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CONCORD CAMERA CORP  
Form 10-Q  
November 13, 2007

United States  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended September 29, 2007

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 0-17038  
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Concord Camera Corp.  
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(Exact name of registrant as specified in its charter)

----- New Jersey ----- (State or other jurisdiction of incorporation or organization)	13-3152196 ----- (I.R.S. Employer Identification No.)
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4000 Hollywood Blvd., 6th Floor, North Tower, Hollywood, Florida 33021  
-----

(Address of principal executive offices) (Zip Code)

(954) 331-4200  
-----

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of

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common stock, as of the latest practicable date.

Common Stock, no par value - 5,913,610 shares as of November 1, 2007

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Concord Camera Corp. and Subsidiaries

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Concord Camera Corp. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(in thousands)

September 29,  
(Unaudited)

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Assets

Current Assets:

Cash and cash equivalents	\$ 4,728
Restricted cash	6,200
Short-term investments	27,150
Accounts receivable, net	8,268
Inventories	18,576
Prepaid expenses and other current assets	889

Total current assets	65,811
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Property, plant and equipment, net	9,926
------------------------------------	-------

Other assets	3,344
--------------	-------

Total assets	\$ 79,081
--------------	-----------

Liabilities and Stockholders' Equity

Current Liabilities:

Short-term borrowings under financing facilities	\$ 2,328
Accounts payable	17,476
Accrued royalties	1,439
Accrued expenses	5,533
Other current liabilities	1,010

Total current liabilities	27,786
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Other long-term liabilities	1,471
-----------------------------	-------

Total liabilities	29,257
-------------------	--------

Commitments and contingencies

Stockholders' equity:

Blank check preferred stock, no par value, 1,000 shares authorized, none issued	--
Common stock, no par value, 20,000 shares authorized, 6,261 shares issued as of September 29, 2007 and June 30, 2007 respectively	143,860

Additional paid-in capital	5,194
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Deferred share arrangement	--
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Accumulated deficit	(94,237)
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54,817
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Less: treasury stock, at cost, 347	
shares as of September 29, 2007 and June 30, 2007	(4,993)
Less: common stock held in trust, 0 and 66	
shares as of September 29, 2007 and June 30, 2007	--
Total stockholders' equity	49,824
Total liabilities and stockholders' equity	\$ 79,081
	=====

See accompanying notes to condensed consolidated financial statements.

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Concord Camera Corp. and Subsidiaries  
Condensed Consolidated Statements of Operations  
(Unaudited)  
(in thousands, except per share data)

	For the quarter ended	
	September 29, 2007	September 30, 2006
Net sales	\$ 21,698	\$ 28,825
Cost of products sold	18,683	24,322
	-----	-----
Gross profit	3,015	4,503
Selling expenses	2,173	2,787
General and administrative expenses	2,842	3,738
	-----	-----
Operating loss	(2,000)	(2,022)
Interest expense	77	66
Other income, net	(315)	(465)
	-----	-----
Loss before income taxes	(1,762)	(1,623)
Provision for income taxes	1	17
	-----	-----
Net loss	\$ (1,763)	\$ (1,640)
	=====	=====
Basic and diluted loss per common share	\$ (0.30)	\$ (0.28)
	=====	=====
Weighted average common shares outstanding - basic and diluted	5,914	5,838
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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Concord Camera Corp. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

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(in thousands)

	For the ----- September 29, 200 -----
Cash flows from operating activities:	
Net loss	\$ (1,763)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	
Depreciation and amortization	804
Inventory charges	--
Gain on disposal of property, plant and equipment	--
Unrecognized tax benefit	(62)
Share-based compensation	5
Changes in operating assets and liabilities:	
Accounts receivable, net	2,434
Inventories	(2,770)
Prepaid expenses and other current assets	512
Other assets	--
Accounts payable	434
Accrued expenses	(242)
Accrued royalties	(1,060)
Other current liabilities	(336)
Other long-term liabilities	29
	-----
Net cash (used in) provided by operating activities	(2,015)
	-----
Cash flows from investing activities:	
Restricted cash	--
Purchases of property, plant and equipment	(7)
Proceeds from the sale of property, plant and equipment	--
Proceeds from sales of available-for-sale investments	23,175
Purchases of available-for-sale investments	(19,850)
	-----
Net cash provided by (used in) investing activities	3,318
	-----
Cash flows from financing activities:	
(Repayments) borrowings under short-term financing facilities, net	(428)
	-----
Net cash (used in) provided by financing activities	(428)
	-----
Net increase (decrease) in cash and cash equivalents	875
Cash and cash equivalents at beginning of period	3,853
	-----
Cash and cash equivalents at end of period	\$ 4,728
	=====

See accompanying notes to condensed consolidated financial statements.

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September 29, 2007  
(Unaudited)

### Note 1 - Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States 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 quarter ended September 29, 2007 ("First Quarter Fiscal 2008") are not necessarily indicative of the results that may be expected for the fiscal year ending June 28, 2008 ("Fiscal 2008"). For comparative purposes, the quarter ended September 30, 2006, has been defined as the ("First Quarter Fiscal 2007"). The balance sheet at June 30, 2007 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Concord Camera Corp., a New Jersey corporation, and its consolidated subsidiaries (collectively referred to as the "Company") manage their business on the basis of one reportable segment. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on September 27, 2007 for the fiscal year ended June 30, 2007 ("Fiscal 2007").

### Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

### Reverse Split of Common Stock

On October 26, 2006, the Board of Directors of the Company approved, without action by the shareholders of the Company, a Certificate of Amendment to the Company's Certificate of Incorporation to implement a one-for-five split of the Company's Common Stock with an effective date of November 21, 2006. On the effective date of the reverse split, each five shares of issued Common Stock (including treasury shares and shares held in trust) were converted automatically into one share of Common Stock, resulting in the total number of shares outstanding being reduced from 28,859,385 shares to 5,771,877 shares, and the number of authorized shares of the Company's Common Stock reduced from 100,000,000 shares to 20,000,000 shares. All Common Stock shares and per-share and related stock option amounts have been restated for the reverse stock split in the accompanying condensed consolidated financial statements and footnotes.

### Note 2 - Significant Customers:

During the First Quarter Fiscal 2008, the Company's sales to Wal-Mart Stores, Inc. ("Wal-Mart") and Walgreen Co. ("Walgreens") decreased as compared to the First Quarter Fiscal 2007. The First Quarter Fiscal 2008 decrease in sales to Wal-Mart and Walgreens was primarily attributable to a decrease in the unit sales of single-use cameras and to a lesser extent a decrease in the average selling price per camera. The loss of either of these significant customers or substantially reduced sales to these significant customers or any other large customer could have a material adverse effect on the Company's results of operations.

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The following table illustrates each significant customer's net sales as a percentage of consolidated net sales during the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007.

	Percent of Net Sales For the quarter ended	
	September 29, 2007	September 30, 2006
Wal-Mart	36.8%	34.6%
Walgreens	15.9%	40.8%
Total	52.7%	75.4%

Note 3 - Summary of Significant Accounting Policies:

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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. The more significant of the Company's estimates include, but are not limited to, provisions for sales returns and allowances, provision for bad debts, inventory valuation charges, realizability of long-lived and other assets, realizability of deferred income tax assets and accounting for litigation and settlements, among other things.

