P&F INDUSTRIES INC
Form 10-Q
August 19, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2009

o 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 - 5332

P&F INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**22-1657413** (I.R.S. Employer Identification Number)
445 Broadhollow Road, Suite 100, Melville, New York (Address of principal executive offices)	**11747** (Zip Code)

Registrant s telephone number, including area code: **(631) 694-9800**

Indicate by checkmark 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, and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of August 17, 2009 there were 3,614,562 shares of the registrant s Class A Common Stock outstanding.

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P&F INDUSTRIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2009 (unaudited)	December 31, 2008 (See Note 1)
ASSETS		
CURRENT		
Cash and cash equivalents	$ 527,000	$ 1,043,000
Accounts receivable net	11,648,000	8,507,000
Inventories	33,479,000	31,286,000
Notes and other receivables	590,000	
Deferred income taxes net	1,584,000	1,584,000
Income tax refund receivable	738,000	327,000
Prepaid expenses and other current assets	1,735,000	990,000
TOTAL CURRENT ASSETS	50,301,000	43,737,000
PROPERTY AND EQUIPMENT		
Land	1,550,000	1,550,000
Buildings and improvements	7,702,000	7,637,000
Machinery and equipment	18,995,000	15,567,000
	28,247,000	24,754,000
Less accumulated depreciation and amortization	12,111,000	11,232,000
NET PROPERTY AND EQUIPMENT	16,136,000	13,522,000
GOODWILL	8,972,000	4,183,000
OTHER INTANGIBLE ASSETS net	5,813,000	3,121,000
DEFERRED INCOME TAXES -net	4,773,000	5,424,000
OTHER ASSETS net	1,058,000	485,000
TOTAL ASSETS	$ 87,053,000	$ 70,472,000

See accompanying notes to consolidated condensed financial statements (unaudited).

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P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2009 (unaudited)	December 31, 2008 (See Note 1)
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 22,374,000	$ 15,000,000
Accounts payable	6,354,000	1,962,000
Other accrued liabilities	4,789,000	3,768,000
Current maturities of long-term debt	10,440,000	6,516,000
TOTAL CURRENT LIABILITIES	43,957,000	27,246,000
Other long-term liabilities	4,911,000	331,000
Note payable	3,972,000	
Long term debt, less current maturities	1,379,000	9,028,000
TOTAL LIABILITIES	54,219,000	36,605,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred stock - $10 par; authorized - 2,000,000 shares; no shares issued		
Common stock		
Class A - $1 par; authorized - 7,000,000 shares; issued - 3,956,431 at June 30, 2009 and December 31, 2008, respectively	3,956,000	3,956,000
Class B - $1 par; authorized - 2,000,000 shares; no shares issued		
Additional paid-in capital	10,545,000	10,407,000
Retained earnings	21,288,000	22,459,000
Treasury stock, at cost 341,869 shares at June 30, 2009 and December 31, 2008	(2,955,000)	(2,955,000)
TOTAL SHAREHOLDERS EQUITY	32,834,000	33,867,000
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 87,053,000	$ 70,472,000

See accompanying notes to consolidated condensed financial statements (unaudited).

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P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net revenue	$ 18,528,000	$ 25,554,000	$ 34,090,000	$ 49,879,000
Cost of sales	13,817,000	17,499,000	24,748,000	34,151,000
Gross profit	4,711,000	8,055,000	9,342,000	15,728,000
Selling, general and administrative expenses	5,288,000	6,702,000	10,343,000	13,191,000
Operating (loss) income	(577,000)	1,353,000	(1,001,000)	2,537,000
Interest expense	362,000	452,000	671,000	1,010,000
(Loss) earnings before income taxes	(939,000)	901,000	(1,672,000)	1,527,000
Income tax (benefit) expense	(374,000)	406,000	(501,000)	670,000
Net (loss) earnings	$ (565,000)	$ 495,000	$ (1,171,000)	$ 857,000
Basic (loss) earnings per common share:				
Net (loss) earnings	$ (0.16)	$ 0.14	$ (0.32)	$ 0.24
Diluted (loss) earnings per common share:				
Net (loss) earnings	$ (0.16)	$ 0.13	$ (0.32)	$ 0.23
Weighted average common shares outstanding:				
Basic	3,614,562	3,637,277	3,614,562	3,637,370
Diluted	3,614,562	3,713,440	3,614,562	3,694,338

See accompanying notes to consolidated condensed financial statements (unaudited).

