

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

FAB INDUSTRIES INC
Form 10-Q
October 15, 2002

FORM 10-Q QUARTERLY REPORT

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 AUGUST 31, 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 1-5901

FAB INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

13-2581181
(I.R.S. Employer)
Identification No.)

200 MADISON AVENUE, NEW YORK, N.Y.
(Address of principal executive office)

10016
(Zip Code)

(212) 592-2700
(Registrant's telephone number, including area code)

N/A
(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

CLASS	SHARES OUTSTANDING AT OCTOBER 15, 2002
Common stock, \$.20 par value	5,238,015

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

FAB INDUSTRIES INC. AND SUBSIDIARIES

TABLE OF CONTENTS

PART 1 - FINANCIAL INFORMATION	PAGE
Item 1. Financial Statements	
Condensed Consolidated Statements of Operations 13 Weeks ended August 31, 2002 and September 1, 2001 (unaudited)	2
Condensed Consolidated Statements of Operations 39 Weeks ended August 31, 2002 and September 1, 2001 (unaudited)	3
Condensed Consolidated Balance Sheets August 31, 2002 (unaudited) and December 1, 2001	4
Condensed Consolidated Statements of Stockholders' Equity 39 Weeks ended August 31, 2002 (unaudited)	6
Condensed Consolidated Statements of Cash Flows 39 Weeks ended August 31, 2002 and September 1, 2001 (unaudited)	7
Notes to Condensed Consolidated Financial Statements (unaudited)	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures about Market Risk	22
Item 4. Controls and Procedures	22
PART II - OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	23
Signatures	24
Certifications	25

(1)

FAB INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE 13 WKS ENDED	
	August 31, 2002	September 1, 2001
	(unaudited)	(unaudited)
Net sales	\$ 17,920,000	\$ 19,901,000
Cost of goods sold	15,376,000	19,242,000

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

Gross profit	2,544,000	659,000
Operating expenses:		
Selling, general and administrative expenses	2,097,000	2,493,000
Asset impairment and restructuring charges	--	967,000
Total operating expenses	2,097,000	3,460,000
Operating income (loss)	447,000	(2,801,000)
Other income (expense):		
Interest and dividend income	345,000	1,060,000
Net gain on investment securities	788,000	428,000
Interest expense	--	(7,000)
Total other income	1,133,000	1,481,000
Income (loss) before taxes	1,580,000	(1,320,000)
Income tax expense	570,000	--
Net income (loss)	\$ 1,010,000	\$ (1,320,000)
Earnings (loss) per share: (Note 6)		
Basic	\$ 0.19	\$ (0.25)
Diluted	\$ 0.19	\$ (0.25)
Cash dividends declared per share	\$ --	\$ 0.10

See notes to condensed consolidated financial statements.

(2)

FAB INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE 39 WKS ENDED	
	August 31, 2002	September 1, 2001
	(unaudited)	(unaudited)
Net sales	\$ 49,532,000	\$ 62,908,000
Cost of goods sold	43,205,000	61,486,000
Gross profit	6,327,000	1,422,000
Operating expenses:		
Selling, general and administrative expenses	6,615,000	8,120,000
Asset impairment and restructuring charges	--	6,983,000
Other expense (Note 12)	750,000	--

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

Total operating expenses	7,365,000	15,103,000
	-----	-----
Operating loss	(1,038,000)	(13,681,000)
	-----	-----
Other income (expense):		
Interest and dividend income	2,173,000	3,191,000
Net gain on investment securities	1,904,000	1,650,000
Interest expense	(10,000)	(29,000)
	-----	-----
Total other income	4,067,000	4,812,000
	-----	-----
Income (loss) before taxes	3,029,000	(8,869,000)
	-----	-----
Income tax expense (benefit)	1,070,000	(2,114,000)
	-----	-----
Net income (loss)	\$1,959,000	\$ (6,755,000)
	=====	=====
Earnings (loss) per share: (Note 6)		
Basic	\$ 0.38	\$ (1.28)
Diluted	\$ 0.38	\$ (1.28)
Cash dividends declared per share	\$ 10.00	\$ 0.30

See notes to condensed consolidated financial statements.

(3)

FAB INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

A S S E T S
- - - - -

	AS OF	
	August 31, 2002	December 1, 2001
	-----	-----
	(unaudited)	
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 2,277,000	\$ 6,742,000
Investment securities available-for-sale (Note 3)	42,464,000	82,021,000
Accounts receivable-net of allowance of \$900,000 and \$600,000 for doubtful accounts	11,578,000	10,668,000
Inventories (Note 4)	8,534,000	12,335,000
Other current assets	1,204,000	1,617,000
	-----	-----
Total current assets	66,057,000	113,383,000
	-----	-----
Property, plant and equipment - at cost (Note 1)	87,981,000	91,095,000
Less: Accumulated depreciation	75,467,000	77,030,000
	-----	-----
	12,514,000	14,065,000

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

Other assets	3,691,000	4,080,000
	-----	-----
	\$ 82,262,000	\$131,528,000
	=====	=====

See notes to condensed consolidated financial statements.

