

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

CONCORD CAMERA CORP
Form 10-Q
February 07, 2003

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 December 28, 2002

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 0-17038

Concord Camera Corp.
(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of
incorporation or organization)

13-3152196

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

4000 Hollywood Blvd. 6th Floor, North Tower, Hollywood, Florida 33021

(Address of principal executive offices) (Zip Code)

(954) 331-4200

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

----- -----
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value - 27,914,832 shares as of January 28, 2003

Index

Concord Camera Corp. and Subsidiaries

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Condensed consolidated balance sheets as of December 28, 2002 and June 29, 2001.....

Condensed consolidated statements of operations for the quarter and six months ended December 28, 2002 and December 29, 2001.....

Condensed consolidated statements of cash flows for the six months ended December 28, 2002 and December 29, 2001.....

Notes to condensed consolidated financial statements.....

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....

Item 4. Controls and Procedures.....

Part II. Other Information

Item 1. Legal Proceedings.....

Item 6. Exhibits and Reports on Form 8-K.....

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS (Unaudited)

Concord Camera Corp. and Subsidiaries

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

Condensed Consolidated Balance Sheets
(in thousands)

	Assets -----	December 28, 2002 ----- (Unaudited)
Current Assets:		
Cash and cash equivalents		\$ 83,028
Accounts receivable, net		29,339
Inventories		34,340
Prepaid expenses and other current assets		4,422

Total current assets		151,129
Property, plant and equipment, net		20,732
Goodwill, net		3,721
Other assets		24,580

Total assets		\$ 200,162 =====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable		\$ 18,301
Accrued expenses		15,371
Other current liabilities		2,220

Total current liabilities		35,892
Senior notes		--
Other long-term liabilities		10,943

Total liabilities		46,835
Commitments and contingencies		
Stockholders' equity:		
Blank check preferred stock, no par value 1,000 shares authorized, none issued		--
Common stock, no par value, 100,000 shares authorized; 29,457 and 29,029 shares issued as of December 28, 2002 and June 29, 2002, respectively		141,089
Paid-in capital		4,507
Deferred stock-based compensation		(275)
Retained earnings		12,143
Notes receivable arising from common stock purchase agreements		--

Less: treasury stock, at cost, 1,543 shares		157,464 (4,137)

Total stockholders' equity		153,327

Total liabilities and stockholders' equity		\$ 200,162 =====

See accompanying notes.

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

Concord Camera Corp. and Subsidiaries
 Condensed Consolidated Statements of Operations
 (Unaudited)
 (in thousands, except per share data)

	For the quarter ended		For the six
	December 28, 2002	December 29, 2001	December 28, 2002
Net sales	\$ 61,840	\$ 39,266	\$ 92,022
Cost of products sold	52,372	31,938	74,832
Gross profit	9,468	7,328	17,190
Selling expenses	2,191	1,499	4,010
General and administrative expenses	5,270	6,717	9,547
Variable stock-based compensation expenses	--	1,656	--
Interest expense	146	634	824
Other (income), net	(684)	(1,764)	(966)
Income (loss) before income taxes	2,545	(1,414)	3,775
Provision (benefit) for income taxes	460	141	299
Net income (loss)	\$ 2,085	\$ (1,555)	\$ 3,476
Basic earnings (loss) per common share	\$ 0.07	\$ (0.06)	\$ 0.12
Diluted earnings (loss) per common share	\$ 0.07	\$ (0.06)	\$ 0.12
Weighted average common shares outstanding - basic	27,910	27,421	27,830
Dilutive effect of common stock options	1,630	--	1,593
Weighted average common shares outstanding - diluted	29,540	27,421	29,423

See accompanying notes.

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

4

Concord Camera Corp. and Subsidiaries
 Condensed Consolidated Statements of Cash Flows
 (Unaudited)

(in thousands)

For the six m

 December 28, 2002

Cash flows from operating activities:

Net income (loss)	\$ 3,476
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:	
Depreciation and amortization	3,100
Write-off of deferred finance costs	303
Non cash compensation expense	--
Provision for inventory	--
Provision for doubtful accounts	--
Changes in operating assets and liabilities:	
Accounts receivable	(6,355)
Inventories	(11,855)
Prepaid expenses and other current assets	773
Other assets	(4,255)
Accounts payable	5,799
Accrued expenses	3,358
Other current liabilities	586
Other liabilities	1,106
Net cash (used in) provided by operating activities	----- (3,964) -----
Cash flows from investing activities:	
Purchases of property, plant and equipment	(2,484)
Proceeds from maturities of held-to-maturity investments	--
Net cash (used in) provided by investing activities	----- (2,484) -----
Cash flows from financing activities:	
Net borrowings on short term debt	--
Principal repayment of senior notes	(14,934)

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

Net principal repayments under capital lease obligations	--
Net proceeds from issuance of common stock	542

Net cash (used in) provided by financing activities	(14,392)

Net (decrease) increase in cash and cash equivalents	(20,840)
Cash and cash equivalents at beginning of period	103,868

Cash and cash equivalents at end of period	\$ 83,028
	=====

See accompanying notes

5

CONCORD CAMERA CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 28, 2002
(Unaudited)

Note 1- Basis of Presentation:

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended December 28, 2002 ("Second Quarter Fiscal 2003") are not necessarily indicative of the results that may be expected for the fiscal year ending June 28, 2003 ("Fiscal 2003"). The balance sheet at June 29, 2002 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Concord Camera Corp. and subsidiaries (the "Company") manage their business on the basis of one reportable segment. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2002 ("Fiscal 2002").