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P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY (unaudited)

	Total	Class A Common Stock, $1 Par Shares	Class A Common Stock, $1 Par Amount	Additional paid-in capital	Retained earnings	Treasury stock Shares	Treasury stock Amount
Balance, January 1, 2009	$ 33,867,000	3,956,000	$ 3,956,000	$ 10,407,000	$ 22,459,000	342,000	$ (2,955,000)
Net loss	(1,171,000)				(1,171,000)		
Stock-based compensation	138,000			138,000			
Balance, June 30, 2009	$ 32,834,000	3,956,000	$ 3,956,000	10,545,000	$ 21,288,000	342,000	$ (2,955,000)

See accompanying notes to consolidated condensed financial statements (unaudited).

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P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (unaudited)

	Six months ended June 30, 2009		2008	
Cash Flows from Operating Activities:				
Net (loss) earnings	$	(1,171,000)	$	857,000
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:				
Non-cash charges:				
Depreciation and amortization		895,000		856,000
Amortization of other intangible assets		180,000		458,000
Amortization of other assets		19,000		5,000
Provision for losses on accounts receivable - net		(166,000)		(99,000)
Stock-based compensation		138,000		97,000
Deferred income taxes - net				334,000
(Gain) loss on sale of fixed asset		(2,000)		127,000
Changes in operating assets and liabilities:				
Accounts receivable		(1,724,000)		(1,405,000)
Notes and other receivables		(33,000)		274,000
Inventories		4,483,000		326,000
Income tax refund receivable		(411,000)		6,000
Prepaid expenses and other current assets		(424,000)		73,000
Other assets		(591,000)		20,000
Accounts payable		2,431,000		2,319,000
Accruals and other liabilities		342,000		(1,332,000)
Income taxes payable				(340,000)
Total adjustments		5,137,000		1,719,000
Net cash provided by operating activities	$	3,966,000	$	2,576,000

See accompanying notes to consolidated condensed financial statements (unaudited).

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P&F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (unaudited) (continued)

	Six months ended June 30, 2009		2008	
Cash Flows from Investing Activities:				
Capital expenditures	$	(1,099,000)	$	(562,000)
Proceeds from sale of fixed assets		3,000		
Payment for acquisition		(4,528,000)		
Additional purchase price working capital adjustment		(2,362,000)		
Net cash used in investing activities		(7,986,000)		(562,000)
Cash Flows from Financing Activities:				
Proceeds from short-term borrowings		16,935,000		9,000,000
Repayments of short-term borrowings		(9,561,000)		(4,000,000)
Term loan -advances		1,134,000		
Repayments of term loan		(6,889,000)		(7,620,000)
Net proceeds from equipment lease financing		302,000		
Principal payments on long-term debt		(137,000)		(132,000)
Proceeds from notes payable		1,720,000		
Purchase of treasury stock				(3,000)
Net cash used in financing activities		3,504,000		(2,755,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(516,000)		(741,000)
Cash and cash equivalents at beginning of period		1,043,000		1,334,000
Cash and cash equivalents at end of period	$	527,000	$	593,000
Supplemental disclosures of cash flow information:				
Cash paid for:				
Interest	$	665,000	$	1,085,000
Income taxes	$	30,000	$	741,000

Non-cash investing and financing activities were as follows:

In connection with the WMC transactions, as described in Note 2 of the Notes to Consolidated Financial Statements, the Company issued a note payable to the seller in the amount of $3,972,000. In addition, the Company recorded a liability for contingent consideration in the amount of $4,586,000.

See accompanying notes to consolidated condensed financial statements (unaudited).

