

TRANSCAT INC
Form 10-Q/A
June 21, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

(Mark one)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: December 27, 2003**

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: 000-03905

TRANSCAT, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or
organization)

16-0874418

(I.R.S. Employer Identification No.)

35 Vantage Point Drive, Rochester, New York 14624

(Address of principal executive offices) (Zip Code)

585-352-7777

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of Common Stock of the registrant outstanding as of June 16, 2004 was 6,237,465.

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**TRANSCAT, INC.
FORM 10-Q/A**

THIRD QUARTER ENDED DECEMBER 27, 2003

EXPLANATORY NOTE

This Form 10-Q/A amends Part 1, Item 1 and Part II, Item 6, of our Quarterly Report on Form 10-Q for the period ended December 27, 2003, as filed with the Securities and Exchange Commission on January 30, 2004 (the 2004 Third Quarter Report). This Form 10-Q/A does not reflect events that occurred after the filing of the 2004 Third Quarter Report or modify or update those disclosures to reflect any subsequent events. Except as set forth in Part 1, Item 1 and Part II, Item 6, we have not made any changes to, nor updated any disclosures contained in the 2004 Third Quarter Report.

As discussed in Note 2A to our Consolidated Financial Statements contained in this Form 10-Q/A, this Form 10-Q/A restates the balance sheet classification of outstanding debt under our revolving line of credit from long-term to current liabilities. Accounting principles require current classification of revolving lines of credit under which funds are borrowed when the line of credit contains both a lock-box arrangement, whereby remittances to the lock-box automatically pay down the outstanding revolving line of credit, and loan terms that allow the lender to declare the loan in default on a subjective basis. This accounting treatment is required regardless of the legal maturity date of the revolving credit arrangement. Our revolving line of credit, which matures on November 13, 2005, contains such features. Accordingly, the accompanying Consolidated Financial Statements have been restated to reclassify outstanding borrowings under the revolving line of credit from long-term to current liabilities. This change in balance sheet classification does not affect our Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

Table of Contents**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These include statements concerning expectations, estimates, and projections about the industry, management beliefs and assumptions of Transcat, Inc. (Transcat , we , us , or our). Words such as anticipates , expects , intends , plans , believes , seeks , estimates , and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast. Therefore, our actual results may materially differ from those expressed or forecast in any such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(In Thousands, Except Per Share Amounts)

| | (Unaudited) | | (Unaudited) | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Third Quarter Ended | | Nine Months Ended | |
| | December 27, 2003 | December 31, 2002 | December 27, 2003 | December 31, 2002 |
| Product Sales | \$ 9,343 | \$ 10,037 | \$ 24,975 | \$ 29,368 |
| Service Sales | 4,208 | 4,541 | 13,067 | 13,889 |
| Net Sales | 13,551 | 14,578 | 38,042 | 43,257 |
| Cost of Products Sold | 7,344 | 7,351 | 18,733 | 21,572 |
| Cost of Services Sold | 3,124 | 3,855 | 9,544 | 11,809 |
| Total Cost of Products and Services Sold | 10,468 | 11,206 | 28,277 | 33,381 |
| Gross Profit | 3,083 | 3,372 | 9,765 | 9,876 |
| Selling, Marketing, and Warehouse Expenses | 2,041 | 2,120 | 6,195 | 6,154 |
| Administrative Expenses | 1,223 | 1,387 | 3,345 | 3,363 |
| Total Operating Expenses | 3,264 | 3,507 | 9,540 | 9,517 |
| Operating (Loss) Income | (181) | (135) | 225 | 359 |
| Interest Expense | 76 | 128 | 219 | 511 |
| Other Income | (52) | (1,593) | (157) | (1,600) |
| Total Other Expense (Income) | 24 | (1,465) | 62 | (1,089) |
| (Loss) Income Before Income Taxes and Cumulative Effect of a Change in Accounting Principle | (205) | 1,330 | 163 | 1,448 |
| Provision (Benefit) for Income Taxes | 15 | | (147) | (246) |
| (Loss) Income Before Cumulative Effect of a Change in Accounting Principle | (220) | 1,330 | 310 | 1,694 |
| Cumulative Effect of a Change in Accounting Principle | | | | (6,472) |

