

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities
--- Exchange Act of 1934. For the quarterly period ended March 30, 1997.

Transition report pursuant to Section 13 or 15(d) of the Securities
--- Exchange Act of 1934. For the transition period from _____ to _____.

Commission file number: 0-24020

GROUP TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

FLORIDA	59-2948116
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

10901 Malcolm McKinley Drive
Tampa, Florida 33612
(Address of principal executive offices, including zip code)

(813) 972-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /.

As of May 1, 1997 there were 16,220,629 shares of the Registrant's Common Stock outstanding.

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Part I. Financial Information
 Item 1. Financial Statements

GROUP TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

	Three Months Ended	
	March 30, 1997	March 31, 1996
	-----	-----
	(Unaudited)	
Revenue.....	\$26,438	\$68,200
Cost of operations.....	27,797	64,000
	-----	-----
Gross (loss) profit.....	(1,359)	4,200
Selling, general and administrative expense.....	1,499	2,773
Research and development.....	0	286
	-----	-----
Operating (loss) income.....	(2,858)	1,141
Interest expense.....	513	949
Other (income) expense, net.....	(13)	84
	-----	-----
(Loss) income before income taxes.....	(3,358)	108
Income tax expense.....	21	103
	-----	-----
Net (loss) income.....	\$(3,379)	\$5
	=====	=====
Net (loss) income per share:		
Primary.....	\$(0.21)	\$0.00
Fully diluted.....	\$(0.21)	\$0.00
Shares used in computing per share amounts:		
Primary.....	16,221	16,263
Fully diluted.....	16,221	16,263

The accompanying notes are an integral part of the consolidated financial statements.

GROUP TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share data)

	March 30, 1997 ----- (Unaudited)	December 31, 1996 -----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$312	\$661
Accounts receivable, net.....	16,038	22,754
Inventories, net.....	22,961	20,220
Other current assets.....	1,957	2,102
	-----	-----
Total current assets.....	41,268	45,737
Property and equipment, net.....	20,102	21,206
Other assets.....	538	522
	-----	-----
	\$61,908	\$67,465
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$16,968	\$17,969
Accrued liabilities.....	13,813	16,416
Current portion of long-term debt.....	11,055	3,513
	-----	-----
Total current liabilities.....	41,836	37,898
Long-term debt.....	855	10,119
Other liabilities.....	222	45
	-----	-----
Total liabilities.....	42,913	48,062
Preferred Stock, \$.01 par value; 1,000,000 shares authorized; 250,000 shares issued and outstanding in 1997.....		
	3	0
Additional paid-in capital - Preferred Stock.....	2,497	0
Shareholders' equity:		
Common Stock, \$.01 par value, 40,000,000 shares authorized; 16,220,629 shares issued and outstanding in 1997 and 1996.....	162	162
Additional paid-in capital.....	25,146	24,675
Accumulated deficit.....	(8,813)	(5,434)
	-----	-----
Total shareholders' equity.....	16,495	19,403
	-----	-----
	\$61,908	\$67,465
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

GROUP TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	March 30, 1997	March 31, 1996
	-----	-----
	(Unaudited)	
Cash flows from operating activities:		
Net (loss) income.....	\$(3,379)	\$5
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization.....	1,305	1,294
Other.....	120	200
Changes in operating assets and liabilities, net of dispositions:		
Accounts receivable.....	6,716	(12,579)
Inventories.....	(2,741)	(2,981)
Other current and non-current assets.....	306	(446)
Accounts payable.....	(1,001)	4,828
Accrued and other liabilities.....	(2,603)	(1,902)
	-----	-----
Net cash used in operating activities.....	(1,277)	(11,581)
Cash flows from investing activities:		
Capital expenditures.....	(201)	(472)
Proceeds from disposal of assets.....	0	11,457
	-----	-----
Net cash (used in) provided by investing activities.	(201)	10,985
Cash flows from financing activities:		
Net repayments under revolving credit agreement.....	(453)	(1,730)
Repayments of notes payable and long-term debt.....	(918)	(136)
Proceeds from issuance of preferred stock.....	2,500	0
Net proceeds from issuance of common stock.....	0	1,000
	-----	-----
Net cash provided by (used in) financing activities.	1,129	(866)
	-----	-----
Net decrease in cash and cash equivalents.....	(349)	(1,462)
Cash and cash equivalents at beginning of period....	661	2,143
	-----	-----
Cash and cash equivalents at end of period.....	\$312	\$681
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

GROUP TECHNOLOGIES CORPORATION

Notes to Interim Consolidated Financial Statements

(1) Organizational Structure

Group Technologies Corporation (the "Company") was incorporated on December 27, 1988 as a subsidiary of Group Financial Partners, Inc. (the "Parent"), a private holding company. The Parent owns approximately 80% of the outstanding Common Stock of the Company.