(4)

FAB INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

L I A B I L I T I E S and

S T O C K H O L D E R S ' E Q U I T Y

	AS OF	
	August 31, 2002	December 1, 2001
	-----	-----
	(unaudited)	
Current liabilities:		
Accounts payable	\$ 3,667,000	\$ 3,661,000
Corporate income and other taxes	2,898,000	1,787,000
Accrued payroll and related expenses	972,000	1,318,000
Dividends payable	--	521,000
Other current liabilities	916,000	816,000
Deferred income taxes	--	269,000
	-----	-----
Total current liabilities	8,453,000	8,372,000
	-----	-----
Obligations under capital leases - net of current maturities	--	311,000
Other noncurrent liabilities	2,105,000	2,342,000
	-----	-----
Total liabilities	10,558,000	11,025,000
	-----	-----
Stockholders' equity	71,704,000	120,503,000
	-----	-----
	\$ 82,262,000	\$131,528,000
	=====	=====

See notes to condensed consolidated financial statements.

(5)

FAB INDUSTRIES, INC. AND SUBSIDIARIES

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE 39 WEEKS ENDED AUGUST 31, 2002 (unaudited)

	Total	Common Stock *		Additional Paid-in Capital	Retained Earnings
		Number of Shares	Amount		
Balance at December 1, 2001	\$120,503,000	6,591,944	\$1,319,000	\$6,967,000	\$151,224,000
Net income	1,959,000				1,959,000
Change in net unrealized holding gain on investment securities available-for- -for- sale, net of taxes	39,000				
Total comprehensive income	1,998,000				
Dividends (Note 1)	(52,380,000)			(6,641,000)	(45,739,000)
Exercise of Stock Options	1,445,000	133,000	26,000	1,640,000	
Purchase of treasury stock	(280,000)			17,000	
Termination of Employee Stock Ownership Plan (Note 1)	--			(2,401,000)	
Acceleration of stock options	418,000			418,000	
Balance at August 31, 2002 (Unaudited)	\$ 71,704,000	6,724,944	\$1,345,000	\$ --	\$107,444,000

		Treasury Stock			
		Number of Shares	Cost	Notes Receivable from Stockholders	
Balance at December 1, 2001	(1,383,574)		\$ (35,384,000)	\$ --	
Net income					
Change in net unrealized holding gain on investment securities available-for- sale, net of taxes					
Total comprehensive income					
Dividends (Note 1)					

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

Exercise of Stock Options			(221,000)
Purchase of treasury stock	(16,899)	(297,000)	
Termination of Employee Stock Ownership Plan (Note 1)	(86,456)	(1,556,000)	
Acceleration of stock options			
Balance at			
August 31, 2002 (Unaudited)	(1,486,929)	\$ (37,237,000)	\$ (221,000)

* Common stock \$0.20 par value - 15,000,000 shares authorized.
Preferred stock \$1.00 par value - 2,000,000 shares authorized, none issued.

See notes to condensed consolidated financial statements.

(6)

FAB INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE 39 WKS ENDED	
	August 31, 2002	September 1, 2002
	(unaudited)	(unaudited)
OPERATING ACTIVITIES:		
Net Income (loss)	\$ 1,959,000	(\$ 6,755,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	300,000	300,000
Depreciation and amortization	1,636,000	3,709,000
Non-cash asset impairment and restructuring charges	--	5,958,000
Deferred income taxes	(397,000)	(1,597,000)
Net gain on investment securities	(1,904,000)	(1,650,000)
Compensation relating to acceleration of stock options	418,000	--
Gain on disposition of fixed assets	(397,000)	(150,000)
Decrease (increase) in:		
Accounts receivable	(1,210,000)	5,533,000
Inventories	3,801,000	5,497,000
Other current assets	515,000	1,133,000
Other assets	389,000	229,000
(Decrease) increase in:		
Accounts payable	6,000	(78,000)
Accruals and other liabilities	315,000	(2,618,000)
Net cash provided by operating activities	5,431,000	9,511,000

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, plant and equipment	(205,000)	(352,000)
Proceeds from dispositions of property	517,000	212,000
Acquisition of investment securities	--	(14,643,000)
Proceeds from sales of investment securities	41,528,000	--
	-----	-----
Net cash provided by (used in) investing activities	41,840,000	(14,783,000)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of treasury stock	(280,000)	(282,000)
Dividends	(52,901,000)	(1,582,000)
Exercise of Stock Options	1,445,000	--
Payment of loan from ESOP	--	790,000
	-----	-----
Net cash used in financing activities	(51,736,000)	(1,074,000)
	-----	-----
Increase (decrease) in cash and cash equivalents	(4,465,000)	(6,346,000)
	-----	-----
Cash and cash equivalents, beginning of period	6,742,000	14,695,000
	-----	-----
Cash and cash equivalents, end of period	\$ 2,277,000	\$ 8,349,000
	=====	=====

See notes to condensed consolidated financial statements.

