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MOVIE STAR INC /NY/  
Form 10-Q/A  
February 12, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q/A

(See explanatory note at foot of cover page.)

X Quarterly Report Under Section 13 or 15(d) of the Securities  
--- Exchange Act of 1934

For the quarter ended September 30, 2003

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 1-5893  
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MOVIE STAR, INC.

-----  
(Exact name of Registrant as specified in its charter)

New York 13-5651322  
-----

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

1115 Broadway, New York, N.Y. 10010  
-----

(Address of principal executive offices) (Zip Code)

(212) 684-3400  
-----

(Registrant's telephone number, including area code)

-----  
(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 X No  
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The number of common shares outstanding on October 31, 2003 was 15,599,975.

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EXPLANATORY NOTE: This Amendment to Form 10-Q is being filed solely to correct inadvertent errors in the text of the Rules 13a-14 and 15d-14 Certifications filed as Exhibits 31.1 and 31.2 to the originally filed Form 10-Q. No other changes have been made to the Form 10-Q.

MOVIE STAR, INC.  
FORM 10-Q QUARTERLY REPORT  
TABLE OF CONTENTS

	Page
PART I. Financial Information	
Item 1. Financial Statements	
Condensed Balance Sheets at September 30, 2003 (Unaudited), June 30, 2003 (Audited) and September 30, 2002 (Unaudited)	3
Statements of Income (Unaudited) for the Three Months Ended September 30, 2003 and 2002	4
Condensed Statements of Cash Flows (Unaudited) for the Three Months Ended September 30, 2003 and 2002	5 - 6
Notes to Condensed Unaudited Financial Statements	7 - 10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11 - 14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	15
Item 4. Controls and Procedures	15
PART II. Other Information	17
Signatures	17

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOVIE STAR, INC.  
CONDENSED BALANCE SHEETS  
(In Thousands, Except Number of Shares)

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	September 30, 2003
	----- (Unaudited)
Assets	
Current Assets	
Cash	\$ 228
Receivables, net	12,068
Inventory	9,505
Deferred income taxes	2,028
Prepaid expenses and other current assets	426
	-----
Total current assets	24,255
Property, plant and equipment, net	1,094
Deferred income taxes	50
Other assets	403
	-----
Total assets	\$ 25,802 =====
Liabilities and Shareholders' Equity	
Current Liabilities	
Notes payable	\$ 4,020
Current maturities of capital lease obligations	17
Accounts payable and other current liabilities	3,194
	-----
Total current liabilities	7,231
	-----
Long-term liabilities	337
	-----
Commitments and Contingencies	-
Shareholders' equity	
Common stock, \$.01 par value - authorized 30,000,000 shares; issued 17,592,000 shares in September 2003, 17,412,000 in June 2003 and 17,102,000 in September 2002	176
Additional paid-in capital	4,468
Retained earnings	17,208
	-----
	21,852
Less: Treasury stock, at cost - 2,017,000 shares	3,618
	-----
Total shareholders' equity	18,234
	-----
Total liabilities and shareholders' equity	\$ 25,802 =====

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\* Derived from audited financial statements.

See notes to condensed unaudited financial statements.

3

MOVIE STAR, INC.  
STATEMENTS OF INCOME  
(Unaudited)  
(In Thousands, Except Per Share Amounts)

	Three Months September
	----- 2003 -----
Net sales	\$ 16,826
Cost of sales	11,544
	-----
Gross profit	5,282
Selling, general and administrative expenses	3,819
	-----
Income from operations	1,463
Interest income	-
Interest expense	42
	-----
Income before income taxes	1,421
Income taxes	568
	-----
Net income	\$ 853
	=====
BASIC NET INCOME PER SHARE	\$ .06
	=====
DILUTED NET INCOME PER SHARE	\$ .05
	=====
Basic weighted average number of shares outstanding	15,502
	=====
Diluted weighted average number of shares outstanding	16,211
	=====

See notes to condensed unaudited financial statements.