Foreign Currency Transactions

The Company operates on a worldwide basis and its results may be adversely or positively affected by fluctuations of various foreign currencies against the U.S. Dollar, specifically, the Canadian Dollar, European Euro, British Pound Sterling, People's Republic of China Renminbi, Hong Kong Dollar and Japanese Yen. Each of the Company's foreign subsidiaries purchases the majority of its finished goods inventories in U.S. Dollars and the majority of the Company's net sales are in U.S. Dollars. Accordingly, the U.S. Dollar is the functional currency. Certain net sales to customers and purchases of certain components and

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

services are transacted in local currency, including Japanese Yen, thereby creating an exposure to fluctuations in foreign currency exchange rates. The remeasurement from the applicable currencies to U.S. Dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. Gains or losses resulting from foreign currency transactions and remeasurement are included in "Other (income), net" in the accompanying consolidated statements of operations.

Hedging Activities

As of December 28, 2002, the Company was not engaged in any hedging activities and there were no forward exchange contracts outstanding.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation. See Note 2 - Recently Issued Accounting Pronouncements, below.

6

Note 2 - Recently Issued Accounting Pronouncements:

On December 31, 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" which amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide for alternative methods of transition for an entity that changes to the fair value method of accounting for employee stock-based compensation. In addition, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require expanded disclosure including significant interim period disclosures of the effects of an entity's accounting policy with respect to stock-based employee compensation. SFAS No. 148 which will become effective in the Company's third quarter of Fiscal 2003 is not expected to have a material impact on its consolidated financial statements, as the Company does not anticipate adopting the fair value method for employee stock-based compensation.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" which requires guarantors to make significant new disclosures and that certain guarantees be recorded at fair value. FASB Interpretation No. 45 disclosure requirements are effective for periods ending after December 15, 2002 and for guarantees issued or modified after December 31, 2002. Because the Company has no material guarantees, no additional disclosures are required and FASB Interpretation No. 45 is not expected to have a material impact on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Correction. SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" and other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Per SFAS No.145, a gain or loss from the extinguishment of debt should not be classified as extraordinary if it does not meet the criteria for classification as an extraordinary item under APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 145 is effective for financial

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

statements issued after May 15, 2002. Accordingly, the Company has recorded a loss of \$0.3 million associated with the write-off of deferred finance costs on the repurchase of its Senior Notes under the caption "Interest expense" in the accompanying consolidated statement of operations for the six months ended December 28, 2002. See Note 4, Senior Notes.

Effective with its second quarter ended December 29, 2001, the Company adopted Emerging Issues Task Force Issue No. 00-25 ("EITF 00-25"), Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer, which addresses the operating statement classification of consideration between a vendor and a retailer. As such it reclassified certain variable selling expenses including advertising allowances, other discounts, and other allowances from being reported as an operating expense to a reduction of net sales. As a result of adopting EITF 00-25, the Company reported lower sales, lower gross margins, and lower selling expenses. Approximately \$1.0 million and \$1.7 million of variable selling expenses, consisting principally of advertising and promotional allowances, were reclassified as a reduction of net sales, resulting in a corresponding reduction of gross profit and selling expenses in the quarter and six months ended December 29, 2001, respectively.

7

Note 3 - Inventories:

Inventories consist of the following:
(amounts in thousands)

	December 28, 2002	June
Raw materials, components, and work-in-process	\$16,550	\$
Finished goods	17,790	
	\$34,340	\$
Total inventories	\$34,340	\$

Note 4 - Senior Notes:

On August 15, 2002, the Company repurchased its \$15 million, 11% Senior Notes. The Company paid slightly below par to repurchase and cancel the Senior Notes. At the time of repurchase, the Company incurred \$0.3 million of expenses associated with the write-off of deferred finance costs related to the Senior Notes, which was included in interest expense in the accompanying condensed consolidated statements of operations for the six months ended December 28, 2002.

Note 5 - Exchange Offer:

On August 28, 2001, the Company launched an offer to exchange outstanding stock options with an exercise price of more than \$7.00 per share for new options to purchase 75% of the shares subject to the outstanding options at an exercise

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

price of \$5.97 per share (the closing price of the Common Stock as reported on the Nasdaq National Market on the date the Board of Directors approved the exchange offer.) The exchange offer expired on October 16, 2001. Options to purchase 1,375,876 shares of Common Stock were tendered in the exchange offer and accepted by the Company for cancellation and new options to purchase 1,031,908 shares of no par value common stock ("Common Stock") were issued in exchange therefor. As a result of the exchange offer, the Company is required to apply variable accounting to these stock options until they are exercised, cancelled or expired. For the second quarter and six months ended December 28, 2002, the Company did not record any variable stock-based compensation expense in the accompanying condensed consolidated statements of operations because the Company's ending Common Stock price on December 28, 2002 was below the exercise price of the repriced stock options. For the quarter and six months ended December 29, 2001, the Company incurred \$1.7 million of variable stock-based compensation expense.

8

Note 6 - Restructuring Initiatives and Other Charges:

During the fourth quarter of Fiscal 2001, the Company announced a restructuring and cost containment initiative ("Restructuring Initiative"), which consisted of facilities consolidation, the closure of the Company's single use camera short run labeling facility in the United States, and the termination of approximately 71 employees primarily employed in manufacturing, engineering, sales and marketing and administration functions. The Restructuring Initiative was fully implemented by the end of Fiscal 2002. During the quarter and six months ended December 29, 2001, the Company implemented elements of its Restructuring Initiative and incurred approximately \$0.3 million and \$0.6 million, respectively, in payments related to personnel redundancy costs and facilities consolidation.

