UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report: May 23, 2003

APA OPTICS, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA	0-16106	41-1347235
(State of other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification Number)

2950 NE 84TH LANE, BLAINE, MN 55449
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (763) 784-4995

(Former name, former address and former fiscal year, if changed since last report): N/A

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

On March 14, 2003, we completed the acquisition of certain assets of Computer System Products, Inc. ("CSP"). Pursuant to the terms of the Asset Purchase Agreement dated March 3, 2003, APA Acquisition, Inc., our wholly-owned subsidiary acquired certain assets and assumed certain related liabilities of CSP. The transaction closed on March 14, 2003. APA Optics, Inc. ("APA") reported the acquisition on a Form 8-K dated March 28, 2003. Under the requirements of Form 8-K, Item 7(a)(2) and Item 7(a)(4), the Company has sixty days from the date on which the Form 8-K was required to be filed to file the required financial statements and pro forma financial information. This amendment provides the financial statements and pro forma financial information required by Regulation S-X.

a. Financial Statements of Business Acquired

The following financial statements of CSP are included as Exhibit 99.2:

(i) Auditor's Report of Grant Thornton LLP;

(ii) Auditor's Report of Larson Allen Weishair LLP;

(iii) Statement of Operations, Statement of Changes in Shareholders' Deficit and Statement of Cash Flows for the years ended December 31, 2002 and 2001;

(iv) Notes to Financial Statements.

b. Pro Forma Financial Information

The following unaudited pro forma condensed consolidated financial statements are attached as Exhibit 99.3:

(i) Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2002;

(ii) Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2002 and March 31, 2002;

(iii) Notes to Pro Forma Condensed Consolidated Financial Statements.

ITEM 7. EXHIBITS

Exhibit No.	Description
99.2	Financial Statements of Business Acquired
99.3	Pro Forma Financial Information

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 hereunto duly authorized.

Dated: May 23, 2003 APA OPTICS, INC.

By: /s/ Anil K. Jain

Anil K. Jain, Chief Executive Officer
Authorized Signatory

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Shareholders and Board of Directors
Computer System Products, Inc.

We have audited the accompanying balance sheet of Computer System Products, Inc. as of December 31, 2002, and the related statements of operations, changes in shareholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of Computer System Products, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company has sustained operating losses during the last two fiscal years primarily as a result of a slowing economy. In addition, it has experienced an accumulated deficit and negative working capital for several years. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

GRANT THORNTON LLP

Minneapolis, Minnesota
January 24, 2003

INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
Computer System Products, Inc.
Minneapolis, Minnesota

We have audited the accompanying balance sheet of Computer System Products, Inc. as of December 31, 2001, and the related statements of operations, changes in shareholders' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Computer System Products, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
July 1, 2002, Except for Note L, as to
Which the Date is September 3, 2002

<TABLE>
<CAPTION>

COMPUTER SYSTEM PRODUCTS, INC.

BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 3,742	$ 5,807
Accounts receivable less allowance for doubtful accounts of $25,000 and $57,000 at 2002 and 2001	690,069	2,696,552
Inventories	1,300,690	3,063,240
Prepaid expenses	39,381	45,652
Total current assets	2,033,882	5,811,251
PROPERTY AND EQUIPMENT, net	555,628	915,159
OTHER ASSETS	49,018	26,000
	$2,638,528	$6,752,410

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
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LIABILITIES AND SHARE-HOLDERS' DEFICIT	2002	2001
<S>	<C>	<C>
CURRENT LIABILITIES		
Note payable to bank	$ 3,202,782	$ 5,381,305
Current portion of capital lease obligations	65,445	91,058
Current portion of loans payable to vendors	260,873	-
Notes payable - shareholders	576,220	110,905
Accounts payable	628,962	2,842,711
Accounts payable - affiliates	687,612	209,115
Accrued expenses	196,235	507,791
Total current liabilities	5,618,129	9,142,885
CAPITAL LEASE OBLIGATIONS, net of current portion	107,676	148,201
LOANS PAYABLE TO VENDORS, net of current portion	58,527	-
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' DEFICIT		
Common stock, $0.0001 par value; 10,000,000 shares authorized; 3,680,000 shares issued and outstanding	368	368
Additional paid-in capital	800,000	-
Accumulated deficit	(3,946,172)	(2,539,044)
	(3,145,804)	(2,538,676)
	$ 2,638,528	$ 6,752,410

</TABLE>

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<CAPTION>

COMPUTER SYSTEM PRODUCTS, INC.