The Company provides advanced manufacturing, engineering and testing services to original equipment manufacturers ("OEMs") of electronic products. The Company custom manufactures complex circuit card assemblies, subsystems and end-user products for use in a wide variety of markets, including automotive, commercial avionics, computer, government systems, industrial electronics, networking, space, and telecommunications.

(2) Basis of Presentation

The unaudited consolidated financial statements and related notes have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and on substantially the same basis as the annual consolidated financial statements. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated.

In the opinion of management, the consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position, operating results, and cash flows for those periods presented. . Operating results for the three-month period ended March 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. These consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 1996 as presented in the Company's annual report on Form 10-K.

During the first quarter of 1997, Statement of Financial Accounting Standard No. 128, "Earnings per Share," was issued which revises the manner in which earnings per share are calculated. In accordance with the effective date of Statement No. 128, the Company will implement the new standard during the fourth quarter of 1997. The Company does not expect that the provisions of Statement No. 128 will have a material impact upon the Company's reported earnings per share for the year ending December 31, 1997.

(3) Net (Loss) Income Per Share

Net (loss) income per share is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding during the applicable period. Common equivalent shares consist of stock options and warrants (vested and unvested) and are computed using the treasury stock method. The computation includes those common shares and common equivalent shares as prescribed by the Securities and Exchange Commission Staff Accounting Bulletins.

(4) Inventories

Inventories consist of the following:

	March 30, 1997 ----- (Unaudited)	December 31, 1996 -----
Raw materials.....	\$11,707	\$12,538
Work in process.....	6,061	4,100
Finished goods.....	26	107
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date.....	13,176	11,655
Progress payments related to long-term contracts and programs.....	(3,077)	(3,292)
Reserve for inactive, obsolete and unsalable inventories.....	(4,932)	(4,888)
	-----	-----
	\$22,961	\$20,220
	=====	=====

(5) Note Payable and Long-Term Debt

The Company has a financing agreement (the "Credit Agreement") with its bank which provides the Company with a revolving line of credit facility (the "Revolver"), and a term note (the "Term Note"). As amended on March 28, 1997, the Credit Agreement provides credit availability on the Revolver equal to the lesser of \$13,500,000 or the applicable amount of its eligible accounts receivable and inventories through March 29, 1998.

The Company, in connection with the initial execution of the Credit Agreement during 1996, issued warrants to purchase 1,200,000 shares of Common Stock at \$0.01 per share to the lender. Upon execution of the Credit Agreement, 200,000 of the warrants became exercisable and, on March 31, 1997, an additional 125,000 of the warrants became exercisable. As amended, the Credit Agreement provides for the balance of the warrants to become exercisable as follows: 375,000 on June 30, 1997; 250,000 on September 30, 1997; and 250,000 on December 31, 1997. The warrants will expire five years following the issue date. The lender will forfeit any unvested warrants in the event the Company repays all debt outstanding under the Credit Agreement prior to any vesting date. During the first quarter of 1997, the Company recognized a change in estimate for additional paid-in capital and related long-term debt discount amounting to \$471,000 relative to the value of warrants which are expected to vest through September 29, 1997. The Company has estimated that 500,000 warrants will be forfeited by the lender and has, therefore, not recognized any additional paid-in capital for warrants with vesting dates subsequent to September 29, 1997.

In connection with the March 28, 1997 amendment to the Credit Agreement, the Parent invested \$2,500,000 in the Company in exchange for 250,000 shares of the Company's Preferred Stock (the "Preferred Stock"). The Company agreed to utilize \$500,000 of the proceeds it received from the sale of the Preferred Stock to partially repay the Term Note.