During the first quarter of Fiscal 2002, the Company recognized a provision related to accounts receivable of \$1.6 million, and a provision related to inventory of \$1.8 million. Both of these provisions related to Polaroid Corporation ("Polaroid"), which filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 12, 2001, and were included in general and administrative expenses and cost of sales, respectively, in the accompanying condensed consolidated statements of operations for the six months ended December 29, 2001. In the first quarter of Fiscal 2003, we recorded as a reduction of general and administrative expenses a \$0.5 million payment received from Polaroid in settlement of Concord's outstanding claims related to the Polaroid bankruptcy.

During the second quarter of Fiscal 2002, the Company recorded a \$1.0 million accounts receivable provision related to Kmart Corporation which filed for protection under Chapter 11 of the U.S. Bankruptcy Code on January 22, 2002. The provision was included in general and administrative expenses in the accompanying consolidated statements of operations for the second quarter and six months ended December 29, 2001.

Note 7- Litigation:

In July 2002, a class action complaint was filed against the Company and certain of its officers in the United States District Court for the Southern District of Florida by individuals purporting to be shareholders of the Company. The Company filed a motion to dismiss the lawsuit on August 30, 2002. The complaint was

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

dismissed by the Court in December 2002 in response to the motion to dismiss filed by the Company. In January 2003, an amended class action complaint was filed adding certain of the Company's current and former directors as defendants. The lead plaintiffs in the amended complaint seek to act as representatives of a class consisting of all persons who purchased the Company's Common Stock (i) issued pursuant to the Company's September 26, 2000 secondary offering (the "Secondary Offering") or (ii) during the period from September 26, 2000 through June 22, 2001, inclusive (the "Class Period"). The amended complaint asserts, among other things, that the Company made untrue statements of material fact and omitted to state material facts necessary to make statements made not misleading in the Registration Statement and Prospectus issued in connection with the Secondary Offering, in periodic reports it filed with the Securities and Exchange Commission and in press releases it made to the public regarding its operations and financial results. The allegations are centered around claims that the Company failed to disclose that the transaction with then customer, KB Gear Interactive, Inc. ("KB Gear"), was a highly risky transaction, claims that throughout the Class Period the Company failed to disclose that a large portion of its accounts receivable was represented by a delinquent and uncollectible balance due from then customer, KB Gear, and claims that such failures artificially inflated the price of the Common Stock. The amended complaint seeks unspecified damages, interest, attorneys' fees, costs of suit and unspecified other and further relief from the court. The Company intends to vigorously defend the lawsuit. The lawsuit is in the earliest stage and discovery has not yet commenced. Although the Company believes this lawsuit is without merit, its outcome cannot be predicted, and if adversely determined, the ultimate liability of the Company, which could be material, cannot be ascertained. On September 17, 2002, the Company was advised by staff of the Securities and Exchange Commission that it is conducting an informal inquiry related to the matters described above. On October 15, 2002, the staff of Nasdaq requested certain information and materials related to the matters described above and as to matters related to the previously reported embezzlement of Company funds by a former employee, uncovered in April 2002.

9

In April 2002, a patent infringement complaint was filed by the Massachusetts Institute of Technology and Electronics for Imaging, Inc. against 214 defendants, including the Company, in the United States District Court for the Eastern District of Texas. The complaint asserts that the defendants have offered for sale and sold products that infringe United States Patent No. 4,500,919, entitled Color Reproduction System, which patent expired on May 4, 2002. The complaint seeks unspecified damages, interest, attorneys' fees, costs of suit and unspecified other and further relief from the court. Although the Company believes this lawsuit is without merit, its outcome cannot be predicted, and if adversely determined, the ultimate liability of the Company, which could be material, cannot be ascertained.

In December 2002, a patent infringement complaint was filed by Alfred B. Levine against the Company in the United States District Court for the District of Maryland. The complaint asserts that the Company has manufactured, marketed and sold products that infringe United States Patent No. 4,588,282, entitled Multiplexed Photocopier System With Portable Scanner, and United States Patent No. 4,751,583, entitled Off Line Photocopying System Using Portable Electronic Camera, Visual Previewing and Image Processing. The complaint seeks unspecified damages, attorneys' fees, costs of suit and unspecified other and further relief from the court. Although the Company believes this lawsuit is without merit, its outcome cannot be predicted, and if adversely determined, the ultimate liability of the Company, which could be material, cannot be ascertained.

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

The Company is involved from time to time in routine legal matters incidental to its business. In the opinion of our management, the resolution of such matters will not have a material adverse effect on its financial position or results of operations.

Note 8 - Related Party Transaction:

A corporation controlled by J. David Hakman provided consulting services to the Company from 1997 until July 2002 pursuant to an engagement agreement entered into on September 25, 1997, as later amended and supplemented (the "Hakman Agreement"). Pursuant to the Hakman Agreement, the Company granted a warrant with a five-year term expiring September 25, 2002 to purchase up to 260,000 shares of Common Stock at an exercise price of \$2.25 per share to a corporation controlled by Mr. Hakman. As previously reported, Hakman Capital Corporation ("Hakman Corporation") exercised the warrant in October 2000 as to all 113,000 shares that had vested up until that time. On September 25, 2002, Hakman Corporation exercised the warrant as to another 77,000 shares that were vested and exercisable at that time. The price was \$2.25 per share, for an aggregate price of \$173,250. No underwriting discounts or commissions were paid. Certificate(s) for the shares were issued with an appropriate restrictive legend. The transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 as a transaction by an issuer not involving a public offering. The remaining 70,000 shares never vested and the warrant expired on September 25, 2002.