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2002 AND 2001

<S>	2002 <C>	2001 <C>
Net sales	$ 17,276,773	$ 31,885,973
Cost of goods sold	14,406,682	24,350,340
Gross profit	2,870,091	7,535,633
Operating expenses		
General and administrative	2,796,061	3,517,139
Selling	1,685,634	3,162,739
Warehouse	835,408	1,318,599
Marketing expenses	333,134	660,165
	5,650,237	8,658,642
Operating loss	(2,780,146)	(1,123,009)
Other income (expense)		
Interest expense	(512,701)	(681,450)
Gain on sale of assets	1,000,000	-
Vendor settlements	857,088	-
Other income	28,631	111,440
	1,373,018	(570,010)
NET LOSS	$ (1,407,128)	$ (1,693,019)

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>

COMPUTER SYSTEM PRODUCTS, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

YEARS ENDED DECEMBER 31, 2002 AND 2001

	Common stock		Additional		Total
<S>	Shares <C>	Amount <C>	paid-in capital <C>	Accumulated deficit <C>	shareholders' deficit <C>
Balance at December 31, 2000	3,680,000	$ 368	$ -	$ (652,355)	$ (651,987)
Distributions to shareholders	-	-	-	(193,670)	(193,670)
Net loss	-	-	-	(1,693,019)	(1,693,019)
Balance at December 31, 2001	3,680,000	368	-	(2,539,044)	(2,538,676)
Capital contribution (note L)	-	-	800,000	-	800,000
Net loss	-	-	-	(1,407,128)	(1,407,128)
Balance at December 31, 2002	3,680,000	$ 368	$800,000	$(3,946,172)	$(3,145,804)

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>

COMPUTER SYSTEM PRODUCTS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2002 AND 2001

<S>	2002 <C>	2001 <C>
Cash flows from operating activities:		
Net loss	$(1,407,128)	$(1,693,019)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	359,195	411,478
(Gain) loss on disposal of equipment	(32,863)	155
Gain on sale of assets	(1,000,000)	-
Gain on vendor settlements	(857,088)	-
Write-off of inventory	833,473	220,615
Changes in operating assets and liabilities, net of sale of assets:		
Accounts receivable	2,006,483	3,451,567
Inventories	904,077	2,063,841
Prepaid expenses	6,271	64,649
Other assets	(23,018)	8,585
Accounts payable	(267,729)	(1,037,314)
Accounts payable - affiliates	478,497	99,898
Accrued expenses	(283,461)	(337,163)
Net cash provided by operating activities	716,709	3,253,292
Cash flows from investing activities:		
Purchases of property and equipment	(18,312)	(271,618)
Proceeds from the sale of property and equipment	26,030	152,474
Proceeds from sale of assets	1,025,266	-
Net cash provided by (used in) investing activities	1,032,984	(119,144)

</TABLE>

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<CAPTION>

COMPUTER SYSTEM PRODUCTS, INC.

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

<S>	2002 <C>	2001 <C>
Cash flows from financing activities:		
Proceeds on note payable to bank	$ 21,577,000	$ 34,987,000
Payments on note payable to bank	(23,077,262)	(37,675,312)
Payments on capital lease obligations	(99,018)	(79,205)
Proceeds on notes payable - shareholders	465,315	-
Payments on notes payable - shareholders	-	(207,151)
Payments on loans payable to vendors	(617,793)	-
Distributions to shareholders	-	(168,400)
Net cash used in financing activities	(1,751,758)	(3,143,068)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,065)	(8,920)
Cash and cash equivalents at beginning of year	5,807	14,727
Cash and cash equivalents at end of year	$ 3,742	$ 5,807

Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 380,725	$ 723,418
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired under capital lease	$ 32,880	$ 204,400
Distribution to shareholders through note payable - shareholders	$ -	$ 25,270
Reduction of accounts payable due to vendor settlements	$ 937,193	$ -
Capital contribution from sale of assets to affiliated company	$ 800,000	$ -

</TABLE>

The accompanying notes are an integral part of these statements.

COMPUTER SYSTEM PRODUCTS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Computer System Products, Inc. (the Company) is a full-line manufacturer and supplier of networking hardware and cabling components. In addition, the Company is a supplier of premise cabling components and a manufacturer of custom cable assemblies. It sells to customers throughout the United States with a concentration in Minnesota.