(7)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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 39 weeks ended August 31, 2002 are not necessarily indicative of the results that may be expected for the entire fiscal year ending November 30, 2002. The balance sheet at December 1, 2001 has been derived from the audited balance sheet at that date. The financial information included in the quarterly report should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 1, 2001.

The Company's Board of Directors has determined that it is in the best interests of its stockholders to sell the Company's textile business as a going concern. In order to maximize stockholder value, the Board of Directors adopted resolutions dated March 1, 2002, which authorized, subject to stockholder approval, the sale of the Company's business pursuant to a Plan of Liquidation and Dissolution (the "Plan"). The Company's stockholders approved the Plan at the Company's annual meeting on May 30, 2002. The Plan provides the Company's officers and directors will continue to operate the Company's textile business in its current fashion, pursue a sale of the business as a going concern and, if the Company's Board of Directors deems it advisable, engage financial advisors to assist with the sale of the business. On May 30, 2002, the Company's Board of

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

Directors declared an initial liquidating distribution of \$10.00 per share, which was paid on June 24, 2002, with a record date of June 10, 2002. Accordingly, \$52,380,000 was paid on June 24, 2002.

In addition, pursuant to resolutions adopted by the Company's Board of Directors, upon approval of the Plan by the stockholders, the Employee Stock Ownership Plan (the "ESOP") was terminated and all shares of common stock of the Company then held in the ESOP suspense account (86,456 shares) were transferred to the Company, and held as treasury stock, in exchange for the cancellation of the outstanding loan in the amount of \$3,957,000 from the Company to the ESOP.

Pursuant to resolutions adopted by the Company's Board of Directors and documentation sent to and returned to the Company by option holders, effective immediately following stockholder approval of the Plan, all outstanding options under the Company's 1997 Stock Incentive Plan became vested, and all options as to which optionees (including employees and directors) had returned to the Company the appropriate forms (representing options held by all but one optionee) were exercised through the issuance of loans from the Company to the optionees, with stock of the optionees held as collateral by the Company until the loans have been satisfied. These loans receivable have been recorded as a reduction of stockholders' equity as of August 31, 2002. As of August 31, 2002, the balance of the loans outstanding was \$221,000.

As discussed above, the Company's Board of Directors has determined to sell its textile business as a going concern. Accordingly, the accompanying balance sheet has been prepared on a going concern basis. There can be no assurance, however, that the Company will be successful in selling its business or if it does sell the business, that it will be able to recover the full value of its property, plant and equipment.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company's policy is to recognize all derivatives instruments as either assets or liabilities on the balance sheet and to measure those instruments at market value. SFAS No. 133 also requires the disclosure of certain other information including a description of the instruments, objectives, strategies and risk management policies for holding all derivatives (Notes 3 and 10).

(8)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Cash and cash equivalents consist of the following (in thousands):

	August 31, 2002 (unaudited)	December 1, 2001
Cash	\$ 296	\$ 155
Taxable and tax-free short-term debt instruments	1,981	6,587
	\$ 2,277	\$ 6,742
	=====	=====

3. Investment Securities:

At August 31, 2002 and December 1, 2001, investment securities available-for-sale consisted of the following (in thousands):

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

August 31, 2002 (unaudited)	Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value
Equities	\$ 798	\$ --	\$ (10)	\$ 788
U.S. Treasury obligations	30,406	606	--	31,012
Corporate bonds	9,282	283	(256)	9,309
Money market	1,355	--	--	1,355
	-----	-----	-----	-----
	\$ 41,841	\$ 889	\$ (266)	\$ 42,464
	=====	=====	=====	=====

December 1, 2001	Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value
Equities	\$ 798	\$ -	\$ (15)	\$ 783
U.S. Treasury obligations	47,240	316	(16)	47,540
Corporate bonds	32,288	721	(450)	32,559
Money Market	1,139	-	-	1,139
	-----	-----	-----	-----
	\$ 81,465	\$1,037	\$ (481)	\$ 82,021
	=====	=====	=====	=====

(9)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Investment Securities (continued):

During the nine months ended August 31, 2002, the Company invested a portion of their securities in equity consisting of a portfolio of Standard and Poor's 100 ("S&P 100") common stocks, the fair value of which varies consistently with changes in the S&P 100 index. To hedge against fluctuations in the market value of the portfolio, the Company purchased short-term S&P 100 index put options and sold short-term S&P 100 call options. At August 31, 2002 and December 1, 2001, the Company had no such investments, but may continue to invest in such equity securities in the future.

The Company has agreements with various brokerage firms to carry its account as a customer. The brokers have custody of the Company's securities and, from time to time, cash balances which may be due from these brokers.