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P&F INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The unaudited consolidated condensed financial statements contained herein include the accounts of P&F Industries, Inc. and its subsidiaries (P&F). All significant intercompany balances and transactions have been eliminated.

P&F conducts its business operations through two of its wholly-owned subsidiaries: Continental Tool Group, Inc. (Continental) and Countrywide Hardware, Inc. (Countrywide). P&F and its subsidiaries are herein referred to collectively as the Company. In addition, the words we , our and us refer to the Company.

Further, P&F operates in two primary lines of business, or segments: (i) tools and other products (Tools) and (ii) hardware and accessories (Hardware).

Tools

We conduct our Tools business through Continental, which in turn currently operates through its wholly-owned subsidiaries, Florida Pneumatic Manufacturing Corporation (Florida Pneumatic) and Hy-Tech Machine, Inc. (Hy-Tech).

Florida Pneumatic is engaged in the importation, manufacture and sale of pneumatic hand tools, primarily for the industrial, retail and automotive markets, and the importation and sale of compressor air filters. Florida Pneumatic also markets, through its Berkley Tool division (Berkley), a line of pipe cutting and threading tools, wrenches and replacement electrical components for a widely-used brand of pipe cutting and threading machines. In addition, through its Franklin Manufacturing (Franklin) division, Florida Pneumatic imports a line of door and window hardware. Hy-Tech is primarily engaged in the manufacture and distribution of pneumatic tools and parts for industrial applications.

Hardware

We conduct our Hardware business through Countrywide, which in turn operates through its wholly-owned subsidiaries, Nationwide Industries, Inc. (Nationwide), Woodmark International, L.P. (Woodmark), Pacific Stair Products, Inc. (PSP) and WM Coffman, LLC (WMC). Woodmark was, until the transactions described in Note 2 (the WMC transactions), which was effective June 8, 2009, an importer of both stair parts components and kitchen and bath hardware and accessories. Woodmark and PSP contributed certain net assets to WMC in return for members equity. Accordingly, effective with the WMC transaction, the stair parts business, which formerly reported through Woodmark, is part of WMC. PSP, until mid-2008, manufactured and distributed premium stair rail products. Since the closing of its mill in mid-2008, it had operated primarily as a distributer of Woodmark s staircase components to the building industry, in southern California and the southwestern region of the United States. As a result of the transaction, PSP will no longer be an operating unit. The Company exited the remaining facility on July 31, 2009. Its customers will be serviced by WMC. Nationwide is an importer and distributor of fencing, door, and window hardware. Effective with this filing, the Company will report the results of operations of its kitchen and bath hardware and accessories product line with Nationwide and will be referred to as other hardware and the results of operations for WMC as Stair Parts or WMC .

Basis of Financial Statement Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and with the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, these interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, these unaudited consolidated condensed financial statements include all adjustments necessary to present fairly the information set forth therein. All such adjustments are of a normal recurring nature. Results for interim periods are not necessarily indicative of results to be expected for a full year.

The accompanying unaudited interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. However, the Company has reclassified all of its long-term bank debt as a current liability due to its default on certain financial covenants. Management intends to finalize and resolve its discussions with its lender and believe the defaults will be cured through waivers and/or amendments.

The unaudited consolidated condensed balance sheet information as of December 31, 2008 was derived from the audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. The interim financial statements contained herein should be read in conjunction with that Report.

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In preparing its unaudited consolidated condensed financial statements in conformity with accounting principles generally accepted in the United States of America, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates estimates, including those related to bad debts, inventory reserves, goodwill and intangible assets and income taxes. The Company bases its estimates on historical data and experience, when available, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Subsequent Events

In preparing these condensed consolidated financial statements, we have evaluated events and transactions for potential recognition or disclosure through the issuance of the condensed consolidated financial statements.

Reclassifications

Certain amounts in the consolidated condensed financial statements at December 31, 2008 have been reclassified to conform to the current period s presentation.