Foreign Currency Transactions

The Company operates on a worldwide basis and its results may be adversely or positively affected by fluctuations of various foreign currencies against the U.S. Dollar, specifically, the Canadian Dollar, European Euro, British Pound Sterling, PRC Renminbi, Hong Kong Dollar and Japanese Yen. Although certain net sales to customers and purchases of certain components and services are transacted in local currencies, each of the Company's foreign subsidiaries purchases substantially all of its finished goods inventories in U.S. Dollars. Accordingly, the Company has determined that the U.S. Dollar is the functional currency for all of its subsidiaries. The accounting records for subsidiaries that are maintained in a local currency are remeasured into the U.S. Dollar. Accordingly, most non-monetary balance sheet items and related statement of operations accounts are remeasured from the applicable local currency to the U.S. Dollar using average historical exchange rates, producing substantially the same result as if the entity's accounting records had been maintained in the U.S. Dollar. Adjustments resulting from the remeasurement process are recorded into earnings. Gains or losses resulting from foreign currency transactions and remeasurement are included in "Other income, net" in the accompanying condensed

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consolidated statements of operations. For the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, included in "Other income, net" in the accompanying condensed consolidated statements of operations are approximately \$0.1 million and \$(0.1) million, respectively, of net foreign currency losses (gains).

### Hedging Activities

During the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, the Company had no forward exchange contracts or other derivatives outstanding and did not participate in any other type of hedging activities.

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### Restricted Cash

As of September 29, 2007 and June 30, 2007, the Company had cash deposits pledged as security in the amount of approximately \$6.2 million, respectively, for letters of credits and borrowings under its revolving demand financing facilities. The restricted cash amount is classified as a current asset in the condensed consolidated balance sheets since the borrowings it secures are classified as a current liability. See Note 7 - Short-Term Borrowings and Financing Facilities.

### Investments

At September 29, 2007 and June 30, 2007, the Company's "Short-term investments," as classified in the accompanying condensed consolidated balance sheets, consisted of auction rate debt securities and were considered available-for-sale securities. During the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, no other comprehensive income or loss was recorded because the variable interest rate feature and short maturities of the auction rate debt securities caused their carrying values to approximate market value. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, if incurred, are reported as a component of accumulated other comprehensive loss reported in the stockholders' equity section unless the loss is other than temporary, then it would be recorded as an expense. Realized gains and losses, interest and dividends are classified as investment income in "Other income, net" in the accompanying condensed consolidated statements of operations. Investment income of \$0.5 million related to the short-term investments is included in "Other income, net" for each of the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, respectively.

### Inventories

Inventories, consisting of raw materials, components, work-in-process and finished goods, are stated at the lower of cost or market value and are determined on a first-in, first-out basis. Work-in-process and component inventory costs include materials, labor and manufacturing overhead. The Company records lower of cost or market value adjustments based upon changes in market pricing, customer demand, technological developments or other economic factors for on-hand, excess, obsolete or slow-moving inventory.

### Impairment of Long-Lived and Other Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company continually evaluates whether events and circumstances have occurred that provide indications of impairment. The Company records an impairment loss when indications of impairment are present and when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying



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amounts. The Company performs an impairment test by summarizing the undiscounted cash flows expected to result from the use and eventual sale of its long-lived assets. If the sum of the undiscounted cash flows exceeds the carrying values of these assets, then the Company concludes these carrying values are recoverable. As of September 29, 2007, the sum of the Company's undiscounted forecasted cash flows exceeded the carrying value of its long-lived assets.

### Revenue Recognition

The Company recognizes revenue, in accordance with Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements, and SAB No. 104, Revenue Recognition: Corrected Copy, when title and risk of loss are transferred to the customer, the sales price is fixed or determinable, persuasive evidence of an arrangement exists and collectibility is probable. Title and risk of loss generally transfer when the product is delivered to the customer or upon shipment, depending upon negotiated contractual arrangements. Sales are recorded net of provisions for anticipated returns, which the Company estimates based on historical rates of return, adjusted for current events as appropriate, in accordance with SFAS No. 48, Revenue Recognition When Right of Return Exists ("SFAS No. 48"). If actual future returns are higher than estimated, then net sales could be adversely affected. Management has assessed the appropriateness of the timing of revenue recognition in accordance with SAB No. 104 and SFAS No. 48.

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### Sales Allowances

The Company may enter into arrangements to offer certain pricing discounts and allowances that do not provide an identifiable separate benefit or service. In accordance with Emerging Issues Task Force Issue No. 01-09, Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products) ("EITF Issue No. 01-09"), which addresses the statement of operations classification of consideration between a vendor and a retailer, the Company records these pricing discounts and allowances as a reduction of sales. Advertising and promotional costs, which include advertising allowances and other discounts, are expensed as incurred. In accordance with EITF Issue No. 01-09, the Company records certain variable selling expenses, including advertising allowances, other discounts and other allowances, as a reduction of sales. The Company may enter into arrangements to provide certain free products. In accordance with EITF Issue No. 01-09, the Company records the cost of free products ratably into the cost of products sold based upon the underlying revenue transaction.

### Share-Based Compensation

Effective July 3, 2005, the Company began accounting for its employee and director stock option plans in accordance with the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R revised SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"). The revised statement addresses the accounting for share-based payment transactions with employees and other third parties, eliminates the ability to account for share-based payments using APB Opinion No. 25 and requires that the compensation costs relating to such transactions be recognized in the consolidated statement of operations based upon the grant-date fair value of those instruments.

### Income Taxes

Effective July 1, 2007, the Company adopted Financial Accounting Standards Board

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("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109," ("FIN 48") which clarifies the accounting and disclosure for uncertain tax positions. The Company previously had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

As a result of the implementation of FIN 48, the Company recorded a \$62,000 increase in the liability for unrecognized tax benefits, which was accounted for as an increase in the July 1, 2007 accumulated deficit balance. The amount of unrecognized tax benefits at July 1, 2007 was \$0.8 million, which would affect the Company's effective tax rate if recognized. The amount of unrecognized tax benefits did not materially change as of September 29, 2007. During the next twelve months, it is reasonably possible that the total unrecognized tax benefits will decrease by approximately \$0.5 million due to an audit settlement.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as components of its provision for income taxes. The Company accrued approximately \$25,000 for interest and penalties at July 1, 2007. Subsequent changes to accrued interest and penalties through September 29, 2007 have not been significant.

The Company files U.S. Federal income tax returns as well as income tax returns in various states and foreign jurisdictions. At the beginning of fiscal 2008, the Company was subject to examination by the Internal Revenue Service for fiscal years 2005 through 2006, and by taxing authorities in various state and foreign jurisdictions for fiscal years 2003 through 2007, with few exceptions. In addition, the Company was subject to examination by the German Taxing Authorities for fiscal years 2000 through 2005 - See Note 13 - Subsequent Events, Settlement of German Tax Audit.

The Company periodically evaluates the realizability of its deferred income tax assets. In the First Quarter Fiscal 2008 and the quarter ended June 30, 2007 ("Fourth Quarter Fiscal 2007"), based upon all the available evidence, the Company determined that it was not more likely than not that its deferred income tax assets will be fully realized. Accordingly, the Company has a valuation allowance recorded for the entire balance of its deferred income tax assets as of September 29, 2007 and June 30, 2007.

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The Company estimates its interim effective tax rate before consideration of a deferred income tax valuation allowance based upon its projected consolidated annual effective income tax rate. This rate is largely a function of the annual projected amounts of pre-tax income or loss attributed to both domestic and foreign operations, the application of their respective statutory tax rates and the anticipated utilization of available net operating loss carryforwards to reduce taxable income. During the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, the Company recorded a provision for income taxes of approximately \$1,000 and \$17,000, respectively. The First Quarter Fiscal 2008 income tax provision relates to United States state income taxes. The First Quarter Fiscal 2007 income tax provision relates to income tax liabilities incurred by certain of the Company's foreign subsidiaries. These foreign subsidiaries do not have net operating losses to offset such income tax liabilities.