4

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MOVIE STAR, INC.  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In Thousands)

	Three Mon Septem
	----- 2003 -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income	\$ 853
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	106
Provision for sales allowances and doubtful accounts	338
Deferred income taxes	483
Deferred lease liability	15
(Increase) decrease in operating assets:	
Receivables	(3,414)
Inventory	887
Prepaid expenses and other current assets	(61)
Other assets	(9)
Decrease in operating liabilities:	
Accounts payable and other current liabilities	(1,005)
	-----
Net cash used in operating activities	(1,807)
	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of equipment	(34)
	-----
Net cash used in investing activities	(34)
	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Repayments of long-term debt and capital lease obligations	(10)
Proceeds from revolving line of credit, net	1,743
Proceeds from exercise of employee stock options	117
	-----
Net cash provided by financing activities	1,850
	-----
NET INCREASE (DECREASE) IN CASH	9
CASH, beginning of period	219
	-----
CASH, end of period	\$ 228
	=====

(Cont'd)

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MOVIE STAR, INC.  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In Thousands)

	Three Months September
	----- 2003 -----
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during period for:	
Interest	\$          42 =====
Income taxes	\$          155 =====

See notes to condensed unaudited financial statements.

6

MOVIE STAR, INC.  
 NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS

1. Interim Financial Statements

In the opinion of the Company, the accompanying condensed unaudited financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position as of September 30, 2003 and the results of operations for the interim periods presented and cash flows for the three months ended September 30, 2003 and 2002, respectively.

The condensed financial statements and notes are presented as required by Form 10-Q and do not contain certain information included in the Company's year-end financial statements. The June 30, 2003 condensed balance sheet was derived from the Company's audited financial statements. The results of operations for the three months ended September 30, 2003 are not

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necessarily indicative of the results to be expected for the full year. This Form 10-Q should be read in conjunction with the Company's financial statements and notes included in the 2003 Annual Report on Form 10-K.

### 2. Stock Options

Pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," the Company accounts for stock-based employee compensation arrangements using the intrinsic value method. Accordingly, no compensation expense has been recorded in the financial statements with respect to option grants. The Company has adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123."

Had the Company elected to recognize compensation expense for stock-based compensation using the fair value method net income, basic net income per share and diluted net income per share would have been as follows:

	Three Months Ended September 30,	
	2003	2002
Net Income, as reported	\$ 853	\$ 670
Deduct stock-based employee cost, net of taxes	(4)	(19)
Pro forma net income	\$ 849	\$ 651
Basic net income per share, as reported	\$ .06	\$ .04
Deduct stock-based employee cost per share	-	-
Pro forma basic net income per share	\$ .05	\$ .04
Diluted net income per share, as reported	\$ .05	\$ .04
Deduct stock-based employee cost per share	-	-
Pro forma diluted net income per share	\$ .05	\$ .04

Per share amounts may not add due to rounding.

### 3. Recently Issued Accounting Standards

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." The standard provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. SFAS No. 148 is effective for fiscal years ending after December 15, 2002. The Company does not plan to change to the fair value based method of accounting for stock-based employee compensation and has included the disclosure requirements of SFAS No. 148 in the accompanying financial statements.

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In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, except as for provisions that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, which should continue to be applied in accordance with their respective dates. The adoption of this pronouncement does not have a material effect on the results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement requires that certain financial instruments that, under previous guidance, issuers could account for as equity, be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this pronouncement does not have a material effect on the results of operations or financial position.

#### 4. Inventory

The inventory consists of the following (in thousands):

	September 30, 2003	June 30, 2003	September 30, 2002
	-----	-----	-----
Raw materials	\$ 1,620	\$ 1,470	\$ 2,541
Work-in process	447	655	517
Finished goods	7,438	8,267	5,962
	-----	-----	-----
	\$ 9,505	\$ 10,392	\$ 9,020
	=====	=====	=====

#### 5. Note Payable

In June 2001, the Company renegotiated its revolving credit facility to provide borrowings of up to \$30,000,000 until its maturity date, July 1, 2004. Due to an amendment, effective November 7, 2002, the interest on outstanding borrowings is payable at the prime rate, but not less than 4.25% per annum. As of September 30, 2003, the Company had borrowings of \$4,020,000 outstanding under the credit facility and also had approximately \$5,307,000 of outstanding letters of credit. Availability under the line of

8

credit is subject to the Company's compliance with certain agreed upon financial formulas. Availability, as of September 30, 2003, was approximately \$8,600,000. Under the terms of this financing, the Company has agreed to pledge substantially all of its assets, except the Company's real property.