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| | | | | |
|--|-----------|----------|---------|------------|
| Net (Loss) Income | \$ (220) | \$ 1,330 | \$ 310 | \$ (4,778) |
| Other Comprehensive Income: | | | | |
| Currency Translation Adjustment | 47 | (4) | 119 | (9) |
| Comprehensive (Loss) Income | \$ (173) | \$ 1,326 | \$ 429 | \$ (4,787) |
| Basic (Loss) Earnings Per Share: | | | | |
| Before Cumulative Effect of a Change in Accounting Principle | \$ (0.03) | \$ 0.22 | \$ 0.05 | \$ 0.28 |
| From Cumulative Effect of a Change in Accounting Principle | | | | (1.06) |
| Total Basic (Loss) Earnings Per Share | \$ (0.03) | \$ 0.22 | \$ 0.05 | \$ (0.78) |
| Average Shares Outstanding (in thousands) | 6,295 | 6,149 | 6,262 | 6,138 |
| Diluted (Loss) Earnings Per Share: | | | | |
| Before Cumulative Effect of a Change in Accounting Principle | \$ (0.03) | \$ 0.21 | \$ 0.05 | \$ 0.28 |
| From Cumulative Effect of a Change in Accounting Principle | | | | (1.06) |
| Total Diluted (Loss) Earnings Per Share | \$ (0.03) | \$ 0.21 | \$ 0.05 | \$ (0.78) |
| Average Shares Outstanding (in thousands) | 6,295 | 6,372 | 6,837 | 6,138 |

See the notes to these financial statements.

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TRANSCAT, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share And Per Share Amounts)

(Restated, see Note 2A)

| | (Unaudited) December 27, 2003 | March 31, 2003 |
|---|-------------------------------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 341 | \$ 114 |
| Accounts Receivable, less allowance for doubtful accounts of \$70 and \$114 as of December 27, 2003 and March 31, 2003, respectively | 6,529 | 6,879 |
| Other Receivables | 208 | 159 |
| Finished Goods Inventory, net | 4,930 | 2,842 |
| Income Taxes Receivable | 484 | 799 |
| Prepaid Expenses and Deferred Charges | 879 | 454 |
| Total Current Assets | 13,371 | 11,247 |
| Property, Plant and Equipment, net | 2,113 | 2,556 |
| Goodwill | 2,524 | 2,524 |
| Deferred Charges | 168 | 197 |
| Other Assets | 244 | 234 |
| Total Assets | \$ 18,420 | \$ 16,758 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 4,708 | \$ 3,738 |
| Accrued Payrolls, Commissions and Other | 1,140 | 1,812 |
| Income Taxes Payable | 100 | 100 |
| Deposits | 62 | 64 |
| Current Portion of Term Loan | 585 | 666 |
| Revolving Line of Credit | 6,642 | 5,248 |
| Total Current Liabilities | 13,237 | 11,628 |
| Term Loan, less current portion | 207 | 668 |
| Deferred Compensation | 228 | 220 |
| Deferred Gain on TPG Divestiture | 1,544 | 1,544 |
| Total Liabilities | 15,216 | 14,060 |
| Stockholders Equity: | | |
| Common Stock, par value \$0.50 per share, 30,000,000 shares authorized; 6,307,974 and 6,296,000 shares issued as of December 27, 2003 and March 31, 2003, respectively; 6,188,616 and 6,176,642 shares outstanding as | 3,154 | 3,148 |

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| | | |
|---|-----------|----------|
| of December 27, 2003 and March 31, 2003, respectively | | |
| Capital in Excess of Par Value | 3,102 | 3,031 |
| Warrants | 518 | 518 |
| Accumulated Other Comprehensive Loss | (116) | (235) |
| Retained Deficit | (3,001) | (3,311) |
| Less: Treasury Stock, at cost, 119,358 shares | (453) | (453) |
| Total Stockholders Equity | 3,204 | 2,698 |
| Total Liabilities and Stockholders Equity | \$ 18,420 | \$16,758 |