Long-term debt consists of the following:

	March 30, 1997 ----- (Unaudited)	December 31, 1996 -----
Revolver.....	\$6,481	\$6,934
Term note.....	2,025	2,690
Other.....	3,875	4,128
	-----	-----
Total long-term debt.....	12,381	13,752
Unamortized discount related to warrants.....	(471)	(120)
Current portion of long-term debt.....	(11,055)	(3,513)
	-----	-----
	\$855	\$10,119
	=====	=====

Available borrowings on the Revolver at March 30, 1997 were approximately \$3,850,000. The Revolver and Term Note are payable upon the expiration of the Credit Agreement on March 29, 1998 and are, therefore, classified as current liabilities. The interest rate on all debt outstanding under the Credit Agreement at March 30, 1997 was 9.75%.

(6) Preferred Stock

Each share of Preferred Stock outstanding may be exchanged for 8.1 shares of the Company's Common Stock. The Preferred Stock outstanding is also redeemable at the option of the holder (the Parent), subject to certain restrictions, and pays quarterly dividends of 8.5% per annum. The shares of Preferred Stock outstanding have voting rights equal to the voting rights of the Company's Common Stock, except that the holder of each share of Preferred Stock is entitled to the number of votes equal to the number of shares of Common Stock that would be receivable upon conversion. The rates and preferences of Preferred Stock authorized but not issued have not been determined.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth certain data, expressed as a percentage of revenue, from the Company's Consolidated Statement of Operations for the three-month periods ended March 30, 1997 and March 31, 1996.

	Three Months Ended	
	March 30, 1997	March 31, 1996
	-----	-----
	(Unaudited)	
Revenue.....	100.0%	100.0%
Cost of operations	105.1	93.8
	-----	-----
Gross (loss) profit.....	(5.1)	6.2
Selling, general and administrative expense.....	5.7	4.1
Research and development.....	0.0	0.4
	-----	-----
Operating (loss) income.....	(10.8)	1.7
Interest expense.....	1.9	1.4
Other (income) expense, net.....	(0.0)	0.1
	-----	-----
(Loss) income before income taxes.....	(12.7)	0.2
Income tax expense.....	0.1	0.2
	-----	-----
Net (loss) income.....	(12.8)%	0.0%
	=====	=====

Revenue for the first quarter of 1997 was \$26.4 million, a decrease of \$41.8 million or 61.2% from \$68.2 million for the first quarter of 1996. Revenue for the Company's domestic manufacturing and engineering services businesses decreased by \$29.6 million from the first three months of the prior year. The majority of the domestic manufacturing services revenue decrease was related to a reduction in customer demand and to contract completions during 1996. Revenue from the Company's Latin American operations in the first three months of 1997 decreased \$10.7 million compared to the first quarter of 1996, principally as the result of the completion or curtailment of certain contracts during 1996 and the first quarter of 1997. The disposition of the Company's name brand products business units during the first quarter of 1996 also contributed \$1.5 million to the decrease in revenue.

The Company reported a gross margin loss of \$1.4 million in the first quarter of 1997 compared to a gross profit of \$4.2 million or 6.2% of revenue in the first quarter of 1996. The decrease in gross profit in the first quarter of 1997 is primarily attributable to the under-utilized capacity of the Company's Tampa and Mexican-based operations.

The decreased revenue and profitability of the Company has been negatively impacted by the aforementioned contract completions and curtailments. These reductions are the result of a number of events including, but not limited to, changes in customer outsourcing strategies and decreased demand for certain products, especially in the semiconductor industry. In an effort to mitigate the impact of these reduced production requirements, the Company retained new marketing management during 1996 and 1997 and

continues to focus on its objective of optimizing the utilization of the Company's manufacturing and engineering capabilities. Additionally, management, including a newly appointed President and Chief Executive Officer, has taken actions to realign Company resources and reduce costs, including a workforce reduction in April 1997.

Selling, general and administrative expense for the first quarter of 1997 decreased to \$1.5 million or 5.7% of revenue from \$2.8 million or 4.1% of revenue in the first quarter of 1996. The \$1.3 million decrease in the first quarter of 1997 reflects cost savings resulting from workforce reductions and other initiatives implemented by the Company during 1996 in response to its reduced level of operations. The relatively higher percentage of selling, general and administrative expense as a percent of revenue is attributable to the fixed nature of certain costs compounded by the decline in revenue experienced by the Company in the first quarter of 1997.

