

HANDLEMAN CO /MI/
Form 10-Q
December 08, 2005

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 29, 2005

or

.. 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 1-7923

HANDLEMAN COMPANY

(Exact name of registrant as specified in its charter)

MICHIGAN
(State or other jurisdiction of incorporation or organization)

38-1242806
(I.R.S. Employer Identification No.)

500 Kirts Boulevard, Troy, Michigan
(Address of principal executive offices)

48084-4142
(Zip Code)

(Registrant's telephone number, including area code) **248-362-4400**

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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 at least the past 90 days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares of common stock outstanding as of December 2, 2005 was 20,499,965.

HANDLEMAN COMPANY

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

HANDLEMAN COMPANY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED OCTOBER 29, 2005 AND OCTOBER 30, 2004

(UNAUDITED)

(in thousands of dollars except per share data)

| | Three Months (13 weeks) Ended | | Six Months (26 weeks) Ended | |
|---|-------------------------------|---------------------|-----------------------------|---------------------|
| | October 29, 2005 | October 30, 2004 | October 29, 2005 | October 30, 2004 |
| Revenues | \$ 302,246 | \$ 295,340 | \$ 542,648 | \$ 527,399 |
| Costs and expenses: | | | | |
| Direct product costs | (248,281) | (235,768) | (448,003) | (424,637) |
| Selling, general and administrative expenses | (47,424) | (47,648) | (94,853) | (90,449) |
| Operating income (loss) | 6,541 | 11,924 | (208) | 12,313 |
| Investment income, net | 3,785 | 1,251 | 4,822 | 2,047 |
| Income from continuing operations before income taxes | 10,326 | 13,175 | 4,614 | 14,360 |
| Income tax (expense) benefit | (190) | (4,539) | 1,874 | (4,799) |
| Income from continuing operations | 10,136 | 8,636 | 6,488 | 9,561 |
| Discontinued operations (Note 4): | | | | |
| Loss from operations of discontinued subsidiary companies (including loss on disposal of \$563 and \$758 for the three and six-month periods ended October 29, 2005 and October 30, 2004, respectively) | (563) | (758) | (563) | (758) |
| Income tax benefit | 201 | 275 | 201 | 275 |
| Loss from discontinued operations | (362) | (483) | (362) | (483) |
| Net income | \$ 9,774 | \$ 8,153 | \$ 6,126 | \$ 9,078 |
| Income (loss) per share: | | | | |
| Continuing operations - basic | \$ 0.48 | \$ 0.38 | \$ 0.31 | \$ 0.41 |
| Continuing operations - diluted | \$ 0.48 | \$ 0.38 | \$ 0.31 | \$ 0.41 |
| Discontinued operations - basic | \$ (0.02) | \$ (0.02) | \$ (0.02) | \$ (0.02) |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Discontinued operations - diluted | \$ (0.02) | \$ (0.02) | \$ (0.02) | \$ (0.02) |
| Net income - basic | \$ 0.46 | \$ 0.36 | \$ 0.29 | \$ 0.39 |
| Net income - diluted | \$ 0.46 | \$ 0.36 | \$ 0.29 | \$ 0.39 |
| Weighted average number of shares outstanding during the period: | | | | |
| Basic | 21,027 | 22,681 | 21,240 | 23,032 |
| Diluted | 21,142 | 22,704 | 21,405 | 23,071 |

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

HANDLEMAN COMPANY

CONSOLIDATED BALANCE SHEETS

AS OF OCTOBER 29, 2005 AND APRIL 30, 2005

(in thousands of dollars except share data)