These securities and/or cash positions serve as collateral for any amounts due to brokers or as collateral for securities sold short or securities purchased on margin. The securities and/or cash positions also serve as collateral for

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

potential defaults of the Company.

The Company is subject to credit risk if the brokers are unable to repay balances due or deliver securities in their custody. By policy, the Company limits the amount of credit exposure to any one financial institution. The Company has received confirmation indicating that, with respect to investment securities, each custodian with the exception of one custodian maintains appropriate insurance coverage. During fiscal 2001 and the nine months ended August 31, 2002, that custodian had approximately \$16 million and \$10 million, respectively, of the Company's cash under investment, which from time to time during such periods was invested entirely in equity securities. At August 31, 2002, that custodian had approximately \$10 million of the Company's cash under investments, which were all invested in U.S. Treasury obligations. In June 2002, the Company liquidated \$8,000,000 from that custodian as part of the liquidating dividend. The Company's investment policy currently permits up to 25% of the Company's portfolio to include equity securities.

(10)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Inventories:

The Company's inventories are valued at the lower of cost or market. Cost is determined principally by the last-in, first-out (LIFO) method with the remainder being determined by the first-in, first-out (FIFO) method. Because the inventory valuation under the LIFO method is based upon an annual determination of inventory levels and costs as of the fiscal year-end, the interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs.

	August 31, 2002 (unaudited)	December 1, 2001 (unaudited)
	-----	-----
Raw materials	\$ 2,453,000	\$ 3,036,000
Work in process	2,984,000	4,083,000
Finished goods	3,097,000	5,216,000
	-----	-----
Total	\$ 8,534,000	\$12,335,000
	=====	=====
Approximate percentage of inventories valued under LIFO valuation	61%	56%
	===	===
Excess of FIFO valuation over LIFO valuation	\$ 2,200,000	\$ 1,710,000
	=====	=====

(11)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Asset Impairment and Restructuring Charges:

As a result of the Company's plan to consolidate several manufacturing facilities, the Company's 39 weeks ended September 1, 2001 financial results

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

include a charge for impairment of fixed assets of \$5,958,000 for the writedown of fixed assets held for disposal to their fair value less costs to dispose. The consolidation of manufacturing facilities was an effort to restore the operations to an acceptable level of profitability by eliminating over-capacities at the manufacturing level in response to the continued weakness in the economy and market conditions that have adversely affected the domestic textile industry.

The fixed assets held for disposal are comprised of buildings and machinery and equipment from the knitting, dyeing and finishing activities of the business. The marketability of the assets held for disposal are subject to worldwide economic conditions which can affect the sale of such buildings and machinery.

During the 13 and 39 weeks ended September 1, 2001, the Company expended approximately \$967,000 and \$1,025,000, respectively, to remove and transfer machinery and equipment to the Company's Mohican Mills facility as part of the consolidation of the Company's manufacturing facilities.

(12)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Earnings (loss) Per Share:

Basic and diluted earnings (loss) per share for the 13 weeks ended August 31, 2002 and September 1, 2001 are calculated as follows:

	Net Income (Loss)	Weighted Average Common Shares Outstanding	Per-share Amount
	-----	-----	-----
For the 13 weeks ended August 31, 2002			
Basic and diluted earnings per share	\$ 1,010,000	5,238,024	\$ 0.19
	=====	=====	=====
For the 13 weeks ended September 1, 2001			
Basic and diluted loss per share	\$ (1,320,000)	5,260,588	\$ (0.25)
	=====	=====	=====

Basic and diluted earnings (loss) per share for the 39 weeks ended August 31, 2002 and September 1, 2001 are calculated as follows:

	Net Income (Loss)	Weighted Average Common Shares Outstanding	Per-share Amount
	-----	-----	-----
For the 39 weeks ended August 31, 2002			
Basic and diluted earnings per share	\$ 1,959,000	5,217,744	\$ 0.38
	=====	=====	=====

For the 39 weeks ended September 1, 2001

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

Basic and diluted loss per share	\$ (6,755,000)	5,270,839	\$ (1.28)
	=====	=====	=====

All options outstanding during the 13 and 39 weeks ended August 31, 2002 and September 1, 2001 were not included in the computation of diluted earnings per share, as their effect would be anti-dilutive.

(13)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Comprehensive Income (Loss):

Accumulated other comprehensive income (loss) is comprised of unrealized holding gain (loss) related to available-for-sale securities. Comprehensive income (loss) was \$1,998,000 and (\$5,927,000) for the 39 weeks ended August 31, 2002 and September 1, 2001, respectively, and \$1,216,000 and (\$816,000) for the 13 weeks ended August 31, 2002 and September 1, 2001, respectively.

8. Contingencies:

A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion based upon information presently available to it, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position and results of operations.