Research and development expense for the first quarter of 1997 decreased \$0.3 million from the comparable prior year period. The Company's research and development efforts have historically been concentrated on the name brand products business units which were substantially divested during the first quarter of 1996. The Company's manufacturing and engineering services businesses are expected to require low levels of research and development in the future.

Interest expense for the first quarter of 1997 decreased \$0.4 million from the comparable prior year period. The Company maintained substantially lower levels of debt during the first quarter of 1997 as compared to the same period in 1996. The lower level of debt in 1997 reflects the lower level of operations and relatively lower level of working capital funded by credit facilities. The lower debt level also reflects the use of proceeds from the sale of the name brand products businesses in the first quarter of 1996 to reduce the Company's debt.

Income tax expense for the first quarter of 1997 and 1996 consists primarily of income taxes on earnings in foreign countries.

Liquidity and Capital Resources

Net cash used in operating activities was \$1.3 million for the first quarter of 1997. Accounts receivable decreased by \$6.7 million during this period primarily due to the completion or curtailment of certain contracts during 1996 and 1997. This positive cash flow was partially offset by an increase in inventory of \$2.7 million which principally resulted from a delay in orders received from a certain customer. The Company also utilized cash from operations to reduce its accounts payable and accrued liabilities by \$3.6 million. While the Company has maintained extended payment terms with its suppliers, the Company has long-term relationships with a majority of its suppliers and has been successful in maintaining reasonable credit terms with its supplier base.

Net cash provided by financing activities was \$1.1 million for the first quarter of 1997. The financing activities were comprised of proceeds from the issuance of the Company's Preferred Stock (the "Preferred Stock") of \$2.5 million partially off-set by repayments of long term debt of \$1.4 million. The credit agreement between the Company and its bank (the "Credit Agreement") was amended on March 28, 1997 to be effective as of December 31, 1996. As more fully discussed below, the March 28, 1997 amendment (the "Amendment") resulted in, among other things, reduced credit availability, an investment from Group Financial Partners, Inc. (the "Parent") and more lenient financial covenants. A revolving credit facility issued under the Credit Agreement, as amended, provides \$13.5 million of availability through March 29, 1998, subject to a borrowing base consisting of eligible accounts receivable and inventories. During the

first quarter of 1997, the Company repaid \$0.7 million on a term note, which is also governed by the Credit Agreement.

In connection with execution of the Credit Agreement in the first quarter of 1996, the Parent invested \$1.0 million in the Company in exchange for 374,531 shares of the Company's Common Stock. The Company also issued warrants to the bank for purchase of 1.2 million shares of the Company's Common Stock for \$.01 per share. Of the 1.2 million warrants, 200,000 became exercisable at closing and 125,000 became exercisable on March 31, 1997. As amended, the Credit Agreement provides for the balance of the warrants to become exercisable as follows: 375,000 on June 30, 1997; 250,000 on September 30, 1997; and, 250,000 on December 31, 1997. Vesting of these warrants is also subject to an acceleration clause included in the Credit Agreement. The bank will forfeit any unvested warrants in the event the Company repays all debt outstanding prior to any warrant vesting date.

In connection with the Amendment, the Parent invested \$2.5 million in the Company in exchange for 250,000 shares of Preferred Stock. The Preferred Stock pays quarterly dividends of 8.5% per annum and is redeemable at the option of the holder upon repayment by the Company of all of its outstanding Credit Agreement indebtedness. The Preferred Stock is also convertible and each share may be exchanged for 8.1 shares of the Company's Common Stock.

The Company's ability to manage its working capital position during the remainder of 1997 will affect the available borrowings under its revolving credit facility. If the Company is not able to maximize its credit availability or if such availability otherwise proves insufficient to provide the Company with adequate funding for its working capital, management will undertake actions to mitigate the effect of such deficiencies. Such actions could consist of refinancing initiatives, potential asset sales, and other actions relative to maximizing the liquidity of the Company's financial resources.

