

# TAMPA BAY Business Journal

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## Once treading water, PowerLinx set to ramp up manufacturing

Probe behind them, company's new management navigates turnaround

BY JANE MEINHARDT  
STAFF WRITER

**ST. PETERSBURG**—A company that began as a developer of underwater video equipment, and was nearly sunk by the Securities and Exchange Commission, is bubbling up with an improved balance sheet and plans to seek bids for manu-

facturing products to launch in the fall.

Bolstered by improved financials in the last quarter, its consolidation, product engineering over two years and new management have paved the way to better times for PowerLinx.

The new products would move the company into targeted product categories. "We're moving into the mainstream of much larger

markets," said Mike Tomlinson, CEO.

Since becoming CEO two years ago, Tomlinson has been the architect of change at PowerLinx (OTCC BB: PWNX), which started in 1998 as SeaView Video Technology Inc. The name was



Tomlinson

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### POWERLINX: Restructuring began before judgments

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changed to PowerLinx in 2003.

He has consolidated operations to cut costs and recently relocated distribution and marine video manufacturing to the Roosevelt Boulevard corporate headquarters, which employs 12. Five employees work at the company's California facility, which handles most of its electronic engineering.

In addition to its underwater video cameras for the marine industry, the company develops and manufactures

products that transmit video, audio, voice and data over existing power lines.

More consolidation could be in the works, but Tomlinson said he could not discuss that now.

For the quarter ended March 31, PowerLinx reported income of \$544,000 compared to a loss of \$2.2 million for the same period last year, according to SEC documents. Its operating costs were reduced from \$1.1 million to \$830,000.

Net revenue for the quarter was \$402,000, about double the revenue for the same quarter in 2006.

#### SEC ACTIONS BEHIND THEM

PowerLinx and two of its former executives agreed to judgments in 2006 after the SEC filed a federal civil suit in Washington.

The SEC alleged the company, former CEO George Bernardich III, and former secretary and treasurer James Cox issued false and misleading press releases and made false and misleading filings with the SEC at various times between 2000 and 2004.

PowerLinx agreed to a judgment that permanently barred it from violating federal antifraud provisions, according to the SEC. Bernardich and Cox agreed to similar judgments, the SEC stated in an enforcement release.

Bernardich and Cox also were barred

from being officers and directors of public companies for 10 years.

The company, Bernardich and Cox agreed to the entry of the judgments without admitting or denying the allegations in the SEC complaint.

The SEC alleged that PowerLinx issued misleading press releases and filed misleading SEC reports related to a purported \$23 million sales contract with a defense contractor known as Universal General Corp. The contractor had no revenue or assets, the SEC alleged.

The complaint accused PowerLinx of conducting virtually no due diligence





KATHLEEN DABBLE

**PowerLinx's Woody Vosler, manufacturing and distribution manager, runs quality control tests for the rear-vision camera system called Zone Defense.**

and alleged Bernardich was responsible for that lack and for drafting the press releases and SEC filings.

In 2000, the company fraudulently recognized nearly 90 percent of its reported revenue based on fictitious sales, the SEC alleged. CEO Richard McBride was responsible, but Bernardich and Cox also were to blame, the complaint stated.

#### TURNAROUND STARTED EARLY

Tomlinson and other executives began restructuring the company before the SEC complaint was filed.

He expects that to pay off this year with new products, new markets and, mostly likely, a new manufacturer in Asia. Most of the company's current manufacturing is done in China, which results in a 20 to 40 percent cost savings because of cheap labor, Tomlinson said.

Among the new products are additional shapes for the company's video surveillance camera and a new surveillance system that can use up to eight cameras remotely controlled through a television.

New audio segments include products that are accessories to iPods and MP3s and home theater and entertainment technology that sends audio throughout a building using existing wiring.

"It's relatively new technology, and it's great for retrofits," said Paul Scheuer, a partner at DTAC Systems Inc. in Tampa. "When a home or something is already built, wiring is challenging and expensive. A lot of the time it involves cutting holes in walls."

DTAC focuses on home entertainment and security wiring installation in preconstruction stages of homes and buildings.

"Whole house audio, home automation systems and home theaters are hot these days," Scheuer said. "The market for this technology using existing wiring could be hot, too."