9. New Accounting Standards:

In July 2001, the Financial Accounting Standards Board (FASB) issued FASB Statements Nos. 141 and 142 (FAS 141 and FAS 142), "Business Combinations" and "Goodwill and Other Intangible Assets." FAS 141 replaces APB 16 and eliminates pooling-of-interests accounting prospectively. It also provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. FAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. FAS 141 and FAS 142 are effective for all business combinations completed after June 30, 2001. Companies are required to adopt FAS 142 for fiscal years beginning after December 15, 2001, but early adoption is permitted. The Company will adopt FAS 142 on December 2, 2002, the beginning of fiscal 2003. The Company does not believe the adoption of FAS 142 will impact its results of operations or financial position.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121 and the accounting and reporting provisions of APB Opinion No. 30 for a disposal of a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company expects to adopt SFAS No. 144 as of December 2, 2002, the beginning of fiscal 2003, and it does not expect that the adoption of SFAS No. 144 will have a significant impact on the Company's financial position and results of operations.

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

(14)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Derivative Financial Instruments Held or Issued:

From time to time, the Company is party to equity option contracts as part of its investing activities. Option contracts are contractual agreements that give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a predetermined exercise price. In return for this right, the purchaser pays a premium to the seller of the option. By selling or writing options, the Company receives a premium and becomes obligated during the term of the option to purchase or sell a financial instrument at a predetermined exercise price if the option is exercised, and assumes the risk of not being able to enter into a closing transaction if a liquid secondary market does not exist. As of August 31, 2002, the Company had no equity option contracts. During the nine months ended August 31, 2002, the Company was a party to equity option contracts from time to time.

11. Segment Information:

The Company adopted SFAS No. 131 "Disclosure About Segments of an Enterprise and Related Information" in fiscal 1999. SFAS No. 131 requires companies to report information on segments using the way management organizes segments within the company for making operating decisions and assessing financial performance. The Company's chief operating decision-maker is considered to be the Chief Executive Officer (CEO). The Company's CEO evaluates both consolidated and disaggregated financial information in deciding how to allocate resources and assess performance. The Company has identified three reportable segments based upon the primary markets it serves: Apparel Fabrics, Home Fashions and Accessories and Other.

Apparel Fabrics: The Company is a major manufacturer of warp and circular knit fabrics and raschel laces. The Company's textile fabrics are sold to a wide variety of manufacturers of ready-to-wear and intimate apparel for men, women, and children, including dresses and sportswear, children's sleepwear, activewear, swimwear, and recreational apparel.

Home Fashions and Accessories: While sales are primarily to manufacturers of home furnishings, the Company also uses the Company's own textile fabrics internally to produce flannel and satin sheets, blanket products, comforters, and other bedding products which it sells to specialty stores, catalogue and mail order companies, airlines and cruise lines, and health care institutions.

Other: The Company produces a line of ultrasonically, hot melt adhesive, flame and adhesive bonded products for apparel, environmental, health care, industrial and consumer markets. The Company's textile fabrics are sold to manufacturers servicing the residential and contract markets. The Company also sells fabrics to vendors in the over the counter markets.

The Company neither allocates to the segments nor bases segment decisions on the following:

- Interest and dividend income
- Interest and other expense
- Net gain on investment securities
- Income tax expense (benefit)

(15)

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Many of the Company's assets are used by multiple segments. While certain assets such as Inventory and Property, Plant and Equipment are identifiable by segment, an allocation of the substantial remaining assets is not meaningful.

The segment assets as of August 31, 2002 includes asset impairment and restructuring charges recorded in the second and fourth quarters of fiscal 2001 and apply mainly to the apparel segment with a small portion to the other segment. The 39 weeks ended August 31, 2002 include a litigation settlement in the amount of \$750,000, which is included in the Home Fashions and Accessories Segment (see Note 12).

For the 39 weeks and 13 weeks ending September 1, 2001, asset impairment and restructuring charges apply to the apparel segment.

(in thousands)

39 Weeks Ended 08/31/02	Apparel	Home Fashions and Accessories	Other	Total
-----	-----	-----	-----	-----
External sales	\$40,284	\$3,767	\$5,481	\$49,532
Intersegment sales	3,050	23	352	3,425
Operating income (loss)	(413)	(916)	291	(1,038)
Segment assets	17,164	880	2,934	20,978

39 Weeks Ended 09/01/01	Apparel	Home Fashions and Accessories	Other	Total
-----	-----	-----	-----	-----
External sales	\$46,548	\$9,205	\$7,155	\$62,908
Intersegment sales	8,744	28	291	9,063
Operating income (loss)	(14,002)	722	(401)	(13,681)
Segment assets	30,395	1,223	3,729	35,347

PROFIT OR LOSS	39 WEEKS ENDED	
	AUGUST 31, 2002	SEPTEMBER 01, 2002
-----	-----	-----
Total operating loss for segments	\$ (1,038)	\$ (13,681)
Total other income	4,067	4,812
	-----	-----
Income (loss) before taxes on income	\$ 3,029	\$ (8,869)
	=====	=====