Part II Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits listed on the Exhibit Index on page 14 of this Form 10-Q are filed as a part of this report.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 30, 1997.

SIGNATURES

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

GROUP TECHNOLOGIES CORPORATION
(Registrant)

Date: May 13, 1997

By:/s/ Thomas W. Lovelock
(Thomas W. Lovelock)
President & Chief Executive Officer

Date: May 13, 1997

By:/s/ David D. Johnson
(David D. Johnson)
Vice President & Chief Financial Officer

Exhibit Index

Exhibit Number	Description
-----	-----
10.33	Stock purchase right agreement dated April 7, 1997 between the Registrant and Thomas W. Lovelock.
11	Statement re: computation of per share earnings.
27	Financial data schedule (for SEC use only).

STOCK PURCHASE RIGHT AGREEMENT

THIS STOCK PURCHASE RIGHT AGREEMENT (this "Agreement"), to be effective on April 7, 1997, is made and entered by and between GROUP TECHNOLOGIES CORPORATION, a Florida corporation (the "Company"), and THOMAS W. LOVELOCK (the "Employee").

WITNESSETH

WHEREAS, on April 4, 1997, the Board of Directors of the Company authorized and directed the Company to:

(i) grant the Employee a one-time right and option to purchase up to 100,000 shares of the Company's common stock, \$0.01 par value per share (the "Common Stock"), directly from the Company at the fair market value of the Common Stock on the date of exercise (the Stock Purchase Right), and

(ii) grant the Employee a companion right and option to receive a certain number of shares of Common Stock directly from the Company, at no cost to the Employee, which right shall automatically be exercised by him if and when he exercises the Stock Purchase Right (the "Bonus Share Right"). However, any shares to be issued to the Employee upon exercise of the Bonus Share Right are to be subject to a vesting requirement that the Employee must remain employed by the Company for three (3) years after the date of exercise. The number of shares to be issued to the Employee upon exercise of the Bonus Share Right shall be that number of shares which, when added to the number of shares he purchased by exercising the Stock Purchase Right, shall cause the effective purchase price of these shares to reflect a 30% discount from their fair market value on the date of exercise.

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Stock Purchase Right. Subject to the other terms of this Agreement, the Company hereby grants to the Employee the right and option to purchase up to ONE HUNDRED THOUSAND (100,000) shares of Common Stock (the "Purchased Shares") directly from the Company at any time between the dates of July 1, 1997 and September 30, 1997 (the "Stock Purchase Right"). The price to be paid by the Employee for the Purchased Shares shall be equal to the fair market value of the shares, as defined in Section 4 hereof, on the date of purchase.

2. Exercisability. The Employee may only exercise the Stock Purchase Right once during the exercise period, however, he may do so by electing to purchase any number of whole shares of Common Stock, up to 100,000 shares.

3. Nontransferability. The Stock Purchase Right is not transferable by the Employee under any circumstances. In the event the Employee has not exercised the Stock Purchase Right and he dies or his employment with the Company is terminated for any other reason prior to September 30, 1997, the Stock Purchase Right will expire and become null and void immediately upon the occurrence of such an event.

4. Method of Exercise and Determination of Fair Market Value. The Employee may exercise the Stock Purchase Right by delivering a written notice to the Company on the fourth Trading Day prior to the desired date of exercise. The written notice shall specify the number of shares to be purchased pursuant to the exercise. The fair market value of the Common Stock used to determine the purchase price to be paid by the Employee for the shares shall be determined by calculating an average of the Quoted Price for the Common Stock on each of the three Trading Days immediately following the date the Company received written notice of the Employee's intent to exercise the Stock Purchase Right. The "Quoted Price" for each day shall be: (i) the last reported sales price or, in the case no such reported sale took place on such day, the average of the closing bid and asked prices for such day, in either case on the principal national securities exchange on which the Common Stock is permitted to trade; or (ii) if the Common Stock does not trade on any national securities exchange, but is traded in the over-the-counter market, the last reported sales price or, in the case no such reported sale took place on such day, the average of the closing bid and asked prices of the Common Stock on Nasdaq or any comparable system; or (iii) if the Common Stock is not quoted on Nasdaq or a comparable system, the last reported sales price, or in case no such reported sale took place on such day, the average of the closing bid and asked prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. A "Trading Day" shall be a day for which a Quoted Price is available.