The Company, Engineered Products Co. (EPCO) and Lee Communications, Inc. (LCI) have common ownership and share common management. Common expenses are paid by the Company and in turn allocated between the three companies (see note F).

Revenue Recognition

The Company recognizes revenue when completed product is shipped to the customer.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At times these balances may be in excess of FDIC insured limits.

Accounts Receivable

The Company grants credit to customers in the normal course of business, but generally does not require collateral or any other security to support amounts due. Management performs on-going credit evaluation of customers. The Company maintains allowances for potential credit losses that, when realized, have been within management's expectations.

Inventories

Inventories consist primarily of raw materials and purchased parts and are stated at the lower of cost or market. Cost is determined using weighted average cost which includes overhead. Inventories were adjusted by $833,473 and $220,615 during the years ended December 31, 2002 and 2001 to reflect their fair market values.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives of three to seven years.

Income Taxes

The Company has elected S corporation status under the provisions of the Internal Revenue Code. In lieu of corporation income taxes, the shareholders are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

Shareholders' Distributions

As a result of electing S corporation status, the Company elects annually to make distributions to its shareholders which are used for shareholders' personal tax liabilities. In addition, other distributions are recorded when declared by the Board of Directors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Reclassification

Certain 2001 amounts have been reclassified to conform with the financial statement presentation used in 2002.

NOTE B - ABILITY TO CONTINUE AS A GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has sustained operating losses during the last two fiscal years primarily as a result of a slowing economy. In addition, it has experienced an accumulated deficit and negative working capital for several years.

In response to these issues, management has made adjustments to personnel throughout 2002, along with other cost reduction measures, to more appropriately reflect the market, size and revised growth plans of the Company. As a result of these adjustments, the Company has experienced decreases in monthly operating expenses. The Company also responded to these issues in 2002 by reaching settlements with its vendors and by selling a portion of its assets (see notes K and L).

While there is no assurance that these initiatives will ensure the Company's viability, the Company believes that these changes will enable it to meet its obligations and continue operating in the normal course of business. The ultimate outcome of these actions, however, cannot be determined. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE C - INVENTORIES

Inventories consist of the following at December 31:

	2002	2001
Raw materials	$ 735,850	$1,584,630
Work-in-process	17,400	12,918
Finished goods	547,440	1,465,692
	$1,300,690	$3,063,240

NOTE D - PROPERTY AND EQUIPMENT

At December 31, 2002 and 2001, property and equipment consisted of:

	2002	2001
Furniture	$ 246,284	$ 318,901
Office equipment	217,751	295,322
Factory equipment	1,133,015	1,418,122
Data processing equipment	694,868	1,524,010
Leasehold improvements	109,333	248,637
Vehicles	17,341	25,903
	2,418,592	3,830,895
Less accumulated depreciation and amortization	1,862,964	2,915,736
	$ 555,628	$ 915,159

NOTE E - DEBT OBLIGATIONS

The Company and EPCO have a combined revolving line of credit providing for borrowings of up to 80% of eligible receivables and 50% of eligible inventories, plus additional borrowings as negotiated with the bank. At December 31, 2002 and 2001, the Company had outstanding borrowings under this agreement of $3,202,782 and $5,381,305. Total combined borrowings were not to exceed $11,750,000 ($9,000,000 available to the Company) at December 31, 2002. Total combined borrowings of the Company and EPCO at December 31, 2002 and 2001 were $5,211,017 and $6,273,832.

Borrowings under the line of credit, which are repayable on demand, bear interest of 5.75% to 7.25% and 6.25% to 6.75% at December 31, 2002 and 2001, which represents 1.5% to 3.0% over the prime rate, and are collateralized by substantially all of the Company's assets. In addition, the obligation is guaranteed by each of the Company's two shareholders to a maximum of $375,000 each. The line of credit agreement expires in October 2003, and requires the Company to meet certain restrictive covenants including, but not limited to, maintaining net worth of at least $100,000, and places restriction on dividends and capital expenditures. The Company was in compliance with or had obtained waivers for its covenants at December 31, 2002 and 2001. The Company believes it will be able to renew the line of credit under similar terms and conditions.

NOTE F - RELATED PARTY TRANSACTIONS

The Company pays for certain common expenses of the Company and its related companies, EPCO and LCI. Expenses are allocated between the companies based on detailed information contained in the related invoices. In addition, the Company charged EPCO and LCI management fees of $102,000 for 2002 and 2001 for an allocation of management's time and expenses.