### Comprehensive Loss

Comprehensive loss in accordance with SFAS No. 130, Reporting Comprehensive Income ("SFAS No. 130"), includes net loss adjusted for certain revenues, expenses, gains and losses that are excluded from net loss under accounting

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principles generally accepted in the United States. Unrealized gains and losses related to the Company's available-for-sale investments are excluded from net loss. During the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, the Company's comprehensive loss was \$(1.8) million and \$(1.6) million, respectively, the same as the net loss for the period because the Company did not have any items of other comprehensive loss.

### Loss per Share

Basic and diluted loss per share are calculated in accordance with SFAS No. 128, Earnings per Share ("SFAS No. 128"). All applicable loss per share amounts have been presented in conformity with SFAS No. 128 requirements. During the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, the Company issued no shares, respectively, of Common Stock on the exercise of stock options. In the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, potentially dilutive securities were comprised of stock options to purchase 18 and 2,874 shares of Common Stock, respectively, that were not included in the calculation of diluted loss per share because their impact was antidilutive. In the First Quarter Fiscal 2007, the weighted average effect of 66,202 shares for which delivery had been deferred under the Company's Deferred Delivery Plan was included in the denominator of both basic and diluted loss per share calculations. The 66,202 deferred shares were delivered on July 2, 2007 and included in the total shares outstanding during the quarter. See Note 1 - Basis of Presentation, Reverse Split of Common Stock and Note 9 - Deferred Share Arrangement.

### Note 4 - Recently Issued Accounting Pronouncements:

In May 2007, the Financial Accounting Standard Board ("FASB") issued FASB Staff Position ("FSP") No. FIN 48-1, Definition of Settlement in FASB Interpretation No.48 ("FSP No. FIN 48-1"), which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The guidance in FSP No. FIN 48-1 must be applied upon the initial adoption of FIN 48. The adoption of FSP No. FIN 48-1 did not have a material impact on the Company's condensed consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115," ("SFAS No. 159") which provides companies with an option to report selected financial assets and liabilities at their fair values. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, FASB No. 159 specifies that all subsequent changes in fair value for that instrument must be reported in earnings. FASB No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, which for us will be our fiscal year beginning June 29, 2008. The Company is currently evaluating the effects of the adoption of SFAS No. 159.

In September 2006, the FASB issued Statement of Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those

accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. SFAS

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No. 157 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact, if any, that the adoption of SFAS No. 157 will have on the Company's consolidated financial position and results of operations or cash flows.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109, Accounting for Income Taxes" (FIN 48), to create a single model to address accounting for uncertainty in income tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum probability threshold a tax position must meet to be recognized in the financial statements. FIN 48 also provides guidance on the measurement, derecognition and classification of recognized tax benefits, interest and penalties, accounting for interim periods, and the transition of the accounting method upon the adoption of FIN 48. FIN 48 is effective for years beginning after December 15, 2006. Accordingly, the Company adopted FIN 48 effective as of July 1, 2007. The effect of the adoption is disclosed in Note 3 - Summary of Significant Accounting Policies, Income Taxes.

### Note 5 - Supplemental Cash Flow Information:

Non-cash Investing Activities:  
(amounts in thousands)

Deferred Share Arrangement	First Quarter Fiscal 2008	First Quarter Fiscal 2007
Deferred share arrangement obligation to participant	\$ (413)	\$ (211)
Common stock received and held in trust	413	211
	\$ --	\$ --
	=====	=====

See Note 9 - Deferred Share Arrangement for a description of the deferred share arrangement transactions in the First Quarter Fiscal 2008.

### Note 6 - Inventories:

Inventories consist of the following:  
(amounts in thousands)

	September 29, 2007	June 30, 2007
Raw materials, components, and work-in-process	\$ 7,146	\$ 5,431
Finished goods	11,430	10,375
Total inventories	\$ 18,576	\$ 15,806
	=====	=====

During the First Quarter Fiscal 2008 inventory carrying values approximated their cost basis and no charges were made to reduce the carrying value of the inventory in stock. During the First Quarter Fiscal 2007, the Company recorded inventory related pre-tax charges of approximately \$0.3 million to reduce the carrying value of certain finished goods and return camera inventories below their cost basis, resulting from price declines, to their estimated net realizable value at September 30, 2006. For the First Quarter Fiscal 2007, the inventory related pre-tax charges had the effect of decreasing inventories by \$0.3 million and increasing cost of products sold by \$0.3 million.

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### Note 7 - Short-Term Borrowings and Financing Facilities:

Concord Camera HK Limited ("CCHK"), the Company's Hong Kong subsidiary, has certain demand financing facilities with The Hongkong and Shanghai Banking Corporation, Dah Sing Bank, Limited ("Dah Sing") and the Shanghai Commercial Bank Ltd ("SCB"). These financing facilities provide CCHK with an aggregate borrowing capacity of approximately US\$8.6 million. As security for the Dah Sing and SCB financing facilities, among other things, (i) the Company provided a corporate guarantee to Dah Sing of approximately US\$2.3 million and to SCB of approximately US\$1.1 million; (ii) CCHK provided to HSBC and

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Dah Sing pledged deposits in the amount of approximately \$5.2 million and \$1.0 million, respectively; and (iii) CCHK executed a mortgage in favor of SCB on the Hong Kong office property owned by CCHK.

At September 29, 2007 and June 30, 2007, the Company had \$2.3 million and \$2.8 million, respectively, in short-term borrowings outstanding under the financing facilities described above. The weighted average borrowing rates on the short-term borrowings as of September 29, 2007 and June 30, 2007, were 7.45% and 6.85%, respectively.

### Note 8 - Share-Based Compensation Expense:

During the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, the Company recorded approximately \$5,000 and \$26,000, respectively, of share-based compensation expense. The Company considers all of its share-based compensation expense as a component of general and administrative expenses. In addition, no amount of share-based compensation expense was capitalized as part of capital expenditures or inventory for the periods presented.

The Company uses the Black-Scholes-Merton option valuation model to calculate the fair value of a stock option grant. The share-based compensation expense recorded in the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007 was calculated using the assumptions included in the following table. Expected volatilities are based on the historical volatility of the Company's Common Stock over the period of time commensurate with the expected life of the stock options. The dividend yield is zero percent as the Company has never paid cash dividends and has no present intention to pay cash dividends. The Company uses historical data to estimate option exercise and employee termination information within the valuation model. The expected term of options granted is based upon the observed and expected time to the date of post-vesting exercise and forfeitures of options by the Company's employees. The risk-free interest rate is derived from the average five-year U.S. Treasury constant maturity rate for the appropriate quarter, which approximates the rate in effect at the time of the stock option grant.

	Quarter ended September 29, 2007	Quarter ended September 30, 2006
	-----	-----
Expected volatility	60.5%	64.2%
Expected dividend yield	0%	0%
Expected term (in years)	4.2	4.5
Risk-free interest rate	4.5%	4.8%

A summary of stock option activity under the Company's stock option plans as of September 29, 2007 and changes during the First Quarter Fiscal 2008 are presented below:

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Total Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at June 30, 2007	203,951	\$23.24	
Granted	8,000	\$ 4.04	
Exercised	--	--	
Forfeited or expired	(13,060)	\$15.09	
Outstanding at September 29, 2007	198,891	\$23.00	3.2
Exercisable at September 29, 2007	171,778	\$25.74	2.5

The weighted average grant-date fair value of options granted during the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007 was \$2.07 and \$1.50, respectively.