#### 6. Commitments and Contingencies



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Employment Agreement - In January 2003, the Company and Mr. Knigin, the Company's CEO and President, finalized their negotiations regarding an extension of Mr. Knigin's employment agreement, which was to expire on June 30, 2004. Under the terms of the extended agreement, Mr. Knigin is to receive total base compensation of \$2,625,000 over the five-year term of the agreement, effective as of July 1, 2002 and continuing through June 30, 2007. As of September 30, 2003, the remaining financial liability of this agreement is \$2,025,000. Mr. Knigin may also be entitled to certain severance payments at the conclusion of the term of his agreement, provided the Company attains specified financial performance goals.

On January 28, 2003, Mr. Knigin voluntarily surrendered and forfeited his options to purchase 1,000,000 shares of the Company's common stock, par value \$.01 and relinquished any further rights he may have had under the existing option agreements, which have now been terminated.

Consulting Agreement - As of January 1, 2003, the Company and Mark M. David, Chairman of the Board, have renegotiated Mr. David's consulting agreement with the Company that was to expire on June 30, 2004. The new agreement is with Mr. David's consulting firm. Under the terms of the new agreement, Mr. David's consulting firm will provide the consulting services of Mr. David to the Company and will receive annual consulting fees of \$225,000 through June 30, 2007 plus the reimbursement of expenses in an amount not to exceed \$50,000 per year.

### 7. Related Party

Upon the retirement of its Chief Executive Officer, Mark M. David, in July 1999, the Company entered into an agreement, expiring in October 2011, to provide for future medical benefits. As of September 30, 2003 and 2002, the current portion, included in "Accounts payable and other current liabilities," amounted to \$13,000 and \$10,000, respectively and the long-term portion, included in "Long-term liabilities," amounted to \$98,000 and \$82,000, respectively.

### 8. Net Income Per Share

Net Income Per Share - The Company's calculation of basic and diluted net income per share are as follows (in thousands, except per share amounts):

	Three Months Ended September 30,	
	2003	2002
	-----	-----
BASIC:		
Net income	\$ 853	\$ 670
	=====	=====
Basic weighted average number of shares outstanding	15,502	15,085
	=====	=====
Basic net income per share	\$ .06	\$ .04
	=====	=====

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	Three Months Ended September 30, 2003	-----
DILUTED:		
Net income	\$ 853	\$
	=====	=====
Weighted average number of shares outstanding	15,502	
Shares Issuable Upon Conversion of Stock Options	670	
Shares Issuable Upon Conversion of Warrants	39	
	-----	-----
Total average number of equivalent shares outstanding	16,211	
	=====	=====
Diluted net income per share	\$ .05	\$
	=====	=====

Options and warrants to purchase 2,570,000 shares of common stock at prices ranging from \$.4375 to \$1.125 per share were outstanding as of September 30, 2002, but were not included in the computation of diluted net income per share since they would be considered antidilutive.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

The following discussion contains certain forward-looking statements with respect to anticipated results, which are subject to a number of risks and uncertainties. Among the factors that could cause actual results to differ materially are: business conditions and growth in the Company's industry; general economic conditions; the addition or loss of significant customers; the loss of key personnel; product development; competition; foreign government regulations; fluctuations in foreign currency exchange rates; rising costs of raw materials and the unavailability of sources of supply; the timing of orders placed by the Company's customers; and the risk factors listed from time to time in the Company's SEC reports.

Critical Accounting Policies and Estimates  
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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require estimates and

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assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

Management believes the application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, management has found the application of its accounting policies to be appropriate, and actual results generally have not materially differed from those determined using the necessary estimates.

Our accounting policies are more fully described in Note 1 to the financial statements, located in the 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Management has identified certain critical accounting policies that are described below.

Inventory - Inventory is carried at the lower of cost or market on a first-in, first-out basis. Management writes down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Allowance for doubtful accounts/Sales discounts - The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company also estimates expenses for customer discounts, programs and incentive offerings. If market conditions were to decline, the Company may take actions to increase customer incentive offerings possibly resulting in an incremental expense at the time the incentive is offered.

11

Long-lived assets - In the evaluation of the fair value and future benefits of long-lived assets, management performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections or our strategies change, the conclusion regarding impairment may differ from the current estimates.

