

EMERGING VISION INC  
Form 10-Q  
August 14, 2006  
**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, 2006

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 or other jurisdiction of incorporation or organization)

**11-3096941**

(I.R.S. Employer Identification No.)

**100 Quentin Roosevelt Boulevard**

**Garden City, NY 11530**

(Address and zip code of principal executive office)

Edgar Filing: EMERGING VISION INC - Form 10-Q

**Telephone Number: (516) 390-2100**

(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

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non accelerated filer

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

Yes

No

As of August 14, 2006, 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)**

| <u>ASSETS</u>                                                                                   | <b>June 30,<br/>2006<br/>(unaudited)</b> | <b>December 31,<br/>2005</b> |
|-------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|
| Current assets:                                                                                 |                                          |                              |
| Cash and cash equivalents                                                                       | \$ 1,665                                 | \$ 816                       |
| Franchise receivables, net of allowance of \$184 and \$195, respectively                        |                                          |                              |
|                                                                                                 | 1,544                                    | 1,836                        |
| Other receivables, net of allowance of \$2 and \$2, respectively                                | 216                                      | 210                          |
| Current portion of franchise notes receivable, net of allowance of \$23 and \$150, respectively |                                          |                              |
|                                                                                                 | 260                                      | 158                          |
| Inventories, net                                                                                | 363                                      | 345                          |
| Prepaid expenses and other current assets                                                       | 412                                      | 395                          |
| Net assets of discontinued operations                                                           | 14                                       | 162                          |
| Deferred tax assets, current portion                                                            | 740                                      | -                            |
| Total current assets                                                                            | 5,214                                    | 3,922                        |
| Property and equipment, net                                                                     | 637                                      | 546                          |
| Franchise notes receivable, net of allowance of \$59 and \$41, respectively                     |                                          |                              |
|                                                                                                 | 221                                      | 129                          |
| Deferred tax asset, net of current portion                                                      | 436                                      | -                            |
| Goodwill                                                                                        | 1,266                                    | 1,266                        |
| Net assets of discontinued operations                                                           | -                                        | 64                           |
| Other assets                                                                                    | 230                                      | 263                          |
| Total assets                                                                                    | \$ 8,004                                 | \$ 6,190                     |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

|                                                               |          |          |
|---------------------------------------------------------------|----------|----------|
| Accounts payable and accrued liabilities                      | \$ 3,962 | \$ 4,003 |
| Payables associated with proxy contest and related litigation | -        | 46       |
| Accrual for store closings                                    | 37       | 37       |
| Short-term debt                                               | 385      | -        |
| Related party borrowings                                      | 180      | 43       |
| Total current liabilities                                     | 4,564    | 4,129    |

Long-term debt

|                                          |     |     |
|------------------------------------------|-----|-----|
| Long-term debt                           | -   | 385 |
| Related party borrowings                 | 33  | 191 |
| Franchise deposits and other liabilities | 546 | 667 |

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; 70,506,035 shares issued and 70,323,698 shares outstanding

|                                            |           |           |
|--------------------------------------------|-----------|-----------|
| Treasury stock, at cost, 182,337 shares    | 705       | 705       |
|                                            | (204)     | (204)     |
| Additional paid-in capital                 | 126,843   | 126,389   |
| Accumulated deficit                        | (124,557) | (126,146) |
| Total shareholders' equity                 | 2,861     | 818       |
| Total liabilities and shareholders' equity | \$ 8,004  | \$ 6,190  |

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



## EMERGING VISION, INC. AND SUBSIDIARIES

## CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(In Thousands, Except Per Share Data)

|                                                                                                      | For the Three Months Ended<br>June 30, |              | For the Six Months Ended June<br>30, |              |
|------------------------------------------------------------------------------------------------------|----------------------------------------|--------------|--------------------------------------|--------------|
|                                                                                                      | 2006                                   | 2005         | 2006                                 | 2005         |
| <b>Revenues:</b>                                                                                     |                                        |              |                                      |              |
| Net sales                                                                                            | \$ 1,698                               | \$ 1,791     | \$ 3,596                             | \$ 3,716     |
| Franchise royalties                                                                                  | 1,729                                  | 1,637        | 3,482                                | 3,386        |
| Other franchise related fees                                                                         | 48                                     | 27           | 133                                  | 93           |
| <b>Total revenue</b>                                                                                 | <b>3,475</b>                           | <b>3,455</b> | <b>7,211</b>                         | <b>7,195</b> |
| <b>Costs and expenses:</b>                                                                           |                                        |              |                                      |              |
| Cost of sales                                                                                        | 208                                    | 221          | 456                                  | 483          |
| Selling, general and administrative expenses                                                         |                                        |              |                                      |              |
|                                                                                                      | 3,320                                  | 2,988        | 6,310                                | 6,036        |
| <b>Total costs and expenses</b>                                                                      | <b>3,528</b>                           | <b>3,209</b> | <b>6,766</b>                         | <b>6,519</b> |
| <b>Operating (loss) income</b>                                                                       | <b>(53)</b>                            | <b>246</b>   | <b>445</b>                           | <b>676</b>   |
| <b>Other income (expense):</b>                                                                       |                                        |              |                                      |              |
| Interest on franchise notes receivable                                                               | 11                                     | 13           | 22                                   | 36           |
| Gain on sale of company-owned store to franchisee                                                    |                                        |              |                                      |              |
|                                                                                                      | -                                      | -            | 218                                  | -            |
| Other income                                                                                         | 16                                     | 10           | 27                                   | 19           |
| Interest expense                                                                                     | (10)                                   | (7)          | (20)                                 | (22)         |
| <b>Total other income</b>                                                                            | <b>17</b>                              | <b>16</b>    | <b>247</b>                           | <b>33</b>    |
| <b>(Loss) income from continuing operations before<br/>provision for (benefit from) income taxes</b> |                                        |              |                                      |              |
|                                                                                                      | (36)                                   | 262          | 692                                  | 709          |
| Provision for (benefit from) income taxes                                                            | 218                                    | -            | (1,042)                              | -            |
| <b>(Loss) income from continuing operations</b>                                                      |                                        |              |                                      |              |