5. Payment for and Delivery of Purchased Shares. Upon exercise of the Stock Purchase Right, the Employee must pay the purchase price of the shares by delivering to the Company a check payable to the Company for the total amount of the purchase price. Such payment must occur on the fourth Trading Day after the Employee gives the Company notice of his intent to exercise. If the Company is required to withhold on account of any federal, state or local tax imposed as a result of such exercise, the Employee shall also remit a check payable to the Company for the amount of such taxes. Promptly after the Company receives full payment of the purchase price and any associated tax withholding amounts, the Company shall, without transfer or issuance tax or other incidental expenses to the Employee, deliver a certificate for the Purchased Shares to the Employee.

6. Grant of Bonus Share Right. Subject to the other terms of this Agreement, the Company hereby grants to the Employee the right and option to receive a certain number of shares of Common Stock directly from the Company at no cost to the Employee (the "Bonus Shares"). This Bonus Share Right is only exercisable in conjunction with the Stock Purchase Right and it will automatically be exercised if and when the Employee exercises the Stock Purchase Right pursuant to this Agreement. However, the Company's obligation to issue and deliver any of the Bonus Shares to the Employee is entirely subject to the Employee fulfilling a vesting requirement that he remain employed by the Company for three (3) years after the date of exercise. If the Employee's employment with the Company is terminated for any reason whatsoever prior the third anniversary of the exercise date, his right to receive any of the Bonus Shares shall immediately become null and void. The number of Bonus Shares which the Employee shall be eligible to receive upon meeting the vesting requirement shall be determined using the following formula:

$$\frac{\text{Imputed 30\% discount on the Purchased Shares}}{\text{Fair market value of common stock on the date of exercise}} = \text{Number of Bonus Shares}$$

The number of Bonus Shares calculated by using the above formula shall be rounded off to the nearest whole number of shares.

7. Tax Withholding on and Delivery of Bonus Shares. The Employee acknowledges and agrees that, upon satisfying the vesting requirement for the Bonus Shares, he shall be deemed to have received taxable compensation from the Company equal to the fair market value of such shares on the date of vesting, unless he has made an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, which would change the measurement date to the date of exercise. Accordingly, the Employee agrees to satisfy any tax withholding amount owed by him on either of these dates by delivering to the Company a check payable to the Company for the total amount of such taxes. Promptly after the Company receives full payment of the tax withholding amounts, the Company shall, without transfer or issuance tax or other incidental expenses to the Employee, deliver a certificate for the Bonus Shares to the Employee.

8. Representations and Warranties of the Employee. The Employee understands and acknowledges that: (i) any shares which may be issued to the Employee by the Company, upon his exercise of the Stock Purchase Right and upon vesting of the Bonus Shares, are being offered and sold under the exemption from registration provided for in Sections 3(b) and 4(2) of the Securities Act of 1933 (the "Act"), (ii) the Employee will be purchasing the shares of Common Stock without being furnished any offering literature or prospectus, and (iii) the Company's issuance of these shares to the Employee will not be scrutinized by the United States Securities and Exchange Commission or by any administrative agency charged with the administration of securities laws of any state. The Employee hereby also represents and warrants to the Company that:

(i) The Employee has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the Company and of making an informed investment decision.

(ii) In his capacity as President and Chief Executive Officer of the Company, he has access to and, at his discretion, he has had an opportunity to review the Company's Amended and Restated Articles of Incorporation, as amended, its Amended and Restated Bylaws, all reports filed by the Company as required by Section 13 or 15(d) of the Securities Exchange Act of 1934, and any other documents, books or records which he has deemed to be pertinent to his investment decisions regarding the Stock Purchase Right and the Bonus Share Right.

(iii) The Employee is able to bear the economic risk of the investment required to exercise the Stock Purchase Right and the Bonus Share Right.

(iv) The Purchased Shares and any Bonus Shares to be acquired by the Employee are being acquired by him in good faith solely for his own

account, for investment purposes only, and are not being purchased for resale, resyndication, distribution, subdivision or fractionalization thereof.