Deferred tax valuation allowance - In assessing the need for a deferred tax valuation allowance, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Since we were able to determine that we would be able to realize our deferred tax assets in the future, in excess of its recorded amount, an adjustment to the deferred tax asset was not deemed necessary. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

### Results of Operations

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Net sales for the three months ended September 30, 2003 increased \$1,046,000 to

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\$16,826,000 from \$15,780,000 in the comparable period in 2002. The increase in sales was due primarily to an increase in programs with certain customers. Looking beyond the first half of the fiscal year, it appears that some of our larger customers are placing their spring business orders later this year than they did last year as they closely monitor the timing of their purchases and inventory levels. As a result, if those orders are received, we will be faced with shorter lead times for delivery. Fortunately, we have established excellent working relationships with many of our overseas manufacturers and we are confident we will be able to meet the challenge of delivering quality products on time. We are hopeful that our customers' delays in placing orders is a temporary adjustment for them and will not result in a significant reduction of our overall business for the current fiscal year.

The gross profit percentage increased to 31.4% for the three months ended September 30, 2003 from 29.7% in the similar period in 2002. The higher margins resulted primarily from a better product mix and the benefit of the Dominican Republic as a source of supply. The Company did not begin to fully realize the benefit of the Dominican Republic until the second quarter of fiscal 2003.

Selling, general and administrative expenses were \$3,819,000, or 22.7% of net sales for the three months ended September 30, 2003, as compared to \$3,469,000, or 22.0% of net sales for the similar period in 2002. This increase of \$350,000 resulted from an increase in salary expense and salary related costs of \$162,000 and a net increase in general overhead expenses.

Income from operations increased to \$1,463,000 for the three months ended September 30, 2003 from \$1,217,000 for the similar period in 2002. This increase was due to higher sales and margins partially offset by higher selling, general and administrative expenses.

Net interest costs for the three months ended September 30, 2003 decreased by \$59,000 to \$42,000 from \$101,000 in the comparable period in 2002, due to overall lower borrowing levels and lower interest rates.

The Company provided for income taxes of \$568,000 for the three months ended September 30, 2003, as compared to a \$446,000 income tax provision for the same period in 2002. The Company utilized an estimated income tax rate of 40% in both periods.

### Net Income

-----

The Company had net income of \$853,000 and \$670,000 for the three months ended September 30, 2003 and 2002, respectively. The increase in net income was due to higher sales and gross margins and lower interest costs partially offset by an increase in selling, general and administrative expenses and an increase in the provision for income taxes.

12

### Contractual Obligations and Commercial Commitments

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To facilitate an understanding of our contractual obligations and commercial commitments, the following data is provided as of September 30, 2003 (in thousands):

Payments Due by Period  
Within

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	Total	1 Year	2-3 Years	4-5 Years
	-----	-----	-----	-----
Contractual Obligations				
-----				
Credit Facility	\$ 4,020	\$ 4,020	\$ -	\$ -
Capital Leases	17	17	-	-
Operating Leases	8,633	1,185	2,382	2,325
Consulting Agreement	844	225	450	169
Employment Contract	2,025	506	1,088	431
	-----	-----	-----	-----
Total Contractual Obligations	\$ 15,539	\$ 5,953	\$ 3,920	\$ 2,925
	=====	=====	=====	=====

	Amount of Commitment Expiration Per Period			
	Total	Within		
	Amounts	1 Year	2-3 Years	4-5 Years
	Committed	-----	-----	-----
	-----	-----	-----	-----
Other Commercial Commitments				
-----				
Letters of Credit	\$ 5,307	\$ 5,307	\$ -	\$ -
	-----	-----	-----	-----
Total Commercial Commitments	\$ 5,307	\$ 5,307	\$ -	\$ -
	=====	=====	=====	=====

Liquidity and Capital Resources

For the three months ended September 30, 2003, the Company's working capital increased by \$1,045,000 to \$17,024,000, primarily from profitable operations.

During the three months ended September 30, 2003, cash increased by \$9,000. The Company used cash of \$1,807,000 in its operations, \$34,000 for the purchase of fixed assets and \$10,000 for the payment of capital lease obligations. The net proceeds from short-term borrowings of \$1,743,000 and the exercise of employee stock options of \$117,000 funded these activities.

Receivables at September 30, 2003 increased by \$3,076,000 to \$12,068,000 from \$8,992,000 at June 30, 2003. This increase is due to normal shipping fluctuations within the period.

Inventory at September 30, 2003 decreased by \$887,000 to \$9,505,000 from \$10,392,000 at June 30, 2003. This decrease is due to normal fluctuations within the period.