NOTE 2 ACQUISITION

On June 10, 2009, pursuant to an Asset Purchase Agreement dated as of June 8, 2009 (the Asset Purchase Agreement), WMC, a Delaware limited liability company, (WMC) a newly formed subsidiary of the Company, acquired substantially all of the assets of Coffman Stairs LLC, a Delaware limited liability company (Coffman). Coffman was in the business of manufacturing and distributing interior wood and iron stair components throughout the United States. Woodmark and PSP contributed to WMC certain respective assets, subject to WMC s assumption of certain respective liabilities and obligations of each of Woodmark and PSP (the Asset Contribution). In addition, Woodmark and PSP entered into certain agreements with WMC, effectively transferring the Company s stair parts business to WMC.

On June 10, 2009, WMC entered into a Revolving Credit, Term Loan and Security Agreement (WMC loan agreement), dated as of June 8, 2009 with PNC Bank, National Association, (PNC) pursuant to which WMC may receive loans from PNC in the aggregate principal amount of $12,000,000 (See Note 11).

The purchase price consisted of a cash payment of $4,528,000, a promissory note in the amount of $3,972,000 payable to Coffman, and the assumption of certain payables, liabilities and obligations. Additionally, subject to certain conditions, WMC also agreed to pay to Coffman contingent consideration based upon the financial performance of WMC and certain other factors described in the Asset Purchase Agreement. The Company estimated a range of outcomes wherein contingent consideration would have to be paid to Coffman. The amount of potential contingent consideration ranged from $3,697,000 to $6,770,000. The Company, in accordance with Financial Accounting Standards Board

(FASB), Statement of Financial Accounting Standards (SFAS) 141 (revised 2007), Business Combinations (SFAS 141(R)), recorded $3,972,000, which is the present value of $5,885,000, which is what it believes to be the most likely scenario of the potential estimated contingent consideration obligation. WMC also entered into an advisory agreement with Visador Holding Corporation (Visador), the parent company of Coffman, pursuant to which WMC agreed to pay Visador, subject to certain conditions, advisory fees, aggregating during the first three years to a maximum of $750,000 in exchange for Visador providing consulting and advisory services to WMC. Cash payments to Visador may be made only with permission of PNC. The fair value of this obligation of $614,000 has been included in contingent consideration. As such the Company recorded a total of $4,586,000 as contingent consideration. Additionally, the Company incurred approximately $952,000 of total fees and expenses in connection with the formation of WMC, of which, in accordance with SFAS 141(R), it recorded in its selling, general and administrative expenses approximately $432,000. The balance will be amortized over the three year term of the WMC loan agreement or approximately 18 years, which is the remaining life of the facility lease, discussed below.

Interest on the unpaid principal balance of the promissory note of $3,972,000 accrues (i) from June 8, 2009 until the Maturity Date, as defined, at the rate of six and one-half percent (6.5%) per annum. The principal amount and accrued interest due pursuant to Coffman is payable on the date (the Maturity Date) that is the latter of (1) the last day of the Contingency Period, as defined in the Asset Purchase Agreement or (2) the earlier of (a) the date that is three (3) years and ninety (90) days after the date of the promissory note or (b) the date that all obligations under the Loan Agreement, as defined , are satisfied in full. Pursuant to the terms of the promissory note, all obligations thereunder are subject to the terms of a Subordination Agreement, dated as of June 8, 2009, among WMC, Coffman and PNC.

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Contemporaneously with the execution and delivery of the Asset Purchase Agreement, WMC and Coffman entered into an Assignment and Assumption of Lease Agreement dated as of June 8, 2009 (the Assignment and Assumption Agreement). Pursuant to the Assignment and Assumption Agreement, Coffman transferred, conveyed and assigned to WMC all of its right, title and interest, as tenant, in, to and under, and WMC assumed all rights, obligations and liabilities of Coffman under, that certain Lease Agreement, dated as of March 30, 2007, for the lease of certain real property located in Marion, Virginia (the Leased Premises). The Lease Agreement has an expiration date of March 30, 2027. The base annual rent is $580,000, payable quarterly in advance on July 1, October 1, January 1 and April 1, in equal installments of $145,000. Further, WMC was required to present to the landlord a $100,000 letter of credit as security deposit.