Note 9 - Commitments:

On August 26, 2002, the Company announced it entered into two trademark licensing agreements with the entity that purchased the assets of Polaroid in an asset purchase transaction approved by the U.S. Bankruptcy Court supervising the Polaroid reorganization. The two license agreements provide for the exclusive, worldwide use by the Company of the Polaroid brand trademark in connection with the manufacture, distribution, promotion and sale of single use cameras and traditional film based cameras, including zoom cameras, and certain related accessories. The licenses do not include instant or digital cameras. Each license includes an initial term of three and a half years and may be renewed under the same economic terms at the Company's option, for an additional three-year period. Each license agreement includes provisions for the payment of \$3.0 million of minimum royalties, or \$6.0 million in total, which will be fully credited against percentage royalties. In August 2002, the Company paid a total of \$4.0 million, which represented \$2.0 million for each license agreement, as partial payment of the minimum royalties. Additionally, the Company recorded the remaining \$2.0 million minimum royalty liability as a non-cash transaction.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the fiscal year ended June 29, 2002 ("Fiscal 2002") consolidated financial statements and the related notes thereto. Except for historical information contained herein, the matters discussed below are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties, including

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

but not limited to economic, governmental, political, competitive and technological factors affecting Concord's operations, markets, products, prices and other factors discussed elsewhere in this report and other reports filed by the Company with the Securities and Exchange Commission ("SEC"). These factors may cause results to differ materially from the statements made in this report or otherwise made by or on behalf of Concord Camera Corp. ("Concord").

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Our application of accounting policies affects these estimates and assumptions. Actual results could differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies require management to make our more significant estimates and assumptions used in the preparation of our condensed consolidated financial statements and accompanying notes:

Provision for Doubtful Accounts

The provision for doubtful accounts is based on our assessment of the collectibility of specific customer accounts and the aging of accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than our historical experience, our estimates of the recoverability of amounts owed to us could be adversely affected.

Inventory

Inventory purchases and commitments are based upon future demand forecasts. If there is a sudden and significant decrease in demand for our products, or there is a higher rate of inventory obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory provisions. This would result in lower of cost or market inventory valuation adjustments and our gross profit could be adversely affected.

Deferred Taxes

The deferred tax valuation allowance is based on our assessment of the realizability of our deferred tax assets on an ongoing basis and may be adjusted from time to time as necessary. In determining the valuation allowance, we have considered future taxable income and the feasibility of tax planning initiatives. Should we determine that it is more likely than not that we will realize certain of our deferred tax assets in the future, an adjustment would be required to reduce the existing valuation allowance and increase income. On the contrary, if we determine that we would not be able to realize our recorded deferred tax asset, an adjustment to increase the valuation allowance would be charged to the results of operations in the period such conclusion was made. Such charge could have an adverse effect on our provision for income taxes included in our results of operations.

Sales Returns

A provision for sales returns is established based on historical product returns data and trends. If future returns are higher than we estimated, our net sales and gross profits could be adversely affected.

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

Variable Stock-Based Compensation Accounting for Repriced Stock Options

As a result of an exchange offer that was consummated in October 2001, we are now required to apply variable stock-based compensation accounting for these options until they are exercised, cancelled or expired. Because the determination of variable stock-based compensation expense associated with the repriced stock options is significantly dependent upon our closing stock price at the end of each prospective reporting period, it is not possible to determine its future impact, either favorable or unfavorable, on our consolidated financial statements. See Note 5 - Exchange Offer in the accompanying Notes to Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

For a discussion of recently issued accounting pronouncements, see Note 2 - Recently Issued Accounting Pronouncements in the accompanying Notes to Condensed Consolidated Financial Statements.

Results of Operations

Quarter Ended December 28, 2002 Compared to the Quarter Ended December 29, 2001

Net Sales

Net sales for the second quarter of Fiscal 2003 were \$61.8 million, an increase of \$22.5 million, or 57.5%, as compared to net sales for the second quarter of Fiscal 2002. Our sales for the second quarter of \$61.8 million set a Company record for sales in a single quarter. The increase in sales was in large part due to new digital products sold in both our retail sales and distribution ("RSD") and design and manufacturing services ("DMS") businesses. We offered 13 new Concord branded digital products, ranging from VGA to 4.0 megapixels, during the second quarter this year and digital products represented over 50% of total net sales. RSD sales were \$48.8 million for the second quarter this year, an increase of \$19.2 million, or 65.1%, as compared to the second quarter last year. The increase in RSD net sales was mostly due to new digital product sales, sales of Polaroid branded single use and traditional cameras, new customers and organic growth from existing customers due to sell through and new product introductions. DMS net sales were \$13.0 million in our second quarter of Fiscal 2003, an increase of \$3.3 million, or 34.2%, as compared to the same period last year. The increase in DMS net sales resulted from an increase in sales of digital products to a Fuji Photo Film Co., Ltd. subsidiary ("Fuji"), Legend Group Limited ("Legend") in the People's Republic of China ("PRC"), and Visioneer, Inc. ("Visioneer"), and sales of a new single use camera being manufactured under a new supply agreement entered into with Eastman Kodak Company ("Kodak") in September 2002; partially offset by the previously disclosed expiration of certain contracts.

Net sales of the Company's operations in Asia for the second quarter of Fiscal 2003, were \$15.1 million, an increase of \$5.0 million, or 48.6%, as compared to the second quarter of Fiscal 2002. Of the \$15.1 million, \$13.0 million was due to our DMS business. The remaining \$2.1 million came primarily from increased digital product sales due to new RSD customers.