The Company has a secured revolving line of credit of up to \$30,000,000. The revolving line of credit expires July 1, 2004 and is sufficient for the Company's projected needs for operating capital and letters of credit to fund the purchase of imported goods through July 1, 2004. Direct borrowings under this line bear interest at the prime rate of JP Morgan Chase Bank but not less than 4.25% per annum. Availability under the line of credit is subject to the Company's compliance with certain agreed upon financial formulas. Under the terms of this financing, the Company has agreed to pledge substantially all of its assets, except the Company's real property. At November 6, 2003, the Company had \$2,404,000 in borrowings outstanding.

Management believes the available borrowing under its secured revolving line of

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credit, along with anticipated internally generated funds, will be sufficient to cover its working capital requirements through July 1, 2004.

The Company anticipates that capital expenditures for fiscal 2004 will be less than \$400,000.

### Effect of New Accounting Standards

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In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." The standard provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. SFAS No. 148 is effective for fiscal years ending after December 15, 2002. The Company does not plan to change to the fair value based method of accounting for stock-based employee compensation and has included the disclosure requirements of SFAS No. 148 in the accompanying financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, except as for provisions that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, which should continue to be applied in accordance with their respective dates. The adoption of this pronouncement does not have a material effect on the results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement requires that certain financial instruments that, under previous guidance, issuers could account for as equity, be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this pronouncement does not have a material effect on the results of operations or financial position.

### Inflation

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The Company does not believe that its operating results have been materially affected by inflation during the preceding three years. There can be no assurance, however, that the Company's operating results will not be affected by inflation in the future.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to changes in the prime rate based on the Federal Reserve actions and general market interest fluctuations. The Company believes that moderate interest rate increases will not have a material adverse impact on its results of operations, or financial position, in the foreseeable future. For the fiscal year ended June 30, 2003, borrowings peaked during the year at \$10,055,000 and the average amount of borrowings was \$6,352,000.

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Imports

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The Company's transactions with its foreign manufacturers and suppliers are subject to the risks of doing business abroad. The Company's import and offshore operations are subject to constraints imposed by agreements between the United States and a number of foreign countries in which the Company does business. These agreements impose quotas on the amount and type of goods that can be imported into the United States from these countries. Such agreements also allow the United States to impose, at any time, restraints on the importation of categories of merchandise that, under the terms of the agreements, are not subject to specified limits. The Company's imported products are also subject to United States customs duties and, in the ordinary course of business, the Company is from time to time subject to claims by the United States Customs Service for duties and other charges. The United States and other countries in which the Company's products are manufactured may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adversely adjust presently prevailing quotas, duty or tariff levels, which could adversely affect the Company's operations and its ability to continue to import products at current or increased levels. The Company cannot predict the likelihood or frequency of any such events occurring.

#### ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation of the effectiveness of the Company's disclosure controls and procedures was made under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

15

#### SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS UNDER THE SECURITIES LITIGATION REFORM ACT OF 1995

Except for historical information contained herein, this Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which involve certain risks and uncertainties. The Company's actual results or outcomes may differ materially from those anticipated. Important factors that the Company believes might cause differences are discussed in the cautionary statement under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q. In assessing forward-looking statements contained herein, readers are urged to carefully read those statements.

PART II. OTHER INFORMATION

- Item 1 - Legal proceedings - Not Applicable
- Item 2 - Changes in Securities - Not Applicable
- Item 3 - Defaults Upon Senior Securities - Not Applicable
- Item 4 - Submission of Matters to a Vote of Security Holders - None
- Item 5 - Other Information - None
- Item 6 - (a) Exhibits
  - 31.1 Rule 13a-14/15d-14 Certification by Chief Executive Officer.
  - 31.2 Rule 13a-14/15d-14 Certification by Principal Financial and Accounting Officer.
  - 32.1 Section 1350 Certification.

(b) Form 8-K Report

Date ----	Items -----	Financial Statements -----
November 3, 2003	7, 12	None

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 hereunto duly authorized.

MOVIE STAR, INC.

By: /s/ Melvyn Knigin  
-----  
MELVYN KNIGIN  
President; Chief Executive Officer

By: /s/ Thomas Rende  
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THOMAS RENDE  
Chief Financial Officer (Principal



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Financial and Accounting Officer)

February 12, 2004