(16)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Home Fashions

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

13 Weeks Ended 08/31/02	Apparel	and Accessories	Other	Total
External sales	\$14,395	\$1,394	\$2,131	\$17,920
Intersegment sales	1,132	--	148	1,280
Operating income	5	204	238	447

13 Weeks Ended 09/01/01	Apparel	Home Fashions and Accessories	Other	Total
External sales	\$14,215	\$3,254	\$2,432	\$19,901
Intersegment sales	2,165	--	148	2,313
Operating income	(2,958)	189	(32)	(2,801)

PROFIT OR LOSS	13 WEEKS ENDED	
	AUGUST 31, 2002	SEPTEMBER 01, 2002
Total operating income (loss) for segments	\$ 447	\$ (2,801)
Total other income	1,133	1,481
Income (loss) before taxes on income	\$ 1,580	\$ (1,320)

12. Other:

During the fall of 1999, San Francisco Network ("SFN") commenced an action in the Superior Court of California, Marin County, against the Company and the Company's Salisbury Manufacturing Corporation ("Salisbury") subsidiary. The action related to an agreement between SFN and Salisbury (whose performance the Company guaranteed), pursuant to which Salisbury was licensed to use the Karen Neuburger trademark for branded bedding products. The case was removed to the United States District Court of California. Salisbury and the Company denied any wrongdoing and asserted affirmative claims against SFN and certain of its principals. On March 14, 2002, at a court-ordered conference, the Company settled this issue without admitting liability. On April 12, 2002, the Company paid SFN \$750,000 in exchange for a complete release of all claims.

(17)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations
Third Quarter and Nine Months
FISCAL 2002 COMPARED TO FISCAL 2001

The Company's Board of Directors has determined that it is in the best interests of its stockholders to sell the Company's textile business as a going concern. In order to maximize stockholder value, the Board of Directors adopted resolutions dated March 1, 2002, which authorized, subject to stockholder approval, the sale of the Company's business pursuant to the Plan. The Company's

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

stockholders approved the Plan at the Company's annual meeting on May 30, 2002. The Plan provides the Company's officers and directors will continue to operate the Company's textile business in its current fashion, pursue a sale of the business as a going concern and, if the Company's Board of Directors deems it advisable, engage financial advisors to assist with the sale of the business. On May 30, 2002, the Company's Board of Directors declared an initial liquidating distribution of \$10.00 per share, which was paid on June 24, 2002, with a record date of June 10, 2002. Accordingly, \$52,380,000 was paid on June 24, 2002.

In addition, pursuant to resolutions adopted by the Company's Board of Directors, upon approval of the Plan by the stockholders, the ESOP was terminated and all shares of common stock of the Company then held in the ESOP suspense account (86,456 shares) were transferred to the Company, and held as treasury stock, in exchange for the cancellation of the outstanding loan in the amount of \$3,957,000 from the Company to the ESOP.

Pursuant to resolutions adopted by the Company's Board of Directors and documentation sent to and returned to the Company by option holders, effective immediately following stockholder approval of the Plan, all outstanding options under the Company's 1997 Stock Incentive Plan became vested, and all options as to which optionees (including employees and directors) had returned to the Company the appropriate forms (representing options held by all but one optionee) were exercised through the issuance of loans from the Company to the optionees, with stock of the optionees held as collateral by the Company until the loans have been satisfied. These loans receivable have been recorded as a reduction of stockholders' equity as of August 31, 2002. As of August 31, 2002, the balance of the loans outstanding was \$221,000.

Net sales for the third quarter of fiscal 2002 were \$17,920,000 as compared to \$19,901,000 in the similar 2001 period, a decrease of \$1,981,000 or 10.0%. For the nine months ended August 31, 2002, net sales were \$49,532,000, a decline of \$13,376,000, or 21.3% from 2001. Such decreases were caused substantially by lower volume, as business conditions within the domestic textile industry remained depressed, and continued low-cost foreign imports which have taken a sustained toll on the U.S. manufacturing sector. These factors have negatively impacted sales and production. These conditions have to date continued into the fourth quarter.

Gross margins as a percentage of sales for the third quarter of fiscal 2003 increased to 14.2% from 3.3% as compared to the similar 2001 period. A more favorable product mix and the consolidation of three of our manufacturing facilities reducing costs relating to employee termination, decrease in depreciation and other related costs resulted in the higher gross margins. For the nine months ended August 31, 2002, gross margins increased to 12.8% compared to 2.3% in the similar 2001 period. For the three months ended August 31, 2002 and September 1, 2001, no adjustments to LIFO inventory reserves were required. For the nine months ended August 31, 2002, an increase in LIFO reserves of \$490,000 was recorded. This was due to the liquidation of certain LIFO layers and higher average FIFO prices. In the same nine months in 2001, a reduction in LIFO inventory reserves benefited margins in the amount of \$628,000.

