

EMERGING VISION INC
Form 10-Q
August 15, 2005
UNITED STATES

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 June 30, 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: 1-14128

EMERGING VISION, INC.

(Exact name of Registrant as specified in its Charter)

New York
(State of Incorporation)

11-3096941
(IRS Employer Identification No.)

100 Quentin Roosevelt Boulevard

Garden City, New York 11530

(Address of Principal Executive Offices, including Zip Code)

(516) 390-2100

(Registrant's Telephone Number, Including Area Code)

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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 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

As of August 15, 2005, there were 70,323,698 outstanding shares of the Registrant's Common Stock, par value \$0.01 per share.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****EMERGING VISION, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS****(In Thousands, Except Share Data)**

	June 30, 2005 (Unaudited)	December 31, 2004
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,217	\$ 880
Franchise receivables, net of allowance of \$25 and \$114, respectively	1,582	1,512
Other receivables, net of allowance of \$2 and \$47, respectively	140	113
Current portion of franchise notes receivable, net of allowance of \$110 and \$58, respectively	245	379
Inventories, net	476	396
Prepaid expenses and other current assets	<u>416</u>	<u>452</u>
Total current assets	<u>4,076</u>	<u>3,732</u>
Property and equipment, net	717	487
Franchise notes receivable, net of allowance of \$3 and \$22, respectively	161	295
Goodwill	1,266	1,266
Other assets	<u>210</u>	<u>209</u>
Total assets	\$ 6,430	\$ 5,989
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,966	\$ 4,162
Payables associated with proxy contest and related litigation	40	92
Accrual for store closings	37	42
Related party borrowings	<u>41</u>	<u>39</u>
Total current liabilities	<u>4,084</u>	<u>4,335</u>
Long-term debt	<u>385</u>	<u>385</u>
Related party borrowings	<u>213</u>	<u>234</u>
Franchise deposits and other liabilities	<u>653</u>	<u>659</u>
Contingencies		
Shareholders' equity:		
Preferred stock, \$0.01 par value per share; 5,000,000 shares authorized:		
Senior Convertible Preferred Stock, \$100,000 liquidation preference		
per share; 0.74 shares issued and outstanding	74	74
Common stock, \$0.01 par value per share; 150,000,000 shares authorized;	705	705

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70,506,035 shares issued, and 70,323,698 shares outstanding		
Treasury stock, at cost, 182,337 shares	(204)	(204)
Additional paid-in capital	126,285	126,213
Accumulated deficit	<u>(125,765)</u>	<u>(126,412)</u>
Total shareholders' equity	<u>1,095</u>	<u>376</u>
Total liabilities and shareholders' equity	\$ 6,430	\$ 5,989

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

EMERGING VISION, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues:				
Net sales	\$ 1,877	\$ 1,830	\$ 3,802	\$ 3,817
Franchise royalties	1,482	1,715	3,231	3,401
Other franchise related fees	27	45	93	99
Interest on franchise notes receivable	13	26	36	43
Other income	<u>165</u>	<u>3</u>	<u>174</u>	<u>27</u>
Total revenues	<u>3,564</u>	<u>3,619</u>	<u>7,336</u>	<u>7,387</u>
Costs and expenses:				
Cost of sales	245	221	507	492
Selling, general and administrative expenses	3,112	2,965	6,160	5,798
Costs for proxy contest and related litigation	-	382	-	382
Interest expense	<u>7</u>	<u>16</u>	<u>22</u>	<u>32</u>
Total costs and expenses	<u>3,364</u>	<u>3,584</u>	<u>6,689</u>	<u>6,704</u>
Income before provision for income taxes	200	35	647	683
Provision for income taxes	=	=	=	=
Net income	\$ 200	\$ 35	\$ 647	\$ 683
Net income per share basic and diluted:	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
Weighted-average number of common shares outstanding				
Basic	70,324	69,591	70,324	68,618
Diluted	110,565	109,236	111,358	109,716

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

EMERGING VISION, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

(In Thousands)

	For the Six Months Ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 647	\$ 683
Adjustments to reconcile net income to net cash provided by (used in)		
operating activities:		
Depreciation and amortization	123	115
Provision for doubtful accounts	193	83
Non-cash compensation charges related to options and warrants	72	-
Changes in operating assets and liabilities:		
Franchise and other receivables	(78)	(46)
Inventories	(80)	17
Prepaid expenses and other current assets	36	63
Other assets	(1)	20
Accounts payable and accrued liabilities	(196)	(1,016)
Payables associated with proxy contest and related litigation	(52)	332
Franchise deposits and other liabilities	(6)	(248)
Accrual for store closings	<u>(5)</u>	<u>(72)</u>
Net cash provided by (used in) operating activities	<u>653</u>	<u>(69)</u>
Cash flows from investing activities:		
Franchise notes receivable issued	(49)	(260)
Proceeds from franchise notes receivable	105	205
Purchases of property and equipment	<u>(353)</u>	<u>(109)</u>
Net cash used in investing activities	<u>(297)</u>	<u>(164)</u>
Cash flows from financing activities:		
Payments on borrowings	(19)	(165)
Proceeds from issuance of common stock upon exercise of options		
and warrants	=	<u>106</u>
Net cash used in financing activities	<u>(19)</u>	<u>(59)</u>
Net increase (decrease) in cash and cash equivalents	337	(292)
Cash and cash equivalents beginning of period	<u>880</u>	<u>1,383</u>
Cash and cash equivalents end of period	\$ 1,217	\$ 1,091
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 7	\$ 15

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

EMERGING VISION, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS (DEFICIT) EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

(In Thousands, Except Share Data)

Senior Convertible		Treasury Stock,		
Preferred Stock		Common Stock	at cost	
<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u> <u>Amount</u>