providing insurance for the current officers and directors of Atec for their errors, omissions and similar sources of potential liability and Atec's current policies regarding the indemnification the current officers and directors.

The Registration Rights Agreement. Pursuant to the terms of the Registration Rights Agreement, the Interpharm shareholders are entitled to certain rights relating to the registration with the Securities Exchange Commission for resale of the Common Stock to be issued to them in connection with the Acquisition and upon the conversion of their Series K Stock. Subject to certain terms and conditions, one-third of the holders of the registrable securities may demand up to two times that Atec file a registration statement covering their Common Stock, provided the shares to be registered represent at least one-third of all registrable securities and have an aggregate public offering price of $1,000,000. In addition, in the event Atec decides to file a registration statement, Atec must afford the holders of such registrable securities to include their Common Stock in the registration statement. The expenses in connection with the filing of the registration statements will be borne by Atec.

Opinion of vFinance

vFinance delivered a written opinion dated as of December 17, 2002 to our Board to the effect that, based upon the assumptions made, matters considered and limits of the review undertaken, the Acquisition from a financial point of view is fair to Atec's stockholders. A copy of the opinion is attached as Appendix C and is incorporated herein by reference. vFinance's opinion should be read in its entirety by the stockholders of Atec for information with respect to assumptions made and matters considered. Atec agreed to pay vFinance a fee for delivery of its opinion.

In arriving at their opinion, vFinance reviewed (a) periodic reports filed by Atec with the SEC, certain interim reports of Atec and financial statements of Atec prepared by its management; (b) internal financial analyses of Atec prepared by its management; (c) certain publicly available documents regarding Atec; (d) internal detailed financial statements provided by Atec; (e) publicly available data and information for companies vFinance determined to be comparable to Atec; (f) available research reports for companies vFinance determined to be comparable to Atec; (g) financial terms of other recent transactions deemed to be similar; (h) the Capital Stock Exchange Agreement and all accompanying schedules and exhibits, including the Certificate of Designations, Preferences and Rights of the Series K Stock; (i) internal detailed financial statements provided to vFinance by Interpharm; (j) publicly available data and information for companies vFinance determined to be comparable to Interpharm; and (k) the Registration Rights Agreement. vFinance also held discussions members of Atec's and Interpharm's management regarding the strategic rationale for, and potential benefits of, the transaction and the past and current business operations, financial condition and future prospects of Atec and Interpharm. It also conducted such other financial analyses and examinations and considered such other financial, economic and market criteria as it determined to be appropriate for purposes of the opinion.

In rendering its opinion, vFinance relied upon the accuracy and completeness of all of the financial and other information reviewed by it. vFinance assumed that the financial forecasts provided by Atec had been reasonably prepared on a basis reflecting the best currently available judgments and estimates of the management of Atec.

The following is a summary of the financial analyses performed by vFinance in arriving at its opinion regarding the Acquisition.

vFinance set out to perform a comparable analysis on companies similar in nature to Interpharm. A total of 13 companies that vFinance believe fit its defined parameters were included in the comparable sample. The 13 companies ranged in market capitalization from $15.4 million to $19.4 billion, with a mean market capitalization of approximately $2.14 billion. The range of trailing twelve month revenue figures generated by this group varied from $7.8 million to $1.9 billion, with a mean of $394 million, as compared to the $23.2 million generated by Interpharm.

Having reviewed the operating demographics of this sample set and determining that Interpharm fell within the parameters of this group, vFinance began to set forth the basis of their analysis. In the end, vFinance settled on 2 analytical techniques: Comparable Company Analysis and Buy-Out/Acquisition Analysis, to arrive at what vFinance believed was a proper valuation range for the contemplated transaction.

In terms of Comparable Company Analysis, vFinance saw that it would not be possible to perform the analysis using earnings or cash flow as the valuation methodology, as a significant amount of the sample set were currently not generating earnings or cash flow. As such, vFinance determined that it would

derive multiples based on Market Price and Enterprise Value. These two items were compared to each company's Revenue, EBITDA (Earnings before Interest, Taxes, Depreciation & Amortization), EBIT (Earnings before Interest and Taxes) and Net Assets. These multiples, once derived from the sample set, were applied against Interpharm's operating statistics to arrive at its value.

vFinance sought to gather data on comparable buy-out transactions in the field of generic drug manufacturing. vFinance noted a sample set of approximately 6 transactions, ranging in size from $1.5 million to $644.2 million, with a mean deal size of $285.96 million. Revenues ranged from approximately $12 million to $400 million, with a mean revenue size of $94 million. vFinance noted that in the sample set, the skewed data, where the revenue size of the companies was either very small or very large, could potentially lead to distorted buy-out multiples. As such, vFinance elected to give no weight to these statistics in formulating their opinion regarding the fairness of the Acquisition.

Finally, vFinance performed an analysis of the equity ownership structure of Atec at both the closing date and upon a full conversion of the Series K Stock.

Based on a review of the various components of the Acquisition, vFinance determined that the consideration being offered in the acquisition of Interpharm by Atec is fair, from a financial standpoint to Atec's stockholders.

Interests of Certain Persons

Mona Rametra, one of the Interpharm shareholders who is a party to the Capital Stock Exchange Agreement, 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 owns 800,000 shares of Interpharm common stock, or approximately 20% of the outstanding capital stock of Interpharm. As a result, Mrs. Rametra will receive 20% of all of the Atec Common Stock and Series K Stock to be issued to the Interpharm shareholders. 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.