See the notes to these financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

| | (Unaudited) | |
|--|-------------------|-----------|
| | Nine Months Ended | |
| | December | December |
| | 27, 2003 | 31, 2002 |
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | \$ 310 | \$(4,778) |
| Cumulative Effect of a Change in Accounting Principle | | 6,472 |
| Net Income Before Cumulative Effect of a Change in Accounting Principle | 310 | 1,694 |
| Adjustments to Reconcile Net Income Before Cumulative Effect of a Change in Accounting Principle to Net Cash (Used In) Provided by Operating Activities: | | |
| Gain on Extinguishment of Debt | | (1,593) |
| Depreciation and Amortization | 1,160 | 1,550 |
| Provision for Doubtful Accounts Receivable and Returns | (122) | |
| Common Stock Expense | 77 | 36 |
| Deferred Revenue - MAC | | (161) |
| Other | | (10) |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable and Other Receivables | 423 | 1,863 |
| MAC Escrow and Holdback | | 218 |
| Inventories | (2,088) | (441) |
| Income Taxes Receivable / Payable | 315 | (163) |
| Prepaid Expenses, Deferred Charges, and Other | (854) | (453) |
| Accounts Payable | 970 | (705) |
| Accrued Payrolls, Commissions, and Other | (687) | (751) |
| Deposits | (2) | (376) |
| Deferred Compensation | 8 | (42) |
| Net Cash (Used in) Provided by Operating Activities | (490) | 666 |
| Cash Flows from Investing Activities: | | |
| Purchase of Property, Plant and Equipment | (254) | (249) |
| Net Cash Used in Investing Activities | (254) | (249) |
| Cash Flows from Financing Activities: | | |
| Revolving Line of Credit, net | 1,352 | 408 |
| Payments on Long-Term Borrowings | (500) | (8,207) |
| Proceeds from Long-Term Borrowings | | 7,113 |
| Net Cash Provided by (Used in) Financing Activities | 852 | (686) |
| Effect of Exchange Rate Changes on Cash | 119 | (9) |

| | | |
|---|--------|--------|
| Net Increase (Decrease) in Cash | 227 | (278) |
| Cash at Beginning of Period | 114 | 508 |
| Cash at End of Period | \$ 341 | \$ 230 |
| <u>Supplemental Disclosure of Non-Cash Financing Activity</u> | | |
| Issuance of Warrants for Debt Retirement | \$ | \$ 518 |

See the notes to these financial statements.

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TRANSCAT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Share And Per Share Amounts)
(Unaudited)

NOTE 1 NATURE OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Transcat, Inc. (Transcat , we , us , or our) is a leading distributor of professional grade test, measurement, and calibration instruments and a provider of calibration and repair services, primarily in the process, life science, and manufacturing industries.

Basis of Presentation

Our unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, our Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments considered necessary for a fair presentation (consisting of normal recurring adjustments) have been included. The results for the interim periods are not indicative of the results to be expected for the year. The accompanying Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements as of and for the fiscal year ended March 31, 2003 contained in our 2003 Annual Report on Form 10-K/A filed with the SEC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

Until April 1, 2003, we operated within a conventional 52-week accounting fiscal year ending on March 31 of each year. As of April 1, 2003, we changed our fiscal year end from March 31 to a 52 / 53 week fiscal year end, ending the last Saturday in March. As a result of this change, in a 52-week fiscal year, each of our four fiscal quarters will be a 13-week period, and the final month of each fiscal quarter will be a 5-week period. This is not deemed a change in our fiscal year for purposes of reporting subject to Rule 13a-10 or 15d-10, as promulgated by the SEC, since our new fiscal year commenced with the end of our old fiscal year.

Revenue Recognition

Sales are recorded when products are shipped or services are rendered to customers, as we generally have no significant post delivery obligations. In addition, for each product, the product price is fixed and determinable, collection of the resulting receivable is probable and returns are reasonably estimated. Provisions for customer returns

are provided for in the period the related sales are recorded based upon historical data.