(v) The Employee understands that no federal or state agency will review the issuance of the Purchased Shares or the Bonus Shares, nor have they passed on or made any recommendation or endorsement of the such shares. Except as provided in Section 10 hereof, neither the Purchased Shares nor the Bonus Shares will be registered under the Securities Act and, therefore, each of the certificates representing the shares will be endorsed with the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE. THE SECURITIES ARE RESTRICTED SECURITIES WITHIN THE MEANING OF RULE 144 PROMULGATED UNDER THE ACT. THESE SECURITIES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE APPLICABLE SECURITIES LAWS OR AN EXEMPTION THEREFROM. THE RESTRICTED SECURITIES WILL NOT BE TRANSFERRED ON THE BOOKS OF THE COMPANY OR BY ANY TRANSFER AGENT ACTING ON BEHALF OF THE COMPANY EXCEPT UPON RECEIPT OF AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT THE PROPOSED TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF ALL APPLICABLE SECURITIES LAWS, OR THE RECEIPT OF EVIDENCE, SATISFACTORY TO THE COMPANY, THAT THE PROPOSED TRANSFER IS THE SUBJECT OF AN EFFECTIVE REGISTRATION STATEMENT UNDER ALL APPLICABLE SECURITIES LAWS.

(vi) The Employee specifically acknowledges that, in his capacity as President and Chief Executive Officer of the Company, he is considered to be an affiliate of the Company for purposes of Rule 144 of the Act and, accordingly, he is subject to the applicable holding period and other restrictions as stated therein.

9. No Impact From Capital Adjustments. There will be no adjustment to any aspect or feature of the either the Stock Purchase Right or the Bonus Share Right in the event there is a stock split, stock dividend or any other form of capital adjustment involving the Common Stock.

10. Registration Rights. If, at any time after the Employee purchases the Purchased Shares or receives any Bonus Shares upon vesting of his right thereto, the Company shall decide to register in a registration statement any of its securities, either for its own account or for the account of a security holder or holder who does not have an exclusive or prior registration right, the Company may, in its sole discretion, include the Purchased Shares and the Bonus Shares in such registration(s) (an "Incidental Registration"), upon the Employee's written request to the Company no later than thirty days prior to the Company's proposed filing date for such registration statement. Each such request for Incidental Registration must be for a minimum of 20,000 shares of either the Purchased Shares or the Bonus Shares, or a combination thereof, and shall be subject to reduction or total exclusion if, in the opinion of an underwriter of the Company's shares in such offering, the inclusion of such shares would have an adverse effect on the proposed offering and the Company's registration. In addition, the Employee agrees that he will not offer, sell, contract to sell, announce its intention to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to the Purchased Shares or the Bonus Shares without the prior written consent of the underwriter, if any, of the securities being registered in Company's registration statement for a period of ninety (90) days after the date of the prospectus included in such registration statement. All expenses incurred in connection with any such Incidental Registration, including without limitation, all registration, filing and qualification fees, printing expenses, fees and disbursements of counsel for the Company, and expenses of any special audits incidental to or required by such registration, shall be borne by the Company.

11. Compliance With Laws and Regulations. This Stock Purchase Right and the Bonus Share Right, along with the obligation of the Company to sell and deliver any shares hereunder, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. Moreover, this Stock Purchase Right and the Bonus Share Right may not be exercised if the exercise, or the receipt of the Purchase Shares or the Bonus Shares would be contrary to applicable law.

12. No Rights as a Stockholder. Neither the Stock Purchase Right nor the Bonus Share Right confer any rights to the Employee as a stockholder of the Company, except only as to any shares of Common Stock which are actually delivered to the Employee.

13. No Right to Continued Employment. Neither the receipt of the Stock

Purchase Right nor the Bonus Share Right give the Employee any right to continued employment by the Company or any of its subsidiaries for any period, nor shall the granting of these rights or the issuance of shares on exercise thereof give the Company or any of its subsidiaries any right to receive the continued services of the Employee for any period.

14. Miscellaneous.

(a) Notices. Any notice to the Company shall be addressed to it as follows: Group Technologies Corporation, 10901 Malcolm McKinley Drive, Tampa, Florida 33612, Attention: The Corporate Secretary. Any notice to the Employee shall be addressed to him as follows: Thomas W. Lovelock, 527 Colonial Drive, Brooksville, Florida 34601. Either party shall have the right at any time hereafter to designate, in writing, some other address.

