

EDCI HOLDINGS, INC.
Form 10-Q
October 30, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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 001-34015

EDCI HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

26-2694280
(I.R.S. Employer
Identification No.)

11 East 44th Street, New York, NY
(Address of Principal Executive Offices)

10017
(Zip Code)

(646) 401-0084
(Registrant's Telephone Number, Including Area Code)

NOT APPLICABLE
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of Exchange Act. (Check one):

Large Accelerated Filer Accelerated
Filer Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting
Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of Exchange Act)
Yes No

The number of shares outstanding of the Registrant's common stock, par value \$.02 per share, at October 30, 2009 was 6,686,137 shares.

EDCI Holdings, Inc. and Subsidiaries

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
EDCI Holdings, Inc.

We have reviewed the condensed consolidated balance sheet of EDCI Holdings, Inc. and subsidiaries as of September 30, 2009, and the related condensed consolidated statements of operations for the three and nine month periods ended September 30, 2009 and 2008, the condensed consolidated statement of stockholders' equity and comprehensive loss for the nine month period ended September 30, 2009, and the condensed consolidated statements of cash flows for the nine month periods ending September 30, 2009 and 2008. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of EDCI Holdings, Inc. and subsidiaries as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended not presented herein and in our report dated March 27, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Indianapolis, Indiana
October 30, 2009

EDCI HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2009 (unaudited) | December 31, 2008 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 78,357 | \$ 75,112 |
| Restricted cash | 2,452 | 7,258 |
| Accounts receivable, net of allowances for doubtful accounts of \$2,913 and \$3,008 for September 30, 2009 and December 31, 2008, respectively | 14,541 | 19,129 |
| Current portion of long-term receivable | 1,256 | 599 |
| Inventories, net | 6,424 | 4,845 |
| Prepaid expenses and other current assets | 13,065 | 12,513 |
| Deferred income taxes | 108 | 105 |
| Assets held for sale | 7,000 | 7,154 |
| Current assets, discontinued operations | 203 | 8,691 |
| Total Current Assets | 123,406 | 135,406 |
| Restricted cash | 25,396 | 25,439 |
| Property, plant and equipment, net | 17,763 | 21,186 |
| Long-term receivable | 2,276 | 3,066 |
| Long-term investments | 870 | 1,020 |
| Deferred income taxes | 1,507 | 1,694 |
| Other assets | 3,954 | 4,739 |
| TOTAL ASSETS | \$ 175,172 | \$ 192,550 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---------------|----------------|
| Current Liabilities: | | |
| Accounts payable | \$ 13,174 | \$ 15,930 |
| Accrued expenses and other liabilities | 32,139 | 24,435 |
| Loans from employees | 1,021 | 1,142 |
| Current portion of long-term debt | 7,467 | 2,281 |
| Current liabilities, discontinued operations | 2,049 | 10,226 |
| Total Current Liabilities | 55,850 | 54,014 |
| Other non-current liabilities | 3,936 | 8,353 |
| Loans from employees | 1,526 | 2,490 |
| Long-term debt | 1,928 | 7,996 |
| Pension and other defined benefit obligations | 35,677 | 35,052 |
| Non-current liabilities, discontinued operations | - | 41 |
| Total Liabilities | 98,917 | 107,946 |
| Commitments and contingencies | | |
| Stockholders' Equity: | | |

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| | | |
|--|------------|-----------|
| Preferred stock, \$.01 par value; authorized: 1,000,000 shares, no shares issued and outstanding | - | - |
| Common stock, \$.02 par value; authorized: 15,000,000 shares | | |
| September 30, 2009 -- 7,019,436 shares issued; December 31, 2008 -- 7,019,436 shares issued | 140 | 140 |
| Additional paid in capital | 371,338 | 371,091 |
| Accumulated deficit | (305,027) | (294,988) |
| Accumulated other comprehensive income | 6,350 | 4,583 |
| Treasury stock at cost: | | |
| September 30, 2009 -- 333,299 shares; December 31, 2008 -- 324,794 shares | (1,657) | (1,427) |
| Total EDCI Holdings, Inc. Stockholders' Equity | 71,144 | 79,399 |
| Noncontrolling interest in subsidiary company | 5,111 | 5,205 |
| Total Stockholders' Equity | 76,255 | 84,604 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 175,172 | |