Net RSD sales of the Company's operations in the United States, Latin America and Canada (the "Americas"), for the second quarter of Fiscal 2003, were \$32.0 million, an increase of \$9.9 million, or 44.7%, as compared to the same period last year. The increase in RSD net sales was due to new digital product sales and sales of Polaroid branded single use and traditional cameras to new and existing customers as a result of increased market penetration, and organic growth from existing customers due to sell through and new product

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

introductions.

Net RSD sales of the Company's operations in the United Kingdom, Germany and France ("Europe") for this year's fiscal second quarter were \$14.7 million, an increase of \$7.6 million, or 110.8%, as compared to the second quarter of Fiscal 2002. This increase was primarily attributable to offering new digital products to new and existing customers.

12

Gross Profit

Gross profit for the second quarter of Fiscal 2003 was \$9.5 million, or 15.3% of net sales, versus \$7.3 million, or 18.7% of net sales in the same quarter last year. During this year's second quarter we incurred approximately \$0.8 million, or 1.3% of net sales, of incremental air freight expense due to the West Coast Dockworkers' labor dispute that disrupted normal shipping during the critical holiday shipping season. Due to significantly higher sales, absolute gross profit dollars were higher in the second quarter of this year compared to the same quarter last year. However, our gross profit as a percentage of net sales dropped by 3.4 percentage points due to changes in our product mix (that is a significant increase in digital camera sales which typically generate higher gross profit dollars, but lower gross profit margins), and the above mentioned higher incremental air freight costs. Gross profit was positively impacted by efficiency gains in our manufacturing processes and positive labor and overhead absorption. Product engineering, design and development costs for the second quarter of Fiscal 2003 and Fiscal 2002, in dollars and as a percentage of net sales, were \$2.0 million (3.2%) and \$2.0 million (5.0%), respectively.

Operating Expenses

Selling expenses for the second quarter of Fiscal 2003 were \$2.2 million, or 3.5% of net sales. This compares to \$1.5 million, or 3.8% of net sales for the second quarter last year. The increase was primarily due to higher freight and handling costs and additional sales and marketing personnel.

General and administrative ("G&A") expenses for the second quarter of Fiscal 2003 were \$5.3 million, or 8.5% of net sales. This compares to \$6.7 million, or 17.1% of net sales, for the second quarter last year. Last year's G&A expenses included \$2.0 million relating to a bad debt provision for Kmart Corporation and a charitable contribution for the September 11, 2001 terrorist attack. The remaining elements of G&A expenses increased approximately \$0.6 million primarily due to additional staffing, some increased costs and other costs associated with the Company's growth.

There were no variable stock-based compensation expenses in this year's Fiscal 2003 second quarter as compared to last year which included \$1.7 million. See Note 5 - Exchange Offer in the accompanying Notes to Condensed Consolidated Financial Statements.

Interest expense for the second quarter of Fiscal 2003 was \$0.1 million compared to \$0.6 million in the same quarter last year. The decrease was due to the repurchase of the Senior Notes in August 2002 and the related reduction of interest expense.

Other (Income), Net

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

Other (income), net was \$0.7 million and \$1.8 million for the second quarter of Fiscal 2003 and Fiscal 2002, respectively, resulting in a decrease of \$1.1 million. Last year's second quarter included an arbitration award of \$1.2 million.

Income Taxes

The Company's provision for income taxes was \$0.5 million for the second quarter of Fiscal 2003 compared to a provision of \$0.1 million for the second quarter of Fiscal 2002. In general, the Company's annual effective income tax rate is largely a function of the amounts of income and loss attributed to both domestic and foreign operations, the application of their respective statutory tax rates, and the utilization of available net operating loss carryforwards to reduce taxable income.

13

Net Income (Loss)

As a result of the matters described above, the Company had net income of \$2.1 million, or \$0.07 per diluted share, for the second quarter of Fiscal 2003 as compared to a net loss of \$1.6 million, or \$0.06 per share, for the second quarter of Fiscal 2002.

Six Months Ended December 28, 2002 Compared to the Six Months Ended December 29, 2001

Net Sales

Net sales for the six months ended December 28, 2002 ("Fiscal 2003 YTD") were \$92.0 million, an increase of \$19.8 million, or 27.5%, as compared to net sales for the six months ended December 29, 2001 ("Fiscal 2002 YTD"). RSD sales for Fiscal 2003 YTD were \$74.7 million, an increase of \$23.3 million, or 45.4%, as compared to Fiscal 2002 YTD. This growth was in large part due to new digital product sales, sales of Polaroid branded single use and traditional cameras, new accounts and organic growth from existing accounts due to sell through and new product introductions. DMS sales were \$17.3 million, a decrease of \$3.5 million, or 16.7%, as compared to Fiscal 2002 YTD. The decrease was primarily due to the previously disclosed expiration of certain contracts, partially offset by sales to Fuji, Kodak, Legend and Visioneer.

Net sales of the Company's operations in Asia for Fiscal 2003 YTD were \$19.8 million, a decrease of \$1.7 million, or 8.1%, as compared to Fiscal 2002 YTD. DMS sales comprised \$17.3 million of the \$19.8 million sales in Asia. The remaining \$2.5 million were comprised of RSD sales that were primarily attributable to digital product sales to new customers.

Net RSD sales of the Company's operations in the Americas for Fiscal 2003 YTD were \$51.8 million, an increase of \$15.1 million, or 41.2%, as compared to the same period last year. The increase in RSD net sales was due in large part to new digital product sales, sales of Polaroid branded single use and traditional cameras, new accounts and organic growth from existing accounts due to sell through and new product introductions.