The purchase price of Coffman Stairs, LLC is as follows:

Cash paid at closing	$	4,528,000
Notes payable		3,972,000
Liabilities assumed		2,788,000
Future contingent consideration		4,586,000
Total	$	15,874,000

The following table presents, as of the date of the transaction, the estimated fair values of the assets acquired and liabilities assumed and the amounts allocated to intangible assets and goodwill.

Accounts receivable			$	1,251,000
Inventories				6,677,000
Other current assets				403,000
Property and equipment				2,411,000
Other non-current assets				485,000
Identifiable intangible assets:				
Customer relationships	$	1,250,000		
Trademark		1,622,000		2,872,000
				14,099,000
Less: Deferred tax liability				652,000
Total fair value of net assets acquired				13,447,000
Goodwill				2,427,000
Total purchase price			$	15,874,000

The Company obtained a preliminary valuation of the identifiable intangible assets from an independent third party and may be subject to change. The excess of the total purchase price over the fair value of the net assets acquired, including the value of the identifiable intangible assets, has been allocated to goodwill. Goodwill will be amortized for fifteen years for tax purposes, but not for financial reporting purposes. The fair value and estimated lives of the identifiable intangible assets are based on current information and may be subject to change. Those intangible assets which are subject to amortization will be amortized over fifteen years for tax purposes. For financial reporting purposes, useful lives have been assigned as follows:

	Estimated Useful Life
Trademark	Indefinite

Customer Relationships	16 years

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company and Coffman, as though the transaction had occurred as of January 1, 2008. The pro forma amounts give effect to

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appropriate adjustments for amortization, depreciation, interest expense and income taxes. The pro forma amounts presented are not necessarily indicative of either the actual consolidated operating results had the transaction occurred as of January 1, 2008 or of future consolidated operating results.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net revenue	$ 21,739,000	$ 33,152,000	$ 41,689,000	$ 65,432,000
Net loss	$ (1,800,000)	$ (2,336,000)	$ (3,477,000)	$ (2,932,000)
Loss per share of common stock:				
Basic	$ (0.50)	$ (0.64)	$ (0.96)	$ (0.81)
Diluted	$ (0.50)	$ (0.63)	$ (0.96)	$ (0.79)

NOTE 3 - FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted FASB Statement No. 157, Fair Value Measurements (FAS 157), as it relates to financial assets and financial liabilities. FAS 157 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. FAS 157 applies under other previously issued accounting pronouncements that require or permit fair value measurements but does not require any new fair value measurements. The adoption of FAS 157 did not have a material impact on the Company s consolidated financial statements.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FAS 157 are described as follows:

- Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

- Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3- Inputs that are unobservable for the asset or liability.

The following section describes the valuation methodologies that we used to measure financial instruments at fair value.

The fair value of the contingent consideration obligation incurred in connection with the WMC transaction is estimated based on the estimated weighted average cost of capital and estimated future income, among other criteria.

The following table presents the liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration	$	$	$ 4,586,000	$ 4,586,000

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The carrying amounts of cash equivalents, investments, receivables, accounts payable, and accrued expenses approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of notes payable is determined using current applicable rates for similar instruments as of the balance sheet date and approximates the carrying value of such debt.

NOTE 4 (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per common share is based only on the average number of shares of common stock outstanding for the periods. Diluted earnings per common share reflects the effect of shares of common stock issuable upon the exercise of options, unless the effect on earnings is antidilutive.

Diluted (loss) earnings per common share is computed using the treasury stock method. Under this method, the aggregate number of shares of common stock outstanding reflects the assumed use of proceeds from the hypothetical exercise of any outstanding options to purchase shares of the Company s Class A Common Stock. The average market value for the period is used as the assumed purchase price.

The following table sets forth the computation of basic and diluted (loss) earnings per common share:

	Three months ended June 30,		**Six months ended June 30,**	
	2009	**2008**	**2009**	**2008**
Numerator:				