(b) Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the transactions contemplated hereby and it supersedes all prior arrangements or understandings with respect thereto. There are no restrictions, agreements, promises, warranties, covenants, or undertakings other than those expressly set forth herein.

(c) Modifications and Amendments. No change, modification or termination of any terms, provisions, or conditions of this Agreement shall be effective unless made in writing and signed by all parties hereto, their successor and assigns.

(d) Governing Law. This Agreement shall be governed by the laws of the State of Florida (regardless of the laws that might be applicable under the principles of conflicts of law) as to all matters, including, but not limited to, matters of validity, construction, effect and performance.

(e) Litigation Venue. This Agreement shall be deemed for all purposes to have been entered into in Hillsborough County, Florida. Any litigation arising directly or indirectly from a dispute hereunder shall be litigated solely in the Circuit Court of the State of Florida in Hillsborough County, Florida or in the United States District Court for the Middle District of Florida, Tampa Division. The parties hereto submit to the personal jurisdiction of such courts and agree that such courts shall be the sole situs of venue for the resolution of any such dispute through litigation.

(f) Attorneys' Fees. In the event of litigation between the parties arising directly or indirectly pursuant to this Agreement, the prevailing party shall be entitled to the reimbursement of all costs (including reasonable attorneys' fees at the trial and appellate court levels) from the non-prevailing party.

(g) Separability. If any section, subsection or provision, is held invalid, then the remainder of the Agreement, and the application of such section, subsection or provision to persons or circumstances other than those with respect to which it is held invalid, shall not be affected thereby.

(h) Headings and Captions. The titles or captions of sections and subsections contained in this Agreement are provided for convenience of reference only, and shall not be considered a part hereof for purposes of interpreting or applying this Agreement, and, therefore, such titles or captions do not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms, provisions, representations, warranties, conditions, etc., in any manner or way whatsoever.

(i) Waiver. To the extent permitted by applicable law, each party may, by written instrument, extend the time for performance of any of the obligations or other acts of any other party hereto, and (1) waive such other party's performance of any of the obligations set out in this Agreement, and (2) waive any condition to its obligations under this Agreement.

IN WITNESS WHEREOF, this Agreement is being entered into in duplicate as of the 16th day of April, 1997.

GROUP TECHNOLOGIES CORPORATION

By: /s/ Jeffrey T. Gill
Jeffrey T. Gill
Title: Chairman of the Board

Attest:
/s/ Michael L. Schuman
Secretary

EMPLOYEE
/s/ Thomas W. Lovelock
Thomas W. Lovelock

(Seal)

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE
GROUP TECHNOLOGIES CORPORATION

Primary Earnings Per Share

	Three Months Ended	
	March 30, 1997	March 31, 1996
	-----	-----
Weighted average shares outstanding.....	16,220,629	15,965,145
Net effect of dilutive stock options (based on treasury method).....	0	298,100
	-----	-----
Total.....	16,220,629	16,263,245
	=====	=====
Net (loss) income.....	\$(3,379,000)	\$5,000
Net (loss) income per share.....	\$(0.21)	\$0.00

Fully Diluted Earnings Per Share

	Three Months Ended	
	March 30, 1997	March 31, 1996
	-----	-----
Weighted average shares outstanding.....	16,220,629	15,965,145
Net effect of dilutive stock options (based on treasury method).....	0	298,100
	-----	-----
Total.....	16,220,629	16,263,245
	=====	=====
Net (loss) income.....	\$(3,379,000)	\$5,000
Net (loss) income per share.....	\$(0.21)	\$0.00

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT MARCH 30, 1997 AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	DEC-31-1997	JAN-01-1997	MAR-31-1997
			312
		0	
		17,913	
		1,875	
		22,961	
	41,268		
		45,198	
	25,096		
	61,908		
41,836		11,910	
	2,500		
		0	
		25,308	
61,908		(8,813)	
		26,438	
	26,438		
		27,797	
		27,797	
		0	
		0	
		513	
		(3,358)	
		21	
(3,379)			
		0	
		0	
		0	
		(3,379)	
		(0.21)	
		(0.21)	