Net RSD sales of the Company's operations in Europe for Fiscal 2003 YTD were

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

\$20.4 million, an increase of \$6.4 million, or 46.8%, as compared to Fiscal 2002 YTD. This increase was primarily attributable to the introduction of new digital products to new and existing RSD customers.

Gross Profit

Gross profit for Fiscal 2003 YTD was \$17.2 million, or 18.7% of net sales, versus \$13.1 million, or 18.1% of net sales in Fiscal 2002 YTD. This year included \$0.8 million of additional air freight costs due to the Dockworkers' labor dispute and last year included \$1.8 million related to an inventory provision in conjunction with Polaroid Corporation's filing for bankruptcy protection under Chapter 11 of the US Bankruptcy Code. Fiscal 2003 YTD gross profit margins (gross profit expressed as a percentage of net sales) were negatively impacted by changes to our product mix as a result of higher digital camera sales, offset by efficiency gains and positive labor and overhead absorption in manufacturing. Product development expenses were approximately \$4.0 million for both fiscal years, representing 4.3% of net sales this year and 5.9% of net sales last year.

Our product mix, which historically consisted almost entirely of traditional and single use cameras, has changed significantly during the first six months of Fiscal 2003 wherein digital products contributed almost 50% of total net sales. Digital products, as compared to traditional and single use cameras, sell at significantly higher unit prices but typically generate lower gross profit margins. However, digital products generate greater gross profit dollars per unit than traditional and single use cameras. Consequently, as digital products increase as a percentage of our sales mix, we expect to experience a lower overall gross profit margin percentage and higher revenue and gross profit dollars per unit sold.

14

In addition, as we manufacture more digital products, we increase the risk of gross profit fluctuations due to digital component availability and increased costs. Since component availability can fluctuate and is subject to possible procurement delays and other constraints, it could negatively impact net profits, net sales and gross margins. Digital camera products are also subject to relatively more rapid technological changes, price erosion and obsolescence than traditional camera products. Because of highly competitive markets and rapid technological changes, the market prices of some of our digital camera products may decline relatively rapidly and some of our digital products may become obsolete. Accordingly, we record inventory provisions which value our inventories at the lower of cost or market value based on prevailing market prices.

Operating Expenses

Selling expenses for Fiscal 2003 YTD were \$4.0 million, or 4.4% of net sales. For the same period last year, selling expenses were \$3.2 million, or 4.4% of net sales. The increase was primarily due to additional sales and marketing personnel.

General and administrative expenses for Fiscal 2003 YTD were \$9.5 million, or 10.4% of net sales. This compares to \$12.2 million, or 16.9% of net sales last year. Fiscal 2002 YTD G&A expenses included \$3.6 million relating to a Kmart bad debt provision, a charitable contribution for the September 11, 2001 terrorist

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

attack and a Polaroid provision due to the Polaroid bankruptcy. Fiscal 2003 YTD G&A expenses included a \$0.5 million reduction in expense due to the payment from Polaroid in settlement of Concord's outstanding Polaroid claims related to the Polaroid bankruptcy filing. The remaining elements of G&A expenses increased primarily due to additional staffing, some increased costs and other costs associated with the Company's growth.

There were no variable stock-based compensation expenses in Fiscal 2003 YTD as compared to last year which included \$1.7 million. See Note 5 - Exchange Offer in the accompanying Notes to Condensed Consolidated Financial Statements.

Interest expense for Fiscal 2003 YTD was \$0.8 million, versus \$1.3 million last year, a decrease of \$0.5 million. The decrease relates to the repurchase of the Senior Notes described herein.

Other (Income), Net

Other (income), net was \$1.0 million and \$2.4 million for Fiscal 2003 YTD and Fiscal 2002 YTD, respectively, resulting in a decrease of \$1.4 million. Last year included a \$1.2 million arbitration award and also included higher investment income. This was partially offset by higher foreign currency gains this year.

Income Taxes

The Company's provision for income taxes was \$0.3 million for Fiscal 2003 YTD compared to a benefit of \$28,000 for Fiscal 2002 YTD. In general, the Company's effective income tax rate is largely a function of the amounts of income and loss attributed to both domestic and foreign operations, the application of their respective statutory tax rates, and the utilization of available net operating loss carryforwards to reduce taxable income.

Net Income (Loss)

As a result of the matters described above, the Company had net income of \$3.5 million, or \$0.12 per diluted share, for Fiscal 2003 YTD as compared to a net loss of \$2.8 million, or \$0.10 per share, for Fiscal 2002 YTD.

Liquidity and Capital Resources

On January 22, 2002, the SEC issued an interpretive release on disclosures related to liquidity and capital resources. This release requires us to disclose factors that are likely to affect our liquidity trends. We are not aware of factors that are reasonably likely to adversely affect liquidity trends, other than those factors summarized under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for Fiscal 2002. We do not have, nor do we engage in, transactions with any special purpose entities. We are not engaged in hedging activities and had no forward exchange contracts outstanding at December 28, 2002. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles in the United States, and are more

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

fully discussed below.

We believe that our cash and cash equivalents, anticipated cash flow from operations, and amounts available under our credit facilities provide sufficient liquidity and capital resources for our anticipated short-term working capital and capital expenditure requirements as well as our anticipated long-term working capital and capital expenditure requirements for the foreseeable future.