The Company sells and purchases goods and shares expenses with other affiliated companies, including EPCO and LCI. At December 31, 2002 and 2001, the Company had a net payable to EPCO and LCI of $687,612 and $209,115, respectively.

The Company had several notes payable to its shareholders totaling $576,220 and $110,905 at December 31, 2002 and 2001, respectively. These notes are due on demand and bear interest at 1.5% over prime (effective rate of 5.75% and 6.25% at December 31, 2002 and 2001).

Beginning in October 2002, the Company started sub-leasing a portion of its main facility to LCI on month-to-month terms. Total sub-lease income for the year ended December 31, 2002 was $9,285.

NOTE G - SHAREHOLDER'S EQUITY

Redemption and Cross Purchase Agreement

The Company has entered into an agreement with its shareholders that in the event a shareholder desires to sell his shares, the Company has a first option to purchase the shares. The purchase price is to be the fair value as determined by an independent public accountant. The redemption and cross purchase agreement is partially funded by life insurance policies on two shareholders.

Authorized shares of common stock

During 2002, the Company amended their articles of incorporation to allow for 10,000,000 shares of common stock with a par value of $.00001 to be authorized. The financial statements have been restated to reflect this change for all periods presented.

NOTE G - SHAREHOLDER'S EQUITY - Continued

Stock Split

During 2002, the Company declared a 10,000 to 1 stock split. Accordingly, the number of issued and outstanding shares increased to 3,680,000. The financial statements have been restated to reflect this change for all periods presented.

NOTE H - RETIREMENT PLANS

The Company has a profit sharing plan with a 401(k) provision for all non-union employees. Company contributions are at the discretion of the management of the Company. No contributions were made by the Company for the years ended December 31, 2002 and 2001.

NOTE I - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain equipment, furniture, and vehicles under capital lease arrangements with interest ranging from 4.5% to 11.8% and terms through July 2006. The cost of equipment subject to capital leases was $335,048 and $452,581 at December 31, 2002 and 2001, respectively. The accumulated amortization related to this equipment was $131,823 and $173,689 at December 31, 2002 and 2001, respectively. Certain leases are guaranteed by the Company's shareholders.

The Company leases office space under a noncancelable operating lease expiring in February 2006. The Company also leases warehouse space on month-to-month terms with 15 days written notice from either party needed to terminate the lease. The leases require payment of all operating expenses and real estate taxes over the life of the lease.

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

The following is a schedule of approximate minimum payments required under the capital and operating leases offset by sub-lease proceeds:

Year ending December 31	Capital leases	Operating leases
2003	$ 78,746	$ 394,492
2004	51,633	403,450
2005	51,633	408,349
2006	18,559	64,593
Total minimum lease payments	200,571	$1,270,884
Less: Amounts representing interest	27,450	
Present value of future minimum lease Payments	173,121	
Less: Current portion	65,445	
Capital lease obligations, net of current portion	$107,676	

Rent expense incurred under operating lease commitments was approximately $792,000 and $890,000 in 2002 and 2001.

Self-Insured Health Plan

The Company has a self-insured employee health plan. It has contracted with an administrative service company to supervise and administer the program and act as its representative. The Company insures for excessive or unexpected claims and is liable for claims not to exceed $35,000 per employee per plan year and an aggregate amount of $250,000 per plan year. Estimated future claims for medical services of approximately $29,500 and $25,000 were recorded as a liability at December 31, 2002 and 2001.

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Litigation

The Company is subject to litigation in the normal course of its business. Management believes the outcome of such litigation will not have a material adverse effect on the operations or financial position of the Company.

NOTE J - CONCENTRATIONS

During the year ended December 31, 2001, the Company had one customer that amounted to 10% of total sales. No such concentration existed in the year ended December 31, 2002.

NOTE K - VENDOR SETTLEMENTS

During February 2002, the Company notified vendors of its difficult financial situation and offered payments of approximately 41% of January 31, 2002 payable balances. The majority of the Company's vendors responded, while others were undergoing separate negotiations or have reached other settlements. The remaining accounts payable balances after each settlement are being paid to the vendors on a bi-monthly basis beginning June 30, 2002. The payments are made in equal installments over a two-year period. The Company recognized a gain of $857,088 during the year ended December 31, 2002 in conjunction with these agreements. The Company adopted Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," during 2002, and accordingly, recognized this gain as other income in the statement of operations. The current and long-term portions of those restructured accounts have been presented separately on the balance sheet.