Accounting Treatment

Atec will have almost no assets, liabilities or operations, after giving effect to the Management Buy-Out. Accordingly, the transaction will be treated as a reverse merger in the form of a recapitalization of Interpharm. As a result, the financial statements of Interpharm will become the historical financial statements of Atec. Pro forma financial statements are not required to be presented. The consolidated balance sheet of Atec upon consummation of the Interpharm transaction will include Interpharm's assets and liabilities on an historical cost basis, plus the net assets of Atec, which will primarily consist of cash and promissory notes approximating $4 million obtained from the Management Buy-Out.

Certain Federal Income Tax Consequences

The Acquisition will have no federal income tax effect on the current holders of Atec stock. For federal income tax purposes, the Acquisition will be

treated as a tax-free reorganization under Section 368(a)(1)(B) of the Internal Revenue Code.

No Dissenters' Rights of Appraisal

Under Delaware law, Atec's stockholders will not be entitled to dissenters' rights of appraisal in connection with the Acquisition.

Governmental and Regulatory Approval

No federal or state regulatory requirements must be complied with or approval must be obtained in connection with the Acquisition as of the date hereof.

The affirmative vote of at least a majority of the shares represented and voting at the Annual Meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) is necessary for approval of Proposal No. 1.

THE BOARD OF DIRECTORS DEEMS PROPOSAL NO. 1 TO BE FAIR AND IN THE BEST INTERESTS OF ATEC AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ACQUISITION OF INTERPHARM BY ATEC.

PROPOSAL NO. 2

AMENDMENT TO CERTIFICATE OF INCORPORATION

The amendment to the Certificate of Incorporation of Atec will change our name from "Atec Group, Inc." to "Interpharm Holdings, Inc." In the Capital Stock Exchange Agreement, the parties agreed to change Atec's name to "Interpharm Holdings, Inc." as of the closing of the Acquisition. In addition, pursuant to the terms of the Management Buy-Out, Atec has agreed to grant Baar Group a perpetual license in its rights to the name "Atec Group, Inc." and to assign such name to Baar when Atec changes its name. Because, following the Acquisition and the Management Buy-Out, Atec's sole substantive business operations will be those of its wholly-owned subsidiary, Interpharm, Inc., Atec's Board has determined that the name change will better reflect Atec's business operations. The full text of the proposed amendment to our certificate of incorporation is attached hereto as Appendix D.

The affirmative vote of at least a majority of our shares of our Series A, B and C preferred stock and Common Stock, voting together as a class, is necessary for approval of Proposal No. 2. Under Delaware law, there are no rights of appraisal or dissenter's rights that arise as a result of a vote to approval the amendment to the Certificate of Incorporation.

THE BOARD OF DIRECTORS DEEMS PROPOSAL NO. 2 TO BE IN THE BEST INTERESTS OF ATEC AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE NAME CHANGE.

PROPOSAL NO. 3

THE MANAGEMENT BUY-OUT

On November 25, 2002, Atec entered into an Asset Purchase Agreement with Baar Group whereby Baar Group agreed to purchase the assets and assume substantially all of the liabilities of Atec for a purchase price of $4,278,184, subject to certain adjustments at closing as described below. 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 Ashok Rametra, Balwinder Singh Bathla, Rajnish Rametra and Arvin Gulati, each of whom is a current director, officer, employee and/or shareholder of Atec. The Asset Purchase Agreement provides that the Management Buy-Out is subject to the approval of Atec's stockholders. You should carefully read the documents, including the Asset Purchase Agreement and the Schedules and Exhibits attached thereto, which are included in this Proxy Statement as Appendix E, as well as

Atec's Form 10-K 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. The description set forth below of the material terms of the Management Buy-Out is qualified in its entirety by reference to the complete text of the Asset Purchase Agreement, including the schedules and exhibits thereto, which is incorporated herein by reference.

Background of the Management Buy-Out

See "Background of the Acquisition" for description on the background of the Management Buy-Out.

Reasons for the Management Buy-Out

In concluding that the Management Buy-Out was fair to, and in the best interest of all Atec stockholders, including unaffiliated stockholders, the Board and the Special Committee considered the following information and factors:

1. the offer to purchase Atec's computer operations by the management group was, in the determination of the Board and Special Committee, superior to all the other offers considered or any other bona fide offer the Board and the Special Committee believed they could receive;

2. the downturn in demand for Atec's services and products, as well a general reduction in spending for information and computer technology due to the recent economic and market conditions; and

3. the opportunity to acquire Interpharm.

The Board and the Special Committee also considered potentially negative factors relating to the Management Buy-Out, including (i) the risk associated with a large portion of the purchase price being paid in promissory notes, (ii) the risk that the Acquisition of Interpharm would not be consummated thereby leaving Atec with no substantive operations following the Management Buy-Out, and (iii) all of the uncertainties associated with the Management Buy-Out. The Board and the Special Committee concluded that these factors were outweighed by the potential benefits to be gained by the Management Buy-Out. Thus, after taking into consideration all of the factors set forth above, the Board and the Special Committee unanimously determined that the Management Buy-Out was in the best interests of Atec and its stockholders, and that Atec should consummate the Management Buy-Out.

Terms of the Management Buy-Out

Pursuant to the terms of the Asset Purchase Agreement, Baar Group will acquire the assets and assume substantially all of the liabilities of Atec for a purchase price of $4,278,184, subject to certain adjustments at closing as described below. The purchase price is payable by delivery of (a) a $1 million promissory note, (b) a $750,000 promissory note and (c) cash for the remainder

of the purchase price, at closing.

Adjustment to Purchase Price. The purchase price will be adjusted at the time of the closing of the Management Buy-Out. It will be increased by an amount equal to 34% of income from operations from Atec's Albany, New York City and New Jersey computer operations during the period of July 1, 2002 through the date of the closing. The purchase price will be reduced by an amount equal to the expenses which are allocated to the Long Island, New York operations from the period of July 1, 2002 through the