(18)

For the 39 weeks ended September 1, 2001, the financial results include a charge of \$6,983,000 for the asset impairment and restructuring charges as a result of the Company's consolidation of its manufacturing facilities. Such fixed assets are comprised of buildings and machinery and equipment from the knitting, dyeing, and finishing activities of the business. The marketability of the assets held for disposal are subject to worldwide economic conditions which can affect the sale of such buildings and machinery. Additionally, during the 13

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

weeks and 39 weeks ended September 1, 2001, the Company expended approximately \$967,000 and \$1,025,000, respectively, to remove and transfer machinery and equipment to the Company's Mohican Mills facilities, which was included in the asset impairment and restructuring charges.

Selling, general and administrative expenses in the current quarter decreased by \$396,000, or 15.9%. For the nine months ended August 31, 2002, selling, general and administrative expenses decreased by \$1,505,000 or 18.5%. Reduced expenses related primarily to the reduced number of employees and related expenses, moving executive offices and showroom facilities to smaller premises and decreased expenses as a result of the continued effectiveness of cost containment programs.

In March 2002, the Company settled a dispute without admitting liability for \$750,000. See Note 12 to the Condensed Consolidated Financial Statements.

Interest and dividend income for the current quarter decreased by \$715,000. On June 24, 2002, the Company distributed an initial liquidating distribution of \$10.00 per share, or \$52,380,000. Accordingly, the Company had average lower invested balances. The Company also invested a large portion of its portfolio in United States Treasury obligations resulting in lower risks and lower yields.

In the third quarter of 2002, the Company realized gains from the sale of investment securities of \$788,000, compared to \$428,000 in last year's third quarter.

The effective income tax rate for the third quarter of 2002 was 36.1%. There was no tax expense or benefit in last year's third quarter.

As a result of these factors, the Company had net income of \$1,010,000 (or \$0.19 per share) and \$1,959,000 (or \$0.38 per share) for the 13 and 39 weeks ended August 31, 2002, respectively. For the 13 weeks ended September 1, 2001, the Company had a net loss of \$1,320,000, including asset impairment and restructuring charges of \$967,000. For the 39 weeks ended September 1, 2001, the Company had a net loss of \$6,755,000, including asset impairment and restructuring charges of \$5,510,000, net of income tax benefit. For the 13 weeks ended September 1, 2001, basic and diluted losses per share were \$0.25, including asset impairment and restructuring charges of \$0.18 per share. For the 39 weeks ended September 1, 2001, basic and diluted losses per share were \$1.28 including asset impairment and restructuring charges of \$1.05 per share

(19)

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities amounted to \$5,431,000 and \$9,511,000 for the 39 weeks ended August 31, 2002 and September 1, 2001, respectively. Of the decrease, major changes were as follows: \$6,743,000 relates to comparative changes in accounts receivable, \$1,696,000 to inventories, \$2,073,000 to depreciation and amortization, \$458,000 to current and other assets and \$5,958,000 to non-cash asset impairment and restructuring charges. These decreases were offset by an \$8,714,000 increase in net income, \$1,200,000 in deferred income taxes and \$3,017,000 attributable to accounts payable and other current liabilities.

For the nine months ended August 31, 2002, proceeds from sales of investment securities were \$41,528,000 as compared to the acquisition of \$14,643,000 in investment securities in the comparative 2001 period. In the nine months ended August 31, 2002, the Company used the proceeds for the initial distribution of

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

\$10.00 per share or \$52,380,000. In the nine months period ending September 1, 2001, approximately \$12,000,000 of the net acquisitions of investment securities was in cash and cash equivalents. The Company has invested these funds in high quality, investment grade, taxable bonds.

Capital expenditures for the nine months ended August 31, 2002 were \$205,000, compared to \$352,000 in the comparable 2001 period.

Stockholders' equity was \$71,704,000 (\$13.69 book value per share) at August 31, 2002, as compared to \$120,503,000 (\$23.14 book value per share) at the previous fiscal year-end December 1, 2001, and \$123,861,000 (\$23.54 book value per share) at the end of the comparative 2001 third quarter. The reduction in stockholders' equity was primarily due to the liquidating dividend of \$10.00 per share declared on May 30, 2002 by the Company's Board of Directors, which was paid on June 24, 2002.

Management believes that the Company's current financial position is adequate to satisfy working capital requirements and to internally fund any future expenditures to maintain manufacturing facilities for the next twelve months.