Table of Contents**Earnings Per Share**

Basic earnings per share of Common Stock are computed based on the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share of Common Stock reflect the assumed conversion of dilutive stock options, warrants, and non-vested restricted stock. In computing the per share effect of assumed conversion, funds which would have been received from the exercise of options, warrants, and non-vested restricted stock are considered to have been used to purchase shares of Common Stock at the average market prices during the period, and the resulting net additional shares of Common Stock are included in the calculation of average shares of Common Stock outstanding.

For the third quarter and nine months ended December 27, 2003, the net additional shares of Common Stock had no effect on the calculation of dilutive earnings per share. For the third quarter ended December 31, 2002, the net additional shares of Common Stock had a \$0.01 per share effect on the calculation of dilutive earnings per share and no effect on the calculation of dilutive earnings per share for the nine months ended December 31, 2002. The total number of dilutive and anti-dilutive shares outstanding from stock options, warrants, and non-vested restricted stock are summarized as follows (shares in thousands, except per share amounts):

| | (Unaudited) | | (Unaudited) | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Third Quarter Ended | | Nine Months Ended | |
| | December 27, 2003 | December 31, 2002 | December 27, 2003 | December 31, 2002 |
| Shares Outstanding: | | | | |
| Dilutive | | 223 | 575 | |
| Anti-dilutive | 817 | 1,406 | 983 | 1,421 |
| Total | 817 | 1,629 | 1,558 | 1,421 |
| Range of Exercise Prices per Share: | | | | |
| Options | \$0.80-\$4.75 | \$0.80-\$8.50 | \$0.80-\$4.75 | \$0.80-\$8.50 |
| Warrants | \$0.97-\$2.91 | \$0.97-\$3.75 | \$0.97-\$2.91 | \$0.97-\$3.75 |

Goodwill

We recorded an impairment of \$6.5 million from the implementation of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangibles in our first quarter of fiscal year 2003 as a change in accounting principle.

Deferred Catalog Costs

We amortize the cost of each major catalog (Master Catalog) mailed over such catalog's estimated productive life. We review response results from catalog mailings on a continuous basis; and if warranted, modify the period over which costs are recognized. Deferred catalog costs were \$0.4 million at December 27, 2003. There were no deferred catalog costs at March 31, 2003.

Deferred Gain on TPG

As a result of certain post divestiture commitments (see Note 5 Commitments), according to GAAP, we are unable to recognize the gain of \$1.5 million on the divestiture of Transmation Products Group (TPG), which took place in fiscal year 2002, until those commitments expire in fiscal year 2007.

Deferred Taxes

We account for certain income and expense items differently for financial reporting purposes than for income tax reporting purposes. Deferred taxes are provided in recognition of these temporary differences. A valuation allowance on our deferred tax assets is provided for items for which it is more likely than not that the benefit of such items will not be realized, in accordance with the provisions of SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an assessment of both positive and negative evidence when measuring the need for a deferred tax valuation allowance.

Table of Contents**Stock Options**

We follow the disclosure provisions of Accounting Practice Board No. 25, Accounting for Stock Issued to Employees, which does not require compensation costs related to stock options to be recorded in net income, as all options granted under our stock option plan had exercise prices equal to the market value of the underlying Common Stock at grant date.

The following table provides pro forma amounts, if we accounted for stock-based employee compensation under the fair value method (in thousands, except per share amounts):

| | (Unaudited) Third Quarter Ended | | (Unaudited) Nine Months Ended | |
|---|------------------------------------|----------------------|----------------------------------|----------------------|
| | December 27, 2003 | December 31, 2002 | December 27, 2003 | December 31, 2002 |
| Net (Loss) Income, as reported | \$ (220) | \$ 1,330 | \$ 310 | \$(4,778) |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (56) | (55) | (168) | (164) |
| Pro Forma Net (Loss) Income | \$ (276) | \$ 1,275 | \$ 142 | \$(4,942) |
| (Loss) Earnings Per Share: | | | | |
| Basic as reported | \$ (0.03) | \$ 0.22 | \$ 0.05 | \$ (0.78) |
| Basic pro forma | \$ (0.03) | \$ 0.21 | \$ 0.02 | \$ (0.81) |
| Average Shares Outstanding (in thousands) | 6,295 | 6,149 | 6,262 | 6,138 |
| Diluted as reported | \$ (0.03) | \$ 0.21 | \$ 0.05 | \$ (0.78) |
| Diluted pro forma | \$ (0.03) | \$ 0.20 | \$ 0.02 | \$ (0.81) |
| Average Shares Outstanding (in thousands) | 6,295 | 6,372 | 6,837 | 6,138 |

