

Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

NANTUCKET INDUSTRIES INC  
Form 10-Q  
October 15, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended August 31, 2001.

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-8509

NANTUCKET INDUSTRIES, INC.  
(Exact Name of Issuer as Specified in Its Charter)

Delaware  
(State of other jurisdiction of  
Incorporation or Organization)

58-0962699  
(I.R.S. Employer  
Identification No.)

45 Ludlow Street, Suite 602, Yonkers, New York 10705  
(Address of principal executive offices)

914-375-7591  
(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year, if Changed  
Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

X YES      NO \_\_\_\_\_

APPLICABLE ONLY TO CORPORATE ISSUERS

As of October 15, 2001, the Registrant has outstanding 3,238,796 shares of common stock not including 3,052 shares classified as Treasury Stock.

Nantucket Industries, Inc.  
(Debtor-in-Possession)

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The financial statements are unaudited. However, the management of the issuer believes that all necessary adjustments (which include only normal recurring adjustments) have been reflected to present fairly the financial position of registrant at August 31, 2001 and the results of its operations and changes in its financial position for the three month periods ended August 31, 2001 and August 31, 2000.

### Nantucket Industries, Inc. and Subsidiaries (Debtor-in-Possession)

#### CONSOLIDATED BALANCE SHEETS (unaudited)

	August 31, 2001
	-----
Assets	
CURRENT ASSETS	
Cash	\$ 1,452
Accounts receivable (Notes 2 and 8)	
Inventories (Notes 6 and 8)	
Other current assets	20,331
	-----
Total current assets	21,783
	-----
Property, plant and equipment, net	0
Other assets, net	0
	-----
	\$ 21,783
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	

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### CURRENT LIABILITIES

Convertible subordinated debentures (Note 4)	\$	826,845
Current portion of capital lease obligations (Note 8)		93,070
Accounts payable		244,764
Accrued salaries and employee benefits		11,031
Accrued unusual charge (Note 5)		77,083
Accrued expenses and other liabilities		129,515
Accrued royalties		319,048
		-----
Total current liabilities		1,701,356
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION		0
		-----
		1,701,356

### COMMITMENTS AND CONTINGENCIES

#### STOCKHOLDERS' EQUITY

Preferred stock, \$.10 par value; 500,000 shares authorized, of which 5,000 shares have been designated as non-voting with liquidating preference of \$200 per share and are issued and outstanding		500
Common stock, \$.10 par value; authorized 20,000,000 shares; issued 3,241,848		324,185
Additional paid-in capital		12,539,503
Deferred issuance cost		(61,069)
Accumulated deficit		(14,462,755)
		-----
		(1,659,636)
Less 3,052 shares of common stock held in treasury, at cost		19,937
		-----
		(1,679,573)
		-----
	\$	21,783
		=====

(1) Derived from audited financial statements.  
The accompanying notes are an integral part of these statements.

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### Nantucket Industries, Inc. and Subsidiaries (Debtor-in-Possession)

#### CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	August 31, 2001	August 31, 2000
	-----	-----
Net sales	\$0	\$0
Cost of sales	0	0
	-----	-----
Gross profit	0	0
	-----	-----
Selling, general and administrative expenses	0	0
	-----	-----
Operating (loss) profit	0	0

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	-----	-----
Other income	0	0
Interest expense	0	0
	-----	-----
Net income (loss)	0	0
	=====	=====
Net income (loss) per share - basic and diluted (Note 3)	0	0
	=====	=====
Weighted average common shares outstanding	3,238,796	3,238,796
	=====	=====

The accompanying notes are an integral part of these statements.

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Nantucket Industries, Inc. and Subsidiaries  
(Debtor-in-Possession)

Consolidated Statements of Cash Flows  
(unaudited)

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	Thirteen We
	-----
	August 31,
	2001
	-----
Cash flows from operating activities:	
Net (loss) earnings	\$0
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Depreciation and amortization	0
Provision for doubtful accounts	0
Gain on sale of fixed assets	0
Provision for obsolete and slow-moving inventory	0
(Increase) decrease in assets	
Accounts receivable	0
Inventories	0
Other current assets	0
Increase (decrease) in liabilities	
Accounts payable	0
Accrued expenses and other liabilities	0
Accrued unusual charge	0
	-----
Net cash (used in) provided by operating activities	0
	-----
Cash flows from investing activities	
(Additions) removals to property, plant and equipment	0
Proceeds from sale of fixed assets	0

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Decrease in other assets	0
	-----
Net cash used in investing activities	0
	-----
Cash flows from financing activities	
Repayments under line of credit agreement, net	0
Payments of capital lease obligations	0
Repayments of long-term debt	0
	-----
Net cash used in financing activities	0
	-----
NET (DECREASE) INCREASE IN CASH	0
	-----
Cash at beginning of period	0
	-----
Cash at end of period	\$0
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period:	
Interest	\$0
	=====
Income taxes	\$0
	=====

The accompanying notes are an integral part of these statements.

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NANTUCKET INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 THIRTEEN WEEKS ENDED August 31, 2001 AND August 31, 2000  
 (unaudited)

The following notes to the consolidated financial statements should be read in light of the following:

As a result of the following, all information which appears in the financial statements included in this report, is purely historical and will have no impact on future operations and results, if any. For an explanation of the company's historical accounting policies and data, reference is made to the Notes to the Financial Statements included in the Company's annual report on Form 10-K for the fiscal year ended February 28, 2001.

The Company experienced significant losses from operations in recent years which resulted in severe cash flow deficiencies. As a result of such losses and the Company's inability to raise financing to continue operations, it became insolvent and, finally, it terminated all business operations in October 1999.