NOTE L - SALE OF ASSETS

Crescent Transaction

On September 3, 2002, the Company sold certain assets of its business to Crescent Electric Company (CES), an unaffiliated company. The sale involved the transfer of the contractor and end user customer bases along with certain fixed assets related to that business. The elements of the transaction are as follows:

Cash received	$1,025,266
Assets sold:	
Fixed assets	(53,361)
Liabilities assumed:	
Accrued vacation	28,095
Gain on sale	$1,000,000

The agreement provides for additional consideration of up to $1 million to the Company if CES attains certain financial objectives. The contract prohibits the Company from competing with CES for five years in those customer markets and prohibits the Company from selling distributed products as a vendor as it relates to manufactured products. The Company is now focused on the original equipment manufacturers and communication providers markets as a supplier of manufactured cable assemblies. In addition, the company sells to value added resellers and distributors that do not compete with CES.

NOTE L - SALE OF ASSETS - Continued

EPCO Transaction

On August 31, 2002, the Company sold certain assets of its business to EPCO in exchange for the assumption of certain liabilities. The sale involved the transfer of the customer base along with certain fixed assets and inventory related to that business. As this transaction was with an affiliated company, the excess of the liabilities assumed over assets sold have been recognized as a capital contribution to the Company. The elements of the transactions are as follows:

Cash received	$ -
Assets sold:	
Inventory	(25,000)
Fixed assets	(5,000)
Liabilities assumed:	
Bank debt	678,261
Accruals	151,739
Capital contribution	$800,000

EXHIBIT 99.3

Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma consolidated statements of operation reflect the consolidated results of operations of APA Optics, Inc. (APA) for the year ended March 31, 2002 and the nine months ended December 31, 2002 with those of Computer System Products, Inc. (CSP) under the assumptions set forth in the accompanying notes. The unaudited pro forma consolidated balance sheet combines the APA and CSP balance sheets as of December 31, 2002 giving effect to the transaction as if the transaction had occurred for the statements of operation as of the beginning of the periods presented and for the balance sheet presentations.

The pro forma adjustments are based upon available information and upon certain assumptions that management believes are reasonable. The pro forma financial statements and accompanying notes should be read in conjunction with the historical statements and the notes thereto.

The unaudited pro forma condensed consolidated financial statements are provided for informational purposes only in response to Securities and Exchange Commission ("SEC") requirements and do not purport to represent what APA's financial position or results of operations would actually have been if the transaction had in fact occurred at such dates or to project APA's financial position or results of operations for any future date or period.

<TABLE>
<CAPTION>

APA OPTICS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2002				
	APA Optics Historical	CSP Historical	Pro Forma Adjustments		APA Optics Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets:					
Cash and cash equivalents	$ 27,721,495	$ 3,742	$ (3,678,000)	(a)	$ 23,893,495
			(150,000)	(a)	
			(3,742)	(a)	
Accounts receivable	33,502	690,069	(305,498)	(a)	418,073
Inventories	106,327	1,300,690	(73,451)	(a)	1,333,566
Prepaid expenses	120,033	39,381	(39,381)	(a)	120,033
Bond reserve funds	50,000	--			50,000
Total current assets	28,031,357	2,033,882	(4,250,072)		25,815,167
Property, plant and equipment, net	3,565,919	555,628	(152,830)	(a)	3,968,717
Other assets	619,336	49,018	2,500,683	(a)	3,120,019
			(49,018)	(a)	
Total assets	$ 32,216,612	$ 2,638,528	$ (1,951,237)		$ 32,903,903
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Note payable to bank	$ --	$ 3,202,782	$ (3,202,782)	(a)	$ --
Current portion of capital lease obligations	--	65,445	--	(a)	65,445
Current portion of loans payable to vendors	--	260,873	--	(a)	260,873
Current portion of long-term debt	1,795,026	--			1,795,026
Notes payable to shareholders	--	576,220	150,000	(a)	--
			(576,220)	(a)	
			(150,000)	(a)	
Accounts payable	131,641	628,962	(389,582)	(a)	371,021
Accounts payable - affiliate	--	687,612	(687,612)	(a)	--
Accrued expenses	261,908	196,235	(161,928)	(a)	296,215
Total current liabilities	2,188,575	5,618,129	(5,018,124)		2,788,580
Capital lease obligations, net of current portion	--	107,676	(23,336)	(a)	84,340
Loans payable to vendors, net of current portion	--	58,527	(55,581)	(a)	2,946
Long-term debt	229,305	--	--	(a)	229,305
Shareholders' equity (deficit):					