COMMITMENTS

STOCK REPURCHASE

The Company has an agreement with the Chairman of the Board of Directors and Chief Executive Officer which provides that, in the event of the Chairman's death, his estate has the option to sell, and the Company the obligation to purchase, certain stock owned by the Chairman. The amount of stock subject to purchase is equal to the lesser of \$7 million or 10% of the book value of the Company at the end of the year immediately following his death, plus the \$3 million proceeds from insurance on his life for which the Company is the beneficiary. The agreement extends automatically from year to year unless either party gives notice of cancellation at least six months prior to the then current expiration date. The current expiration date is March 2003.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are discussed in Summary of Accounting Policies in the audited financial statements, which are included in the Company's most recent Annual Report on Form 10-K. Certain accounting policies are important to the portrayal of the Company's financial condition and results of operations, and require management's subjective judgements. These policies relate to the following:

(20)

RISKS AND UNCERTAINTIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates and assumptions.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, and trade receivables. The Company places its cash and cash equivalents with high credit quality financial institutions. The Company is subject to credit risk if the brokers are unable to repay balances due or

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

deliver securities in their custody. By policy, the Company limits the amount of credit exposure to any one financial institution. The Company has received confirmation indicating that, with respect to investment securities, each custodian with the exception of one custodian maintains appropriate insurance coverage. During fiscal 2001 and the nine months ended August 31, 2002, that custodian had approximately \$16 million and \$10 million, respectively, of the Company's cash under investment which from time to time during such periods was invested entirely in equity securities. At August 31, 2002, that custodian had approximately \$10 million of the Company's cash under investments, which were invested in U.S. Treasury obligations. In June 2002, the Company liquidated \$8,000,000 from that custodian as part of the liquidating dividend. The Company's investment policy currently permits up to 25% of the Company's portfolio to include equity securities.

Concentrations of credit risk with respect to trade receivables are limited due to the diverse group of manufacturers, wholesalers and retailers to whom the Company sells. The Company reviews a customer's credit history before extending credit. The Company further reduces its credit risk by factoring, without recourse, a variable amount of trade receivables. As of August 31, 2002 and December 1, 2001, 11% and 18%, respectively, of the accounts receivable outstanding were due from factors. The Company has established an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

REVENUE RECOGNITION

The Company recognizes its revenues upon shipment of the related goods. Allowances for estimated returns are provided when sales are recorded.

INVESTMENTS

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). SFAS No. 115 addresses accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Investments in such securities are to be classified as either held-to-maturity, trading, or available-for-sale. The Company classifies all of its investments as available-for-sale. The investments are recorded at their fair value and the unrealized gain or loss, net of income taxes, is recorded in stockholders' equity.

Gains and losses on sales of investment securities are computed using the specific identification method.

(21)

FORWARD-LOOKING INFORMATION

Certain statements in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risks and uncertainties. In particular, any statement contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission, or in our communications and discussions with investors and analysts in the normal course of business including, but not limited to, meetings, phone calls and conference calls, regarding the sale of our assets pursuant to a plan of liquidation and dissolution, as well as expectations with respect to future sales and operating efficiencies prior to a sale of the company, are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond our control and which may cause actual results, performance or achievements to differ materially

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

from anticipated results, performances or achievements. Factors that might affect such forward-looking statements include, among other things: our ability to find qualified buyers for our assets; overall economic and business conditions; our continuing ability to support the demand for our goods and services; competitive factors in the industries in which we compete; changes in government regulation; changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; material contingencies provided for in a sale of our assets; de-listing of our common stock from the American Stock Exchange; our ability to retain key employees through any wind down period; and any litigation arising as a result of our plan to wind down our operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Derivative Instruments and Hedging Activities" in Note 1 and Note 3 of the Notes to the Consolidated Financial Statements. See also "Derivative Financial Instruments Held or Issued" in Note 10 of the Notes to the Consolidated Financial Statements.

CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c) as of a date within 90 days of the filing date of this quarterly report on Form 10-Q (the "Evaluation Date")), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report on Form 10-Q was being prepared.

(b) CHANGES IN INTERNAL CONTROLS. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

(22)

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits:
- 99.1 Certification by Samson Bitensky pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 99.2 Certification by David A. Miller pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

b) Reports on Form 8-K:

No report on Form 8-K was filed during the quarter ended August 31, 2002.

(23)

SIGNATURES

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.

Dated: October 15, 2002

FAB INDUSTRIES, INC.

By: /s/ Samson Bitensky

Samson Bitensky
Chairman of the Board and
Chief Executive Officer

By: /s/ David A. Miller

David A. Miller
Vice President-Finance, Treasurer
and Chief Financial Officer
(Principal Financial and Accounting
Officer)

(24)

CERTIFICATIONS

I, Samson Bitensky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fab Industries, Inc. (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 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;

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

4. The Company'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 Company and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Company, 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 Company'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 Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

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

6. The Company's other certifying officers and I have indicated in this quarterly report whether 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.

Date: October 15, 2002

/s/ Samson Bitensky

Name: Samson Bitensky
Title: Chief Executive Officer

(25)

CERTIFICATIONS

I, David A. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fab Industries, Inc. (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 with respect to the period covered by this quarterly report;

Edgar Filing: FAB INDUSTRIES INC - Form 10-Q

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 Company'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 Company and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the Company, 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 Company'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 Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

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

6. The Company's other certifying officers and I have indicated in this quarterly report whether 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.

Date: October 15, 2002

/s/ David A. Miller

Name: David A. Miller
Title: Chief Financial Officer

(26)