

Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

NANTUCKET INDUSTRIES INC  
Form 10-Q  
January 07, 2002

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 November 30, 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.

YES  NO

APPLICABLE ONLY TO CORPORATE ISSUERS

As of January 3, 2002, 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)

-----  
TABLE OF CONTENTS

PART I

Item 1 - Financial Information (unaudited)	Page
Nantucket Industries, Inc. and Subsidiaries	----

## Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

Consolidated Balance Sheet as of November 30, 2001.....	3
Consolidated Statements of Operations For the three month periods Ended November 30, 2001 and November 30, 2000.....	4
Consolidated Statements of Cash Flows For the three month periods Ended November 30, 2001 and November 30, 2000.....	5
Notes to Financial Statements.....	6
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
PART II	
Item 1 - Legal Proceedings.....	8
Item 6 - Exhibits and Reports on Form 8-K.....	8

-----

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 November 30, 2001 and the results of its operations and changes in its financial position for the three month periods ended November 30, 2001 and November 30, 2000.

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

#### CONSOLIDATED BALANCE SHEETS (unaudited)

	November 30, 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

Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

	\$ 21,783
=====	
LIABILITIES AND STOCKHOLDERS' DEFICIT	
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.

3

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

CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	November 30, 2001	November 30, 2000
	-----	-----
Net sales	\$0	\$0
Cost of sales	0	0
	-----	-----
Gross profit	0	0
	-----	-----
Selling, general and administrative expenses	0	0
	-----	-----

## Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

Operating (loss) profit	0	0
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.

4

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

#### Consolidated Statements of Cash Flows (unaudited)

	Thirteen Weeks Ended	
	November 30, 2001	November 30, 2000
Cash flows from operating activities:		
Net (loss) earnings	\$0	\$0
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	0	0
Provision for doubtful accounts	0	0
Gain on sale of fixed assets	0	0
Provision for obsolete and slow-moving inventory	0	0
(Increase) decrease in assets		
Accounts receivable	0	0
Inventories	0	0
Other current assets	0	0
Increase (decrease) in liabilities		
Accounts payable	0	0
Accrued expenses and other liabilities	0	0
Accrued unusual charge	0	0
Net cash (used in) provided by operating activities	0	0
Cash flows from investing activities		
(Additions) removals to property, plant and equipment	0	0
Proceeds from sale of fixed assets	0	0
Decrease in other assets	0	0

## Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

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

The accompanying notes are an integral part of these statements.

5

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

## Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

merger or acquisition. The Company's second amended Plan of Reorganization, 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.

6

### 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 November 30, 2001 and November 30, 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

## Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

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.

7

1

### 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). At a hearing held on December 10, 2001 before United States Bankruptcy Judge, Hon. Richard A. Bohanan, in the Southern District of New York, an order was signed confirming the plan of reorganization, which order became effective December 20, 2001.

The signed order calls for the following means of execution of the plan:

1. The assets of Accutone, Inc. shall be acquired by the reorganized (new) Nantucket Industries, Inc. These shall consist of its facilities, contracts, service agreements, accounts receivable, patent rights, customer lists, etc.
2. All currently issued and outstanding shares in (old) Nantucket Industries, Inc. of all classes and all warrants, options and subscriptions to (old) Nantucket Industries, Inc. equity interests shall be deemed cancelled and rendered null and void.
3. The reorganized Nantucket Industries, Inc. shall issue approximately 6 million Shares of common stock out of the total number of shares authorized by the amended charter as follows:
  - A. Approximately 714,840 shares will be issued to the holders of Allowed Claims and Equity Interests in (old) Nantucket Industries, Inc. The basis of this distribution as stated in the plan of reorganization as confirmed by the Federal Bankruptcy Court to be as follows:
    - 1) Holders of Allowed General Unsecured claims shall receive in full settlement and satisfaction of their respective claims (1) one share per \$5.00 of General Unsecured Claim.
    - 2) Holders of issued and outstanding shares of preferred stock in (old) Nantucket Industries, Inc. shall receive, in full settlement of their liquidation preference and all other rights appurtenant to such shares one (1) share per \$20.00 of liquidation preference currently held, and the currently outstanding shares of preferred stock shall be cancelled of record.
    - 3) Holders of all issued and outstanding shares of common stock in (old) Nantucket Industries, Inc. shall receive in full settlement and satisfaction of their respective equity interests, one (1) share per ten (10) shares of currently issued stock presently held, and the current

Edgar Filing: NANTUCKET INDUSTRIES INC - Form 10-Q

outstanding common shares in (old) Nantucket Industries, Inc. shall be canceled of record.

- B. The balance of approximately 5,285,160 shares shall be issued to the current equity interest holders of Accutone, Inc. in consideration of, and exchange for, that entity.
- C. The currently issued shares of stock in the subsidiaries, all of which are held by Nantucket Industries, Inc. shall be deemed cancelled, null and void.

8

The company anticipates the implementation of the confirmed plan of reorganization, including changing the name of Nantucket Industries, Inc. to Accutone Hearing Care Corp. as expeditiously as possible prior to January 31, 2002.

Item 6 - Exhibits and Reports on Form 8-K

Exhibits

- 1. Notice of Entry and Notice of Deadline for Filing Administrative Claims
- 2. Order Confirming Plan of Reorganization signed by Hon. Richard A. Bohanan.
- 3. Order Approving Disclosure Statement to Debtor's Second Amended Plan of Reorganization and Fixing Time for Filing Acceptances or Rejections of Plan Combined with Notice.
- 4. Second Amended Joint Plan of Reorganization.
- 5. Disclosure Statement to the Second Amended Plan of Reorganization.

Form 8-K

None

9

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.

NANTUCKET INDUSTRIES, INC.

Dated January 7, 2002

By /s/ John H. Treglia

-----  
John H. Treglia  
President, Secretary and CFO

Dated January 7, 2002

By /s/ Marsha C. Ellis

-----  
Marsha C. Ellis  
Treasurer and Chief Accounting Officer

9