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A summary of the status of nonvested stock options as of September 29, 2007 and changes during the First Quarter Fiscal 2008 are presented below:

Nonvested Stock Options	Shares	Weighted Average Grant Date Fair Value
Nonvested at June 30, 2007	25,293	\$3.68
Granted	8,000	\$2.07
Vested	(1,480)	\$4.29
Forfeited	(4,700)	\$3.20
Nonvested at September 29, 2007	27,113	\$3.26

As of September 29, 2007, there was approximately \$75,000 of total unrecognized compensation expense related to nonvested share-based compensation arrangements granted under the Company's stock option plans. The unrecognized compensation expense is expected to be recognized over a weighted-average vesting period of 3.4 years. The total grant date fair value of stock options vested during the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007 was approximately \$6,000 and \$45,000, respectively. See Note 1 - Basis of Presentation, Reverse Split of Common Stock.

Note 9 - Deferred Share Arrangement:

The Company's Deferred Delivery Plan allows designated executive officers to elect, subject to the approval of the Compensation and Stock Option Committee of the Company's Board of Directors, to defer the gains on certain stock option exercises by deferring delivery of the "profit" shares to be received upon exercise.

On July 2, 2007, the Chairman took delivery of the 66,202 shares held in trust upon expiration of the extended deferral period, reducing the deferred share

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arrangement balance in stockholders' equity by \$412,825. As of September 29, 2007, there were no deferred shares held in trust by the Company. See Note 1 - Basis of Presentation, Reverse Split of Common Stock and Note 5 - Supplemental Cash Flow Information.

Note 10 - Commitments and Contingencies:

### License and Royalty Agreements

On May 10, 2004, the Company entered into a twenty year, worldwide trademark license agreement with Jenoptik AG for the exclusive use of the JENOPTIK brand name and trademark on non-professional consumer imaging products including, but not limited to, digital, single-use and traditional cameras, and other imaging products and related accessories. The license agreement provides for a royalty of one-half of one percent (0.5%) of net sales of non-professional consumer imaging products bearing the JENOPTIK brand name for the first ten (10) years of the license and a royalty of six-tenths of one percent (0.6%) for the second ten (10) years of the license. There are no minimum guaranteed royalty payments.

Effective January 1, 2001, the Company entered into a twenty-year license agreement with Fuji Photo Film Ltd ("Fuji"). Under the license agreement, Fuji granted the Company a worldwide non-exclusive license (excluding Japan until January 1, 2005) to use certain of Fuji's patents and patent applications related to single-use cameras. The license extends until the later of the expiration of the last of the licensed Fuji patents or February 26, 2021. In consideration of the license, the Company agreed to pay a license fee and certain royalty payments to Fuji. Accordingly, a significant portion of the balance for patents, trademarks and licenses, net in "Other assets" in the accompanying condensed consolidated balance sheets at September 29, 2007 and June 30, 2007, was an asset associated with the Fuji license. The Company also recorded as a liability a corresponding amount that was included in licensing related obligations in "Other liabilities" in the accompanying consolidated balance sheets at September 29, 2007 and June 30, 2007 which was equal to the present value of future license fee payments. The Company amortizes these assets based upon quantities of units produced.

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On August 26, 2002, the Company entered into two Polaroid licensing agreements. The two license agreements provided it with the exclusive (with the exception of products already released by Polaroid into the distribution chain), worldwide use of the Polaroid brand trademark in connection with the manufacture, distribution, promotion and sale of single-use and traditional film based cameras, including zoom cameras and certain related accessories. The license agreements did not include instant or digital cameras. Each license agreement included an initial term expiring on February 1, 2006, provided the Company the right to renew the license under the same economic terms for an additional three-year period and provided for the payment by the Company of \$3.0 million of minimum royalties, or \$6.0 million in total for both license agreements, which were fully credited against percentage royalties. On November 28, 2005, the Company exercised its right to renew the single-use camera license agreement with Polaroid for an additional three-year term expiring on February 1, 2009 in accordance with the same economic terms included in the original agreement. Pursuant to the terms of the single-use camera license agreement, as of July 1, 2007, the Company paid \$2.5 million of minimum royalties and recorded the payment as a prepaid asset. The Company amortizes this asset based upon a percentage of net sales of Polaroid branded single-use cameras during the three-year renewal term expiring February 1, 2009. In January 2006, the Company entered into a new license agreement with Polaroid providing it with the exclusive, worldwide use of the Polaroid brand trademark in connection with the

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manufacture, distribution, promotion and sale of traditional film cameras. The new license agreement is for a term of three years expiring on January 31, 2009 and provided for the payment by the Company of \$50,000 of minimum royalties on or before October 31, 2006, which was fully credited against percentage royalties during the first year of the term. There are no minimum guaranteed royalty payments under the traditional film license agreement after the first year of the term.

Additionally, the Company has other license and royalty agreements that require the payment of royalties based on the manufacture and/or sale of certain products. Its license and royalty agreements expire at various dates through Fiscal 2023. Total amortization and royalty expense for all licensing and royalty agreements for the First Quarter Fiscal 2008 and the First Quarter Fiscal 2007, was \$1.5 million and \$2.1 million, respectively.

### Intellectual Property Claims

From time to time, the Company receives patent infringement claims which it analyzes and, if appropriate, takes action to avoid infringement, settle the claim or negotiate a license. Those claims for which legal proceedings have been initiated against the Company are discussed in Note 11, Litigation and Settlements. The Company has also received notifications from two entities, one of which was a significant customer, alleging that certain of the Company's digital cameras infringe upon those entities' respective patents. The Company has engaged in discussions with these entities regarding resolution of the claims.

Based on the Company's initial assessment of these claims, infringement of one or more patents is probable if the patents are valid. Based upon the licensing discussions to date, the Company preliminarily estimates the potential royalties due to these two claimants for digital camera sales through September 29, 2007 to be between \$0 and approximately \$6.7 million in the aggregate. The actual royalty amounts, if any, for past and future sales are dependent upon the outcome of the negotiations. The Company has notified certain of its suppliers of its right to be indemnified by the suppliers if it is required to pay royalties or damages to either claimant. The Company is unable to reasonably estimate the amount of the potential loss, if any, within the range of estimates relating to these claims. Accordingly, the Company has not accrued any amounts related to these claims as of September 29, 2007.

### Purchase Commitments

At September 29, 2007, the Company had \$5.6 million in non-cancelable purchase commitments relating to the procurement of raw materials, components and finished goods inventory from various suppliers. In the aggregate, such commitments are not at prices in excess of current market values and typically do not exceed one year.