On March 3, 2000, the Company filed a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. The goal of the projected reorganization will be for the Company to be merged with, or to acquire the assets or the capital stock of, existing businesses, or to effect similar business combinations. The Company's subsidiaries will be dissolved. No assurance can be given that this goal will be achieved. Management will have sole discretion to determine which businesses, if any, may be merged or acquired, as well as the terms of any merger or acquisition. The Company's second amended Plan of Reorganization,

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dated July 5, 2001 and the Disclosure Statement thereto, was filed by Management on July 6, 2001 with the Bankruptcy Court. This Plan proposes that the Company acquire, in a "reverse acquisition", Accutone Inc. a Delaware Corporation ("Accutone") controlled by John H. Treglia, the Company's current president. In a "reverse acquisition", the shareholders of the company which is acquired (in this case, Accutone) will end up owning the preponderance of the issued and outstanding capital stock of the company which was the acquirer (in this case, Nantucket Industries, Inc.). before it can be put into effect, the proposed Plan of Reorganization will have to be approved by the Company's creditors and interest holders, confirmed by the Bankruptcy Court. An order approving the Disclosure Statement has been presented to the Court for Settlement on October 17, 2001 and a hearing to confirm the Plan is scheduled for December 10, 2001. Management is completely unable to predict or to even venture an opinion as to whether all such required approvals and confirmation will be forthcoming. As a result, no prediction can be made with respect to whether the reverse acquisition of Accutone by the Company will ever take place. If it should occur, such acquisition would not be considered to be an arm's length transaction. While any transaction between the Company and any of its affiliates could present management with a conflict of interest, it is the intention of management that if such transaction should occur, the terms thereof will be no less beneficial to the Company than if such transaction had been effected on an arms length basis. If a Plan of Reorganization is not confirmed by the Bankruptcy Court, or is confirmed, but management is not able to successfully complete a merger or acquisition, the Company will cease to exist.

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### ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Results of Operations

The Company experienced significant losses from operations in recent years which resulted in severe cash flow deficiencies. As a result of such losses and the Company's inability to raise financial to continue operations, it became insolvent and, finally, it terminated all business operations in October 1999. On March 3, 2000, the Company filed a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York.

As a result of the foregoing, during the quarters ended August 31, 2001 and August 31, 2000, the company made no sales, realized no revenues, and incurred no operational expenses.

For discussions in more detail respecting the Company's results of operations during the three years leading up to the termination of operations, reference is made to Item 7. "management's Discussion and analysis of Financial Condition and Results of Operations" which appeared in the Company's annual reports on Forms 10-K for the fiscal years ended February 28, 2001 and 2000.

#### Liquidity and Capital Resources

During the several years leading up to the termination of operations, the company had funded its operating losses by refinancing its debt and increasing its capital through the sale of debt and equity securities. As at August 31, 2001, the company's assets and liabilities were unchanged from the February 28, 2001 year end, with total assets of \$21,783 and total liabilities of \$1,701,356.

For discussions in more detail respecting the Company's liquidity and capital resources during the three years leading up to the termination of operations, reference is made to Item 7. "Management's Discussion and analysis

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of Financial Condition and Results of Operations" which appeared in the Company's annual reports on forms 10-K for the fiscal years ended February 28, 2001 and 2000.

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### PART II

#### OTHER INFORMATION

##### Item 1 - Legal Proceedings

On March 3, 2000, Nantucket Industries, Inc. (the "Company") filed a Voluntary petition under chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. (Case Name: Nantucket Industries, Inc., Case Number: 00-B10867). The goal of the projected reorganization will be for the Company to be merged with, or to acquire the assets or the capital stock of an existing business or to effect similar business combinations. No assurance can be given that this goal will be achieved. Management will have sole discretion to determine which businesses, if any, may be merged or acquired, as well as the terms of any merger or acquisition. The Plan of Reorganization and the disclosure Statement, which Management filed with the Bankruptcy Court, will propose that the company acquire, in a "reverse acquisition", Accutone In., a Delaware Corporation ("Accutone") controlled by John H. Treglia, the company's current president. In a "reverse acquisition", the shareholders of the company which is acquired (in this case, Accutone) will end up owning the preponderance of the issued and outstanding capital stock of the company which was the acquirer (in this case, Nantucket Industries, Inc.). Before it can be put into effect, the proposed Plan of Reorganization will have to be approved by the Company's creditors, confirmed by the Bankruptcy Court, and not objected to after the fact by the court-appointed Trustee for the Creditors. A hearing before the Bankruptcy Court with respect to the aforesaid is currently scheduled for December 10, 2001. Management is completely unable to predict or to even venture an opinion as to whether all such required approvals and confirmation will be forthcoming. As a result, no predication can be made with respect to whether the reverse acquisition of Accutone by the company will ever take place. If it should occur, such acquisition would not be considered to be an arm's length transaction. While any transaction between the Company and any of its affiliates could present management with a conflict of interest, it is the intention of management that if such transaction should occur, the terms thereof will be no less beneficial to the Company than if such transaction had been effected on an arms length basis. If a Plan of Reorganization is not confirmed by the Bankruptcy Court, or is confirmed, but management is not able to successfully complete a merger or acquisition, the Company will cease to exist.

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

None

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#### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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NANTUCKET INDUSTRIES, INC.

Dated October 15, 2001

By /s/ John H. Treglia

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John H. Treglia  
President, Secretary and CFO

Dated October 15, 2001

By /s/ Marsha C. Ellis

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Marsha C. Ellis  
Treasurer and Chief Accounting Officer