Reclassification of Amounts

Certain reclassifications of prior fiscal year quarter and prior fiscal year financial information have been made to conform with third quarter and nine month presentation.

NOTE 2A RESTATEMENT

We have restated the classification of our outstanding debt under our revolving line of credit from long-term to current liabilities on our Consolidated Balance Sheets as of December 27, 2003 and March 31, 2003. EITF No. 95-22,

Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement, requires current classification of revolving lines of credit under which funds are borrowed when the revolving line of credit contains both loan terms that allow the lender to declare the loan in default on a subjective basis and a lock-box arrangement, whereby remittances to the lock-box automatically pay down the outstanding revolving line of credit. This accounting treatment is required regardless of the legal maturity date of the revolving line of credit arrangement. Our revolving line of credit, which matures on November 13, 2005, contains such features. Accordingly, the Consolidated Financial Statements have been restated to reclassify outstanding borrowings under the revolving line of credit from long-term to current liabilities. This change in balance sheet classification does not affect our Consolidated Statements of Operations or Consolidated Statements of Cash Flows. The following table reflects the effect of the reclassification of the revolving line of credit on our

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Consolidated Balance Sheets. The revolving line of credit was previously reported in long-term debt on our Consolidated Balance Sheets and has been reclassified to a separate line.

| As Previously Reported | | As Restated | |
|---------------------------|--------------|-----------------|--------------|
| December 27, | March 31, | December 27, | March 31, |

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On November 13, 2002, we entered into a Revolving Credit and Loan Agreement (the Credit Agreement) with GMAC Business Credit, LCC (GMAC). The Credit Agreement expires on November 13, 2005 and replaced our Revolving Credit and Loan Agreement with Key Bank, N.A. and Citizens Bank dated August 3, 1998 and amended on July 12, 2002. The Credit Agreement consists of a term loan and a revolving line of credit (the Loan), certain material terms of which are as set forth below. The Credit Agreement was amended on April 11, 2003 to address certain non-material post-closing conditions.

Under the Credit Agreement, we made a term note in the amount of \$1.5 million in favor of GMAC. This term note requires annual payments totaling \$0.5 million, payable in equal monthly installments, commencing on December 1, 2002. Interest on the term note is payable at our option, at prime plus 0.5% or up to 80% of the Loan at the 30-day LIBOR (London Interbank Offered Rate) plus 3.25%. The prime rate and 30-day LIBOR as of January 27, 2004 were 4.00% and 1.10%, respectively. In addition, under the Credit Agreement, we are required to further reduce the term loan, on an annual basis, by excess cash flow, as defined in the Credit Agreement, not to exceed \$0.2 million per fiscal year. Excess cash flow for the nine months ended December 27, 2003 was less than \$0.1 million.

The maximum amount available under the revolving line of credit portion of the Credit Agreement is \$10.0 million. As of December 27, 2003, we had borrowed \$6.6 million under the revolving line of credit. Availability under the line of credit is determined by a formula based on eligible accounts receivable (85%) and inventory (48%). As of December 27, 2003, availability amounted to \$7.5 million. The Credit Agreement also has certain covenants with which we must comply, including a minimum EBITDA (earnings before interest, income taxes, depreciation and amortization) covenant, as well as, restrictions on capital expenditures and Master Catalog spending. We were in compliance with such loan covenants as of December 27, 2003. Interest on borrowings under the revolving line of credit is payable monthly, at our option, at prime rate, 4.00% as of January 27, 2004, or up to 80% of the Loan at the 30-day LIBOR, 1.10% as of January 27, 2004, plus 2.75%. Additional terms of the Credit Agreement require an increase in our borrowing rate of two percentage points should an event of default occur and a termination premium of 1% of the maximum available borrowing under the revolving line of credit plus the then outstanding balance owed under the term note if the Credit Agreement is terminated after November 13, 2003 and prior to November 13, 2005. The Credit Agreement requires both a subjective acceleration clause and a requirement to maintain a lock-box arrangement. These requirements result in a short-term classification of the revolving line of credit in accordance with EITF No. 95-22, as discussed above in Note 2A.