### Note 11 - Litigation and Settlements:

In September 2004, a class action complaint was filed against the Company and certain of its officers in the United States District Court for the Southern District of Florida by individuals purporting to be holders of the Company's Common

Stock. In August 2005, an amended consolidated complaint (the "Amended Complaint") was filed adding a former officer of the Company as a defendant. The lead plaintiff under the Amended Complaint seeks to act as a representative of a



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class consisting of all persons who purchased the Company's Common Stock during the period from August 14, 2003 through August 31, 2004, inclusive. On March 23, 2007, the court granted the plaintiff's motion for class certification and certified as plaintiffs all persons who purchased the Common Stock between August 14, 2003 and August 31, 2004, inclusive, and who were allegedly damaged thereby (the period August 14, 2003 through August 31, 2004 hereinafter referred to as the "Class Period"). The allegations in the Amended Complaint are centered around claims that the Company failed to disclose, in periodic reports it filed with the SEC and in press releases it made to the public during the Class Period regarding its operations and financial results, (i) the full extent of the Company's excess, obsolete and otherwise impaired inventory; (ii) the departure from the Company of the aforementioned former officer defendant until several months after his departure; and (iii) that Eastman Kodak Company ("Kodak") had notified the Company that it would stop purchasing cameras from the Company under its two design and manufacturing services ("DMS") contracts with the Company due to the Company's alleged infringement of Kodak's patents. The Amended Complaint also alleged that the Company improperly recognized revenue contrary to generally accepted accounting principles due to an alleged inability to reasonably estimate digital camera returns. The Amended Complaint claimed that such failures artificially inflated the price of the Common Stock. The Amended Complaint sought unspecified damages, interest, attorneys' fees, costs of suit and unspecified other and further relief from the court. The Company has reached an agreement in principle with the plaintiffs on the settlement of this lawsuit. The settlement is subject to the negotiation and execution of a mutually agreeable settlement agreement and approval by the class shareholders and the court. The Company has sought coverage from its insurance carrier for this lawsuit under its directors' and officers' liability insurance policy and the insurance carrier is defending the action under a reservation of rights. The agreed upon pending settlement amount is within the policy limits and the insurance carrier has agreed to pay such amount. Although the Company believes the settlement will be consummated and approved by the court, the Company cannot guarantee this result and if the lawsuit continues and is adversely determined, the Company's ultimate liability, which could be material, cannot be ascertained. In a letter dated November 19, 2004, the Company was advised by the staff of the SEC that it is conducting an investigation related to the matters described above. The Company has provided the requested information to the staff of the SEC and has not received any further communication from the SEC with respect to its request since the Company last responded in May 2005.

On November 16, 2004, a shareholder derivative suit was filed against certain of the Company's current and former officers and directors, and the Company as a nominal defendant, in the United States District Court for the District of New Jersey by an individual purporting to be a holder of the Company's Common Stock. The complaint alleged that the individual defendants breached their duties of loyalty and good faith by causing the Company to misrepresent its financial results and prospects, resulting in the class action complaints described in the immediately preceding paragraph. The complaint sought unspecified damages, repayment of salaries and other remuneration from the individual defendants, interest, attorneys' fees, costs of suit and unspecified other and further relief from the court. In March 2005, the court granted a motion by the individual defendants and the Company to transfer the action to the United States District Court for the Southern District of Florida where the related class action suit is currently pending. In May 2005, the court consolidated this case with the related class action suit for discovery purposes only. Although the Company believes this lawsuit is without merit, its outcome cannot be predicted, and if adversely determined, the ultimate effect on the Company, which could be material, cannot be ascertained. The Company has sought coverage from its insurance carrier for this lawsuit under its directors' and officers' liability insurance policy, and the insurance carrier is defending the action under a reservation of rights.

Pursuant to the Company's Certificate of Incorporation, as amended, the personal

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liability of the Company's directors is limited to the fullest extent permitted under the New Jersey Business Corporation Act ("NJBCA"), and the Company is required to indemnify its officers and directors to the fullest extent permitted under the NJBCA. In accordance with the terms of the Certificate of Incorporation and the NJBCA, the Board of Directors approved the payment of expenses for each of the current and former officers and directors named as defendants (the "individual defendants") in the above described class action and derivative action litigations (collectively, the "actions") in advance of the final disposition of such actions. The individual defendants have executed and delivered to the Company written undertakings to repay the Company all amounts so advanced if it shall ultimately be determined that the individual defendants are not entitled to be indemnified by the Company under the NJBCA.

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On October 6, 2004, a patent infringement complaint was filed by Honeywell International, Inc. and Honeywell Intellectual Properties, Inc., against 27 defendants, including the Company, in the United States District Court for the District of Delaware. The complaint asserted that the defendants have conducted activities which infringe U.S. Patent No. 5,280,371, entitled, "Directional Diffuser for a Liquid Crystal Display." The complaint sought unspecified damages, interest, attorneys' fees, costs of suit and unspecified other and further relief from the court. The proceedings in this action against the Company and other similarly situated defendants were stayed by the court pending the resolution of the infringement actions against the liquid crystal display manufacturers. It is too early to assess the probability of a favorable or unfavorable outcome or the loss or range of loss, if any, and therefore, no amounts have been accrued relating to this action. The Company has notified several third parties of its intent to seek indemnity from such parties for any costs or damages incurred by the Company as a result of this action.

In June 2006, St. Clair Intellectual Properties Consultants, Inc. filed a patent infringement complaint against 22 defendants, including the Company, in the United States District Court for the District of Delaware. The complaint asserted that the defendants conducted activities which infringe U.S. Patent Nos. 5,138,459, 6,094,219, 6,233,010 and 6,323,899. The complaint sought injunctive relief, unspecified damages, interest, attorneys' fees, costs of suit and unspecified other and further relief from the court. The proceedings in this action against the Company and the other defendants were stayed by the court until further order of the court. It is too early to assess the probability of a favorable or unfavorable outcome or the loss or range of loss, if any, and, therefore, no amounts have been accrued relating to this action. The Company is assessing potential claims of indemnification against certain of its suppliers with respect to this action.

The Company is also involved from time to time in routine legal matters incidental to its business. Based upon available information, the Company believes that the resolution of such matters will not have a material adverse effect on its financial position or results of operations.

Note 12 -- Other Charges:

Cost-Reduction Initiatives

The Company continues to evaluate its cost structure and implement cost-reduction initiatives as appropriate. During the First Quarter Fiscal 2008, no additional costs were incurred related to the Company's current cost-reduction initiatives.

During the First Fiscal Quarter 2008, the Company recorded a \$60,000 reduction

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in a liability related to severance costs accrued for the elimination of certain employee positions.

Table I - Other Charges Liability reconciles the beginning and ending balances of the other charges liability.

(in thousands)

Other Charges Liability  
-----

	Severance -----	Retention -----	Total -----
Balance as of June 30, 2007	\$ 236	\$ 9	\$ 245
Charges	--	--	--
Reversal	(60)	--	(60)
Payments	(44)	(9)	(53)
	-----	-----	-----
Balance as of September 29, 2007	\$ 132 =====	\$ -- =====	\$ 132 =====

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Table II - Other Charges presents the related expenses and their classification in the consolidated statements of operations.

(in thousands)

Other Charges -----	Severance -----	Retention -----
First Quarter Fiscal 2008 -----		
Cost of products sold	\$ --	\$ --
Selling expense	(60)	--
General and administrative expense		--
	-----	-----
Total	\$ (60) =====	\$ -- =====
First Quarter Fiscal 2007 -----		
Cost of products sold	\$ 177	\$ --
Selling expense	229	--
General and administrative expense		
	-----	-----
Total	\$ 406 =====	\$ -- =====

As of September 29, 2007, the Company expects to make cash payments totaling approximately \$0.1 million during the remainder of Fiscal 2008 related to severance costs as disclosed in Table I - Other Charges Liability.

Note 13 - Subsequent Events

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### Financing Facilities

On October 16, 2007, Concord Keystone Sales Corp. ("Keystone"), the Company's United States wholly owned subsidiary, entered into a Financing Agreement (the "Agreement") with The CIT Group/Commercial Services, Inc. ("CIT") for a \$15 million secured revolving line of credit (the "CIT Facility"), which includes a letter of credit ("L/C") sub-line of \$10 million. The CIT Facility is secured by a first priority lien in CIT's favor on, among other things, Keystone's accounts receivable, other payment rights and inventory.