Working Capital - At December 28, 2002, we had working capital of \$115.2 million compared to \$128.4 million at June 29, 2002, a decrease of \$13.2 million. The decrease was primarily attributed to the change in cash and cash equivalents which decreased by \$20.9 million from \$103.9 million at June 29, 2002 to \$83.0 million at December 28, 2002, partially offset by favorable changes to certain other working capital accounts. The decrease in cash and cash equivalents was primarily attributable to (i) the August 2002 repurchase of our \$15.0 million Senior Notes at slightly below par, without penalty, (ii) pre-paying \$4.0 million in conjunction with the Polaroid "brand" license agreements, and (iii) purchases of property, plant and equipment of \$2.5 million.

Cash Used in Operations - Cash used in operations during Fiscal 2003 YTD was \$4.0 million, which compared unfavorably to cash provided by operations of \$3.2 million for the comparable period during Fiscal 2002 YTD. The change in cash used in operating activities for Fiscal 2003 YTD was primarily attributable to an increase in inventories in anticipation of sales in the third quarter of Fiscal 2003 and an increase in accounts receivable due to significant sales growth in the second quarter of Fiscal 2003.

Cash Used in Investing Activities - Purchases of property, plant and equipment for Fiscal 2003 YTD and Fiscal 2002 YTD were \$2.5 million and \$0.8 million, respectively. The increase was primarily a result of higher expenditures on plant and equipment purchases for our manufacturing facility in the PRC. We anticipate capital expenditures will increase substantially over Fiscal 2002 due to increased investments in plant and equipment at our manufacturing facility in the PRC in anticipation of increased net sales in Fiscal 2003. The decrease in cash provided from investing activities during Fiscal 2003 YTD resulted from the Company having no short-term investments during that period, whereas in Fiscal 2002, the Company received cash proceeds when certain short-term investments made in Fiscal 2001 that matured in Fiscal 2002 YTD.

Cash Used in Financing Activities - Cash used in financing activities for Fiscal 2003 YTD was \$14.4 million. This resulted from the repurchase of the Senior Notes partially offset by proceeds received from the exercise of stock options and warrants. Cash provided by financing activities for Fiscal 2002 YTD was \$3.6 million, which was primarily attributable to borrowings on short term debt and proceeds from the exercise of stock options partially offset by the repayment of certain capital leases.

Operating Leases- We entered into operating leases in the ordinary course of business (e.g., warehouse facilities, office space and equipment) where the economic profile was favorable. The effects of outstanding leases are not material to us in terms of either annual cash flow or total future minimum payments.

Purchase Commitments - As part of the ordinary course of our business, we enter into and have purchase commitments for materials, supplies, services, and property, plant and equipment. In the aggregate, such commitments are not at prices in excess of current market and typically do not exceed one year.

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

Related Party Transaction- See Note 8 - Related Party Transaction, in the accompanying Notes to Condensed Consolidated Financial Statements.

Other Contractual Obligations - We do not have any material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. See Hong Kong Financing Facilities for information about our financial guarantees.

Hong Kong Financing Facilities - Our Hong Kong subsidiary, Concord Camera HK Limited, ("Concord HK"), has various financing and revolving credit facilities in place providing an aggregate of \$23.5 million in borrowing capacity. Certain of the revolving credit facilities are denominated in Hong Kong Dollars. Since 1983 the Hong Kong Dollar has been pegged to the United States Dollar. The revolving credit facilities are comprised of 1) an approximate \$11.0 million Import Facility, 2) an approximate \$2.6 million Packing Credit and Export Facility, 3) an approximate \$1.9 million Foreign Exchange Facility and 4) an \$8.0 million Accounts Receivable Financing Facility (collectively the "Hong Kong Financing Facilities"). The \$8.0 million Accounts Receivable Financing Facility is secured by certain accounts receivable of Concord HK. Concord Camera Corp. guarantees the Hong Kong Financing Facilities. Availability under the Accounts Receivable Financing Facility is subject to advance formulas based on Eligible Accounts Receivable and all the credit facilities are subject to certain financial ratios and covenants. The revolving credit facilities bear interest at variable rates. At December 28, 2002, there were no amounts outstanding under the Hong Kong Financing Facilities.

United Kingdom Credit Facility - In November 1999, our United Kingdom ("UK") subsidiary obtained a credit facility from a UK financial institution (the "UK Facility") that is secured by substantially all of our UK subsidiary's assets. The UK Facility bears interest at 1.5% above the UK prime lending rate and allows borrowings of up to approximately \$1.1 million. At December 28, 2002, there were no amounts outstanding under the UK Facility.

Senior Notes - See Note 4 - Senior Notes, in the accompanying Notes to Condensed Consolidated Financial Statements.

License Agreement - See Note 9 - Commitments, in the accompanying Notes to Condensed Consolidated Financial Statements.

Outlook

For the third quarter of Fiscal 2003, we anticipate revenues in the range of \$32 to \$35 million and net income to be breakeven, before non-cash variable stock option expense.

Growth Opportunities

We are evaluating various growth opportunities that could require significant funding commitments. We have from time to time held, and will continue to hold, discussions and negotiations with (i) companies that represent potential acquisition or investment opportunities, (ii) potential strategic and financial investors who have expressed an interest in making an investment in or acquiring us, (iii) potential joint venture partners looking toward formation of strategic alliances that would broaden our product base or enable us to enter new lines of business and (iv) potential new and existing DMS customers where the design, development and production of new products, including certain new technologies, would enable us to expand our existing business, and enter new markets including

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

new ventures focusing on new technologies. However, there can be no assurance that any definitive agreement will be reached regarding any of the foregoing, nor does management believe that such agreements are necessary for the successful implementation of our strategic plans.