| | October 29, 2005 (Unaudited) | April 30, 2005 |
|---|------------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 27,096 | \$ 30,826 |
| Accounts receivable, less allowances of \$13,604 at October 29, 2005 and \$10,809 at April 30, 2005 | 279,829 | 232,409 |
| Merchandise inventories | 212,669 | 115,672 |
| Other current assets | 12,232 | 12,954 |
| Total current assets | 531,826 | 391,861 |
| Property and equipment: | | |
| Land, buildings and improvements | 13,899 | 13,865 |
| Display fixtures | 29,142 | 29,619 |
| Computer hardware and software | 60,991 | 57,453 |
| Equipment, furniture and other | 35,112 | 33,924 |
| | 139,144 | 134,861 |
| Less accumulated depreciation | 80,373 | 74,681 |
| | 58,771 | 60,180 |
| Goodwill, net | 10,309 | 3,406 |
| Intangible assets, net | 9,961 | |
| Other assets, net | 19,208 | 21,552 |
| Total assets | \$ 630,075 | \$ 476,999 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes payable | \$ 1,250 | \$ |
| Accounts payable | 270,227 | 133,319 |
| Accrued and other liabilities | 22,873 | 31,019 |
| Total current liabilities | 294,350 | 164,338 |
| Debt, non-current | 34,900 | |
| Other liabilities | 14,553 | 13,778 |
| Commitments and contingencies (Note 10) | | |
| Total liabilities | 343,803 | 178,116 |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued | 207 | 214 |

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| | | |
|---|-------------------|-------------------|
| Common stock, \$.01 par value; 60,000,000 shares authorized; 20,655,000 and 21,446,000 shares issued at October 29, 2005 and April 30, 2005, respectively | | |
| Accumulated other comprehensive income | 3,914 | 7,250 |
| Unearned compensation | (10,254) | (8,395) |
| Retained earnings | 292,405 | 299,814 |
| | <u>286,272</u> | <u>298,883</u> |
| Total shareholders' equity | | |
| | <u>\$ 630,075</u> | <u>\$ 476,999</u> |

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

HANDLEMAN COMPANY

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

FOR THE SIX-MONTH PERIOD ENDED OCTOBER 29, 2005

(UNAUDITED)

(in thousands of dollars)

Six Months (26 weeks)

| | Common Stock | | Other Comprehensive Income (Loss) | | | Additional Paid-In Capital | Retained Earnings | Total Shareholders Equity |
|---|---------------|--------|---|---------------------------|-----------------------|----------------------------|-------------------|---------------------------|
| | Shares Issued | Amount | Foreign Currency Translation Adjustment | Minimum Pension Liability | Unearned Compensation | | | |
| April 30, 2005 | 21,446 | \$ 214 | \$ 15,860 | \$ (8,610) | \$ (8,395) | \$ | \$ 299,814 | \$ 298,883 |
| Net income | | | | | | | 6,126 | 6,126 |
| Adjustment for foreign currency translation | | | (3,336) | | | | | (3,336) |
| Comprehensive income, net of tax | | | | | | | | 2,790 |

Stock-based compensation:

/div>
e. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

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- i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
 - ii. any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
 - iii. the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
 - iv. any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
- f. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- g. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the

successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 2 to its registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Monrovia, State of California, on April 29, 2008.

STAAR
SURGICAL
COMPANY

By: /s/Barry
Caldwell
Barry
Caldwell
President,
Chief
Executive
officer
(Principal
Executive
officer)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---------------------------|--|----------------------|
| /s/ Barry Caldwell | President, Chief Executive officer, and Director (Principal Executive officer) | April 29, 2008 |
| Barry Caldwell | Chief Financial officer and Chief Accounting officer (Principal Financial and Accounting officer) | April 29, 2008 |
| /s/ Deborah Andrews | Chief Financial officer and Chief Accounting officer (Principal Financial and Accounting officer) | April 29, 2008 |
| Deborah Andrews | Accounting officer (Principal Financial and Accounting officer) | April 29, 2008 |
| /s/ David Bailey* | Director, President of International Operations | April 29, 2008 |
| David Bailey | Director, Chairman of the Board | April 29, 2008 |
| /s/ Don Bailey* | Director, Chairman of the Board | April 29, 2008 |
| Don Bailey Duffy* | Director | April 29, 2008 |

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Donald
Duffy
Director

John C.
Moore
/s/ David Director April
Morrison* 29,
2008

David
Morrison
* By Charles Kaufman,
Attorney-in-Fact.

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Index to Exhibits

| Exhibit Number | Description of Exhibit |
|---------------------------|---|
| 5.1* | Opinion regarding legality of securities. |
| 23.1 | Consent of BDO Seidman, LLP. |
| 23.2* | Consent of Charles Kaufman, Esq. (included in Exhibit 5.1). |
| 24.1* | Power of Attorney (incorporated by reference to page II-6 of the original Registration Statement filed on May 21, 2007). |

* Previously filed
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