The Agreement has a one-year initial term with annual renewals thereafter, unless terminated by either party upon 30 days' written notice before the expiration of the initial term or any renewal term. Keystone may terminate the Agreement at any time upon 30 days' written notice to CIT. Under the terms of the Agreement, the borrowing base will consist of (i) 90% of the eligible accounts receivable plus (ii) the lesser of (a) a specified percentage of the sum of the eligible inventory and the eligible in-transit inventory or (b) 90% of the eligible accounts receivable, minus (iii) the amount of the availability reserves. All loans, advances and extensions of credit will be made at CIT's discretion.

Interest on the CIT Facility is payable monthly in arrears at the prime rate announced by JP Morgan Chase Bank plus 0.25% per annum, or in Keystone's discretion, at the one-month London Interbank Offered Rate (LIBOR) plus 2.25% per annum. Keystone will also be required to pay customary loan facility, credit line, annual renewal and L/C fees.

Upon the occurrence of certain events of default, including the Company ceasing to own and control 100% of Keystone's voting shares, CIT's obligation under the Agreement to make revolving loans and assist Keystone with opening L/C's shall cease and CIT may declare all obligations immediately due and payable (including principal and accrued but unpaid interest on all then outstanding obligations).

The demand financing facilities provided by Dah Sing, which were to have expired on June 30, 2007, have been extended on a month-to-month basis, most recently to November 30, 2007 by a letter dated October 29, 2007, pending completion of Dah Sing's review of the facilities.

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### Settlement of German Tax Audit

During the second quarter of fiscal 2008, the Company and the German Tax Authorities settled an audit of the Company's German subsidiary for fiscal years 2000 through 2005 resulting in a net liability of approximately 92,000 euros relating to value added taxes and a net liability related to income taxes of approximately 115,000 euros, inclusive of interest. The Company accrued a net liability of approximately 92,000 euros related to value added taxes in its condensed consolidated balance sheet as of September 29, 2007. The effect on the Company's unrecognized tax benefits, including a net liability of approximately 115,000 euro related to income taxes, resulting from the settlement of the income tax related items will be recorded in the second quarter of fiscal 2008.

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

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the notes to such financial statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for Fiscal 2007 filed with the SEC as of September

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27, 2007 ("Form 10-K").

### Overview

We market and sell popularly priced, easy-to-use single-use and 35mm traditional film cameras. We design, develop, manufacture and assemble most of our single-use cameras and certain of our 35mm traditional film cameras at our manufacturing facilities in the People's Republic of China ("PRC") and outsource the manufacture of certain of our single-use and 35mm traditional film cameras. In fiscal 2006, we significantly de-emphasized the sale of digital cameras. Digital camera sales in fiscal 2007 were not material and we do not expect to have digital camera sales in fiscal 2008. We sell our private label and brand-name products to our customers worldwide either directly or through third-party distributors.

### Executive Summary

#### Quarter-Over-Quarter Results of Operations

Our operating loss for each of the first quarter of fiscal 2008 and the first quarter of fiscal 2007 was \$(2.0) million.

We experienced a \$1.5 million decrease in our quarter-over-quarter gross profit. The decrease in the quarter-over-quarter gross profit was primarily due to a decrease in quarter-over-quarter net sales and a decrease in quarter-over-quarter gross margin percentages totaling approximately \$2.5 million, partially offset by favorable quarter-over-quarter manufacturing material, labor and overhead cost variances of approximately \$1.0 million.

Our selling, general and administrative expenses decreased by \$1.5 million, quarter-over-quarter but were offset by the \$1.5 million decrease in gross profit. Our quarter-over-quarter selling expenses decreased by \$0.6 million due to a reduction in selling-related employee compensation costs of \$0.4 million and a reduction in certain other costs of \$0.2 million. Selling-related employee compensation costs decreased as a result of the elimination of certain positions in connection with our cost-reduction initiatives. Our quarter-over-quarter general and administrative ("G&A") expenses decreased by \$0.9 million primarily due to a reduction in G&A-related employee compensation costs of \$0.4 million as a result of the elimination of certain positions in connection with our cost-reduction initiatives, a reduction in professional fees of \$0.3 million primarily as a result of a reduction in audit fees and a reduction in certain other costs totaling \$0.2 million.

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#### First Quarter Fiscal 2008 Results of Operations

We recorded an operating loss of \$2.0 million during the quarter.

Factors contributing to the first quarter fiscal 2008 operating loss were:

1. Insufficient Net Sales and Related Gross Profit to Fully Absorb Non-Manufacturing Overhead Costs
2. Unanticipated Air Freight Costs.

1. Insufficient Net Sales and Related Gross Profit to Fully Absorb Non-Manufacturing Overhead Costs

During the first quarter fiscal 2008, our net sales and related gross profit

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were not sufficient to fully absorb our non-manufacturing overhead costs. The insufficient net sales and related gross profit contributed approximately \$1.8 million to the operating loss.

### 2. Unanticipated Air Freight Costs

During the first quarter of fiscal 2008, we continued to experience a temporary shortage of film used in our cameras that began in the fourth quarter of fiscal 2007, which delayed the production schedule of our single-use and 35mm traditional film cameras. As a result of this film shortage and its impact on our production schedule, certain of our products were shipped by air from Asia to the United States in order to meet our delivery schedules to our customers. Due to this unanticipated usage of air freight, we incurred an additional \$0.2 million in freight costs.

We continue to take action and review our strategies, including and relating to: (i) acquisition of new single-use and 35mm traditional film camera customers, (ii) potential new business initiatives, and (iii) implementation of additional cost reductions related to worldwide overhead costs. There can be no assurances that we will be able to implement any such strategies or that implementing any such strategies will successfully reverse our losses, increase our revenues, decrease our costs or improve our results of operations.

### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. Since June 30, 2007, there have been no significant changes to the assumptions and estimates related to those critical accounting policies. See the critical accounting policies disclosed in our Form 10-K.

### Recently Issued Accounting Pronouncements

In May 2007, the Financial Accounting Standard Board ("FASB") issued FASB Staff Position ("FSP") No. FIN 48-1, Definition of Settlement in FASB Interpretation No. 48 ("FSP No. FIN 48-1"), which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The guidance in FSP No. FIN 48-1 must be applied upon the initial adoption of FIN No. 48. The adoption of FSP No. FIN 48-1 did not have a material impact on our condensed consolidated financial statements.

In February 2007, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115," ("SFAS No. 159") which provides companies with an option to report selected financial assets and liabilities at their fair values. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, FASB No. 159 specifies that all subsequent changes in fair value for that instrument must be reported in earnings. FASB No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15,

2007, which for us will be our fiscal year beginning June 29, 2008. The Company

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is currently evaluating the effects of the adoption of SFAS No. 159.

In September 2006, the FASB issued Statement of Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact, if any, that the adoption of SFAS No. 157 will have on the Company's consolidated financial position and results of operations or cash flows.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109, Accounting for Income Taxes" (FIN 48), to create a single model to address accounting for uncertainty in income tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum probability threshold a tax position must meet to be recognized in the financial statements. FIN 48 also provides guidance on the measurement, derecognition and classification of recognized tax benefits, interest and penalties, accounting for interim periods, and the transition of the accounting method upon the adoption of FIN 48. FIN 48 is effective for years beginning after December 15, 2006. Accordingly, we adopted FIN 48 effective as of July 1, 2007. The effect of the adoption is disclosed in Note 3 - Summary of Significant Accounting Policies, Income Taxes, in the Notes to Condensed Consolidated Financial Statements.