17

Forward-Looking Statements

The statements contained in this report that are not historical facts are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as: "estimates," "projects," "anticipates," "expects," "intends," "believes," "plans," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors. For a discussion of some of the factors that could cause actual results to differ, see the discussion under "Risk Factors" contained in the Company's most recent Annual Report filed with the SEC on Form 10-K for Fiscal 2002 and subsequently filed reports. Management wishes to caution the reader that these forward-looking statements, such as statements regarding the development of the Company's business, the Company's anticipated revenues or capital expenditures, projected profits and other statements contained in this report regarding matters that are not historical facts, are only estimates or predictions. No assurance can be given that future results will be achieved. Actual events or results may differ materially as a result of risks facing the Company or actual results differing from the assumptions underlying such statements. In particular, anticipated revenues could be adversely affected by production difficulties or economic conditions negatively affecting the market for the Company's products. Obtaining the results expected from the introduction of the Company's new products will require timely completion of development, successful ramp-up of full-scale production on a timely basis and customer and consumer acceptance of those products. In addition, the Company's DMS agreements require an ability to meet high quality and performance standards, successful implementation of production at greatly increased volumes and an ability to sustain production at greatly increased volumes, as to all of which there can be no assurance. There also can be no assurance that products under development will be successfully developed or that once developed such products will be commercially successful. Any forward-looking statements contained in this report represent the Company's estimates only as of the date of this report, or as of such earlier dates as are indicated herein, and should not be relied upon as representing its estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, it specifically disclaims any obligation to do so, even if its estimates change.

18

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of our global operating and financial activities, we are exposed to changes in interest rates and foreign currency exchange rates that may adversely affect our results of operations and financial position. In seeking to minimize

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

the risks and/or costs associated with such activities, we manage exposures to changes in interest rates and foreign currency exchange rates through our regular operating and financing activities.

At December 28, 2002, our exposure to changes in interest rates was minimal, since we had no long-term or short-term debt outstanding. However, we do borrow from time to time under our credit facilities. These borrowings are of a short-term nature typically subject to variable interest rates based on a prime rate or LIBOR plus or minus a margin. Since we have no debt outstanding, we do not deem interest rate risk to be significant or material to our financial position or results of operations. We do not presently use derivative instruments to adjust our interest rate risk profile. We do not utilize financial instruments for trading or speculative purposes, nor do we utilize leveraged financial instruments.

Each of our foreign subsidiaries purchases the majority of their finished goods inventories in U.S. Dollars and certain of their sales are in foreign currency, thereby creating an exposure to fluctuations in foreign currency exchange rates. We purchase certain components, raw materials and services needed to manufacture our products in foreign currencies including Japanese Yen. The impact of foreign exchange transactions is reflected in our statements of operations. As of December 28, 2002, we were not engaged in any hedging activities and we had no forward exchange contracts outstanding. See Note 1 - Basis of Presentation, in the accompanying Notes to Condensed Consolidated Financial Statements.

Item 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic Securities and Exchange Commission filings.

There were no significant changes to our internal controls or, to our knowledge, in other factors that could significantly affect these controls, since the date of their evaluation.

19

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 7 - Litigation, in the accompanying Notes to Condensed Consolidated Financial Statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

No. ---	Description -----	Method of Filing -----
3.1	Certificate of Incorporation, as amended through May 9, 2000	Incorporated by reference annual report on Form ended July 1, 2000.
3.2	Restated By-Laws, as amended through December 4, 2002	Filed herewith.
10.1	Amendment No. 5, dated as of December 2, 2002, to Amended and Restated Employment Agreement dated as of May 1, 1997, between Ira B. Lampert and the Company	Filed herewith.
10.2	Terms of Employment between Keith L. Lampert and the Company, effective as of November 11, 2002	Filed herewith.
10.3	Amendment, dated as of November 20, 2002, to Terms of Employment dated as of January 1, 2000, between Brian F. King and the Company	Filed herewith.
10.4	Amendment, dated as of November 20, 2002, to Terms of Employment dated as of January 1, 2000, between Urs W. Stampfli and the Company	Filed herewith.
10.5	Amended and Restated 1995 Annual Incentive Compensation Plan, as amended through September 4, 2002	Filed herewith.
10.6	Restated 2002 Long Term Cash Incentive Plan	Filed herewith.
10.7	Restated Flexible Perquisite Spending Account Program for Key Executives	Filed herewith.
10.8	Tenancy Agreement, dated September 18, 2002, between Southnice Investments Limited and Concord Camera HK Limited	Filed herewith.
20		
10.9	Third Amendment, dated January 6, 2003, to Lease dated as of August 12, 1998, between CRD Presidential, LLC and the Company	Filed herewith.
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

(b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the quarter ended December 28, 2002.

S I G N A T U R E

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.

CONCORD CAMERA CORP.

(Registrant)

By: /s/ Richard M. Finkbeiner

(Signature)

Richard M. Finkbeiner
Senior Vice President and
Chief Financial Officer

DULY AUTHORIZED AND PRINCIPAL FINANCIAL OFFICER

DATE: February 6, 2003

21

CERTIFICATION

I, Ira B. Lampert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Concord Camera Corp. (the "registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 6, 2003

/s/ Ira B. Lampert

Ira B. Lampert, Chief Executive Officer

22

CERTIFICATION

I, Richard M. Finkbeiner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Concord Camera Corp. (the "Company");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading

Edgar Filing: CONCORD CAMERA CORP - Form 10-Q

with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 6, 2003

/s/ Richard M. Finkbeiner

Richard M. Finkbeiner, Chief Financial Officer