Common stock	118,723	368	(368)	(a)	118,723
Additional paid-in capital	51,595,262	800,000	(800,000)	(a)	51,595,262
Accumulated deficit	(21,915,253)	(3,946,172)	3,946,172	(a)	(21,915,253)
--					
Total shareholders' equity (deficit)	29,798,732	(3,145,804)	3,145,804		29,798,732
--					
Total liabilities and shareholders' equity (deficit)	$ 32,216,612	$ 2,638,528	$ (1,951,237)		$ 32,903,903

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

</TABLE>

<TABLE>

<CAPTION>

APA OPTICS, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

	For the Nine Months Ended December 31, 2002				
	APA Optics Historical	CSP Historical	Pro Forma Adjustments		APA Optics Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$ 152,025	$12,307,602	$ --		$12,459,627
Costs and expenses:					
Cost of sales	2,030,730	10,583,892	--		12,614,622
Research and development	1,050,025	--	--		1,050,025
Selling, general and administrative	1,014,573	3,915,669	--		4,930,242
	4,095,328	14,499,561	--		18,594,889
Loss from operations	(3,943,303)	(2,191,959)	--		(6,135,262)
Interest income	300,795	--	--		300,795
Interest expense	(79,716)	(387,966)	62,149	(b)	(405,533)
Gain of sale of assets	--	1,000,000	--		1,000,000
Vendor settlements	--	195,038	--		195,038
Other expense	--	(2,818)	--		(2,818)
	221,079	804,254	62,149		1,087,482
Loss before income taxes	(3,722,224)	(1,387,705)	62,149		(5,047,780)
Income taxes	1,000	--	--		1,000
Net loss	$(3,723,224)	$(1,387,705)	$ 62,149		$(5,048,780)
Net loss per share:					
Basic and diluted	$ (0.31)	--	--		$ (0.43)
Weighted average shares outstanding:					
Basic and diluted	11,874,371	--	--		11,874,371

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

</TABLE>

<TABLE>

<CAPTION>

APA OPTICS, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

	For the Year Ended March 31, 2002			
	APA Optics Historical	CSP Historical	Pro Forma Adjustments	APA Optics Pro Forma

<S> <C> <C> <C> <C> <C>

Revenues	$ 595,955	$27,600,983	$ --		$28,196,938
Costs and expenses:					
Cost of sales	3,545,519	21,267,731	--		24,813,250
Research and development	1,114,051	--	--		1,114,051
Selling, general and administrative	1,733,846	7,981,259	--		9,715,105
	6,393,416	29,248,990	--		35,642,406
Loss from operations	(5,797,461)	(1,648,007)	--		(7,445,468)
Interest income	1,193,525	--	--		1,193,525
Interest expense	(132,263)	(582,701)	15,026	(b)	(699,938)
Gain of sale of assets	--	--	--		--
Vendor settlements	--	662,050	--		662,050
Other expense	--	(11,946)	--		(11,946)
	1,061,262	67,403	15,026		1,143,691
Loss before income taxes	(4,736,199)	(1,580,604)	15,026		(6,301,777)
Income taxes	2,000	--	--		2,000
Net loss	$(4,738,199)	$(1,580,604)	$ 15,026		$(6,303,777)
Net loss per share:					
Basic and diluted	$ (0.40)	--	--		$ (0.53)
Weighted average shares outstanding:					
Basic and diluted	11,896,976	--	--		11,896,976

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

</TABLE>

NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS

Balance Sheet

(a) To record acquisition and to eliminate items not purchased or assumed.

--- Acquired the assets at fair value and assumed certain liabilities:

Assets	$ 2,014,609
Liabilities	(837,292)
Excess of assets over liabilities	$ 1,177,317
Payment for assets (including note forgiveness)	(3,678,000)
Excess purchase price (goodwill)	$ 2,500,683

The allocation of purchase price to goodwill is preliminary.

Income Statement

(b) To record elimination of related party interest expense on notes payable to stockholders and affiliates.