### Results of Operations

Quarter Ended September 29, 2007 Compared to the Quarter Ended September 30, 2006

#### Net Sales

Net sales of our products for the first quarter of fiscal 2008 were \$21.7 million, a decrease of \$7.1 million, or 24.7%, as compared to net sales for the first quarter of fiscal 2007. The decrease in net sales was due primarily to a reduction in unit sales of single-use, digital and 35mm traditional film cameras to significant customers and to a lesser extent a decrease in the average selling price per camera.

Net sales from our operations in the Americas for the first quarter of fiscal 2008 were \$16.2 million, a decrease of \$7.7 million, or 32.2%, as compared to the first quarter of fiscal 2007. The decrease in net sales in the Americas was due primarily to a reduction in unit sales of single-use and 35mm traditional film cameras to significant customers and to a lesser extent a decrease in the average selling price per camera.

Net sales from our operations in Europe for the first quarter of fiscal 2008 were \$4.1 million, a decrease of \$0.7 million, or 14.6%, as compared to the first quarter of fiscal 2007. The decrease in net sales in Europe was due primarily to a reduction in sales of digital cameras attributable to our decision to de-emphasize digital camera sales, partially offset by an increase in sales of single-use cameras.

Net sales from our operations in Asia for the first quarter of fiscal 2008 were \$1.4 million, an increase of \$1.3 million, or 1300%, as compared to the first quarter of fiscal 2007. The increase in net sales in Asia was due to increased sales of single-use cameras in Japan.

#### Gross Profit

Gross profit for the first quarter of fiscal 2008 was \$3.0 million, or 13.8% of net sales, versus gross profit of \$4.5 million, or 15.6% of net sales, in the first quarter of fiscal 2007. The decrease in the quarter-over-quarter gross profit was primarily due to a decrease in quarter-over-quarter net sales and a decrease in quarter-over-quarter gross margin percentages totaling approximately \$2.5 million, partially offset by favorable manufacturing material, labor and overhead cost variances of approximately \$1.0 million.

Product engineering, design and development costs for the first quarter of fiscal 2008 and the first quarter of fiscal 2007, in dollars and as a percentage of net sales, were \$0.5 million, or 2.3%, and \$0.8 million, or 2.8%, respectively.

#### Operating Expenses

Selling expenses for the first quarter of fiscal 2008 were \$2.2 million, or 10.1% of net sales, compared to \$2.8 million, or 9.7% of net sales, for the first quarter of fiscal 2007. Our quarter-over-quarter selling expenses decreased by \$0.6 million primarily due to a reduction in selling-related employee compensation costs of \$0.4 million and a reduction in certain other costs of \$0.2 million. Selling-related employee compensation costs decreased as a result of the elimination of certain positions in connection with our cost-reduction initiatives.

G&A expenses for the first quarter of fiscal 2008 were \$2.8 million, or 12.9% of net sales, compared to \$3.7 million, or 12.9% of net sales, for the first quarter of fiscal 2007. Our quarter-over-quarter G&A expenses decreased by \$0.9 million primarily due to a reduction in G&A-related employee compensation costs of \$0.4 million as a result of the elimination of certain positions in connection with our cost-reduction initiatives, a reduction in professional fees of \$0.3 million primarily as a result of a reduction in audit fees and a reduction in certain other costs totaling \$0.2 million.

#### Share-Based Compensation

During the first quarter of fiscal 2008 and the first quarter of fiscal 2007, we recorded approximately \$5,000 and \$26,000, respectively, of share-based compensation expenses. We consider all of our share-based compensation expense as a component of G&A expenses. In addition, no amount of share-based compensation expense was capitalized as part of capital expenditures or inventory for the periods presented. For further discussion, see Note 8 - Share-Based Compensation in the Notes to Condensed Consolidated Financial Statements.

#### Interest Expense

Interest expense was approximately \$0.1 million for each of the first quarter of fiscal 2008 and the first quarter of fiscal 2007.

#### Other Income, Net

Other income, net was \$0.3 million and \$0.5 million for the first quarter of fiscal 2008 and the first quarter of fiscal 2007, respectively. The decrease in other income, net was primarily due to foreign currency losses of \$0.1 million in the first quarter of fiscal 2008 as compared to a foreign exchange gain of \$(0.1) million recorded in the first quarter of fiscal 2007.



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### Income Taxes

In the first quarter of fiscal 2008 and the fourth quarter of fiscal 2007, based upon all of the available evidence, management determined that it was not more likely than not that its deferred income tax assets will be fully realized. Accordingly, we recorded a valuation allowance for the entire balance of our deferred income tax assets as of September 29, 2007 and June 30, 2007. During the first quarter of fiscal 2008 and the first quarter of fiscal 2007, we recorded a provision for income taxes of \$1,000 and \$17,000, respectively. The first quarter of fiscal 2008 income tax provision relates to United States state income taxes. The first quarter of fiscal 2007 income tax provision relates to income tax liabilities incurred by certain of our foreign subsidiaries. These foreign subsidiaries do not have net operating losses to

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offset such income tax liabilities. For further discussion, see Note 3 - Summary of Significant Accounting Policies - Income Taxes in the Notes to Condensed Consolidated Financial Statements.

### Net Loss

We incurred a net loss of \$(1.8) million, or \$(0.30) per basic and diluted common share, for the first quarter of fiscal 2008, as compared to a net loss of \$(1.6) million, or \$(0.28) per basic and diluted common share, for the first quarter of fiscal 2007.

### Cost-Reduction Initiatives

We continue to evaluate our cost structure and implement cost-reduction initiatives as appropriate. During the first quarter of fiscal 2008, no additional costs were incurred related to our ongoing cost-reduction initiatives. During the first quarter of fiscal 2007, we recorded total charges of \$0.4 million primarily for severance costs related to the elimination of certain employee positions. For further discussion, see Note 12 - Other Charges in the Notes to the Condensed Consolidated Financial Statements.

### Liquidity and Capital Resources

We are not aware of factors that are reasonably likely to adversely affect liquidity trends, other than those factors summarized under the caption "Risk Factors" in our Form 10-K. We are not engaged in hedging activities and had no forward exchange contracts outstanding at September 29, 2007. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with accounting principles generally accepted in the United States and are more fully discussed below.

We believe that our cash and cash equivalents, short-term investments, anticipated cash flow from operations and amounts available under our financing facilities provide sufficient liquidity and capital resources for our anticipated working capital and capital expenditure requirements for at least the next twelve months.

Although we currently anticipate that we have, or have access to, an amount of working capital that will be sufficient to fund our operations for the next twelve months, our cash requirements during this period may exceed the amount of working capital available to us. Our ability to fund our operating requirements and maintain an adequate level of working capital will depend primarily on our

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ability to generate growth in sales of our single-use and 35mm traditional film cameras and new products, on our ability to continue to access our financing facilities and on our ability to control operating expenses. Our failure to generate substantial growth in the sales of our single-use and 35mm traditional film cameras and new products, control operating expenses and other events - including the progress of our new product initiatives, our ability to manufacture or have manufactured products at an economically feasible cost and in sufficient quantities and changes in economic or competitive conditions or our planned business - could cause us to require additional capital. In the event that we must raise additional capital to fund our working capital needs, we may seek to raise such capital through borrowings and/or the issuance of debt securities or equity securities. To the extent we raise additional capital by issuing equity securities or obtaining borrowings convertible into equity, existing shareholders may experience ownership dilution and future investors may be granted rights superior to those of existing shareholders. Moreover, additional capital may not be available to us on acceptable terms, or at all.

Working Capital - At September 29, 2007, we had working capital of \$38.0 million, compared to \$39.0 million at June 30, 2007, a decrease of \$1.0 million.

Cash (Used in) Provided by Operating Activities - Cash (used in) operating activities during the first quarter of fiscal 2008 was \$(2.0) million, which compared unfavorably to cash provided by operating activities of \$1.0 million during the first quarter of fiscal 2007. The changes in cash (used in) provided by operating activities for the respective quarters were primarily attributable to changes in accounts payable and inventory as a result of growth for seasonal demand partially offset by accounts receivable as a result of improved collections and accrued expenses as a result of lower overall costs.

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Cash Provided by (Used in) Investing Activities - Cash provided by investing activities was \$3.3 million for the first quarter of fiscal 2008 as compared to cash (used in) investing activities of \$(4.0) million for the first quarter of fiscal 2007. The increase in cash provided by investing activities was primarily due to the net decrease in purchases of available-for-sale investments and a decrease in restricted cash.

Cash (Used in) Provided by Financing Activities - Cash (used in) financing activities during the first quarter of fiscal 2008 was \$(0.4) million as compared to cash provided by financing activities of \$2.5 million for the first quarter of fiscal 2007. This activity relates to a net reduction of our short-term borrowings made under our financing facilities. See Note 7 - Short-Term Borrowings and Financing Facilities in the Notes to Condensed Consolidated Financial Statements.

Operating Leases - We enter into operating leases in the ordinary course of business (e.g., warehouse facilities, office space and equipment). The effects of outstanding leases are not material to us in terms of either annual cash flow or in total future minimum payments.

Purchase Commitments - See Note 10 - Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements.

Other Contractual Obligations - We do not have any material financial guarantees or other contractual commitments that are reasonably likely to have an adverse effect on liquidity. See Note 7 - Short-Term Borrowings and Financing Facilities in the Notes to Condensed Consolidated Financial Statements for additional information about the corporate guarantees we provided in connection with our financing facilities. See also Note 10 - Commitments and Contingencies in the

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Notes to Condensed Consolidated Financial Statements.

License Agreements - See Note 10 - Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements.

Intellectual Property Claims - See Note 10 - Commitments and Contingencies and Note 11 - Litigation and Settlements in the Notes to Condensed Consolidated Financial Statements.

Hong Kong Financing Facilities - As of September 29, 2007, we had \$1.4 million in letters of credit outstanding, which were issued primarily to certain suppliers to guarantee payment of our purchase orders with such suppliers. The letters of credit are issued under the import facilities that have been granted to CCHK. See Note 7 - Short-Term Borrowings and Financing Facilities in the Notes to Condensed Consolidated Financial Statements.

Revolving Credit Facility - On October 16, 2007, we obtained access to a revolving credit facility for a \$15 million secured revolving line of credit which includes a letter of credit sub-line of \$10 million. The revolving credit facility is secured by a first priority lien on, among other things, the accounts receivable and inventory of Concord Keystone Sales Corp., our wholly owned U.S. subsidiary. See Note 13 - Subsequent Event, Financing Facilities, in the Notes to the Condensed Consolidated Financial Statements.

Forward-Looking Information: Certain Cautionary Statements

The statements contained in this report that are not historical facts are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as: "estimates," "projects," "anticipates," "expects," "intends," "believes," "plans," "forecasts" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors. For a discussion of some of the factors that could cause actual results to differ, see the discussion under "Risk Factors" in our Part I, Item 1A of Form 10-K. We wish to caution the reader that these forward-looking statements, including, without limitation, statements regarding expected cost reductions, anticipated or expected results of the implementation of our cost-reduction initiatives and new business initiatives, anticipated financial benefits of exiting the digital camera market and increasing our focus on the sale of single-use and 35mm traditional film cameras, the

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development of our business, anticipated revenues or capital expenditures, our ability to improve gross margin percentages on the sale of our products, projected profits or losses, our expectations regarding the amount of expected cash payments related to severance costs, our assessment of and estimates of royalty payments in connection with intellectual property claims, the vesting period over which unrecognized compensation expense will be realized, the sufficiency of our working capital and cash to fund our operations in the next twelve months, our belief regarding the lack of merit in pending litigations, our belief regarding the lack of a material impact that the resolution of routine legal matters will have in our business, coverage from our insurance carrier in connection with pending litigations and our expectation that there is no material tax exposure to the Company on account of our operations in the People's Republic of China, and other statements contained in this report regarding matters that are not historical facts, are only estimates or predictions. No assurance can be given that future results will be achieved.

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Actual events or results may differ materially as a result of risks facing us or actual results differing from the assumptions underlying such statements. In particular, our expected results could be adversely affected by, among other things, regulatory conditions negatively affecting our product costs, production difficulties or economic conditions negatively affecting our suppliers, customers or the market for our products, by our inability to develop and maintain relationships with suppliers, customers or licensors, by our inability to negotiate favorable terms with our suppliers, customers or licensors, by a decline in the unit sales of our single-use and 35mm traditional film cameras or by a decrease in the average selling price of our film camera products. Obtaining the results expected from the introduction of any new products or product lines may require successful and timely completion of development, successful and timely ramp-up of full-scale production and customer and consumer acceptance of those products. In addition, future relationships or agreements may require an ability to meet high quality and performance standards, to successfully implement and sustain production at greatly increased volumes, as to all of which there can be no assurance. There also can be no assurance that products and new business initiatives under consideration or development will be successfully developed or that once developed such products and initiatives will be commercially successful. Any forward-looking statements contained in this report represent our estimates only as of the date of this report, or as of such earlier dates as are indicated herein, and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in the disclosures set forth in Part II, Item 7A in our Form 10-K during this reporting period.

### Item 4T. Controls and Procedures.

#### (a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), designed to ensure that information required to be disclosed in our filings under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our management has reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on that evaluation, our principal executive officer and principal financial officer concluded that as of September 29, 2007, our disclosure controls and procedures were effective in providing reasonable assurance of achieving their objectives in internal control over financial reporting as described above.

#### (b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting has occurred during the quarter ended September 29, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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### PART II. OTHER INFORMATION

#### Item 1. LEGAL PROCEEDINGS

See Part I, Item 1, Financial Statements, Note 11 - Litigation and Settlements in the Notes to Condensed Consolidated Financial Statements.

#### Item 1A. RISK FACTORS

There have been no material changes in the risk factors set forth in Part 1, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

#### Item 6. EXHIBITS

No. ---	Description -----	Method of Filing -----
3.1	Certificate of Incorporation, as amended through May 9, 2000	Incorporated by reference to the Co on Form 10-K for the year ended Jul
3.2	Restated By-Laws, as amended through July 12, 2004	Incorporated by reference to the Co on Form 10-K for the year ended Jul
3.3	Certificate of Amendment (No. 7) of Certificate of Incorporation, dated November 2, 2006	Incorporated by reference to the Co on Form 8-K filed November 7, 2006.
3.4	Certificate of Correction of Certificate of Amendment (No. 7) to Certificate of Incorporation, dated November 3, 2006	Incorporated by reference to the Co on Form 8-K filed November 7, 2006.
10.1	Letter from Dah Sing Bank Limited to Concord Camera HK Limited, dated October 29, 2007, extending financing facilities until November 30, 2007 under existing conditions	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. ss.1350	Filed herewith.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. ss.1350	Filed herewith.

### S I G N A T U R E

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.

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CONCORD CAMERA CORP.

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(Registrant)

DATE: November 13, 2007

By: /s/ Blaine A. Robinson

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(Signature)

Blaine A. Robinson,  
Vice President - Finance,  
Treasurer and Assistant Secretary  
(Principal Financial and  
Accounting Officer and Duly  
Authorized Officer)