Additionally, we have pledged certain property and fixtures in favor of GMAC, including inventory, equipment, and accounts receivable as collateral security for the loans made under the Credit Agreement.

The Credit Agreement also requires us to make the following principal payments on the term note, excluding any reductions attributable to excess cash flow, as discussed above (in thousands):

| | |
|------------------|----------|
| Fiscal Year 2004 | \$ 500 |
| Fiscal Year 2005 | 500 |
| Fiscal Year 2006 | 333 |
| Total | \$ 1,333 |

After giving effect to the excess cash flow payments made and the estimated payment to be made attributable to excess cash flow for fiscal year 2004 as required under the Credit Agreement, the following are the future term loan

payments as of December 27, 2003 (in thousands):

| | |
|------------------|--------|
| Fiscal Year 2004 | \$ 125 |
| Fiscal Year 2005 | 585 |
| Fiscal Year 2006 | 82 |
| Total | \$792 |

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Transcat has two reportable segments: Distribution Products (Product) and Calibration Services (Service). Segment data is as follows (in thousands):

| | (Unaudited) Third Quarter Ended | | (Unaudited) Nine Months Ended | |
|--|------------------------------------|----------------------|----------------------------------|----------------------|
| | December 27, 2003 | December 31, 2002 | December 27, 2003 | December 31, 2002 |
| Net Sales: | | | | |
| Product | \$ 9,343 | \$ 10,037 | \$ 24,975 | \$ 29,368 |
| Service | 4,208 | 4,541 | 13,067 | 13,889 |
| Total | 13,551 | 14,578 | 38,042 | 43,257 |
| Gross Profit: | | | | |
| Product | 1,999 | 2,686 | 6,242 | 7,796 |
| Service | 1,084 | 686 | 3,523 | 2,080 |
| Total | 3,083 | 3,372 | 9,765 | 9,876 |
| Operating Expenses: | | | | |
| Product | 1,930 | 2,135 | 5,382 | 5,667 |
| Service | 1,334 | 1,372 | 4,158 | 3,850 |
| Total | 3,264 | 3,507 | 9,540 | 9,517 |
| Operating (Loss) Income: | | | | |
| Product | 69 | 551 | 860 | 2,129 |
| Service | (250) | (686) | (635) | (1,770) |
| Total | (181) | (135) | 225 | 359 |
| Unallocated Amounts: | | | | |
| Other Expense (Income) | 24 | (1,465) | 62 | (1,089) |
| Provision (Benefit) for Income Taxes | 15 | | (147) | (246) |
| Cumulative Effect of a Change in Accounting Principle | | | | 6,472 |
| Total | 39 | (1,465) | (85) | 5,137 |
| Net (Loss) Income | \$ (220) | \$ 1,330 | \$ 310 | \$ (4,778) |

NOTE 5 COMMITMENTS

In fiscal year 2003, we entered into a distribution agreement (the Distribution Agreement) with Fluke Electronics Corporation (Fluke) to be the exclusive worldwide distributor of TPG products until December 25, 2006. Under the

Distribution Agreement, we also agreed to purchase a pre-determined amount of inventory from Fluke.

On October 31, 2002, with an effective date of September 1, 2002, we entered into a new distribution agreement (the New Agreement) with Fluke, which replaced the Distribution Agreement. The New Agreement extends through December 31, 2006. Under the terms of the New Agreement, among other items, we agreed to purchase a larger, pre-determined amount of inventory across a broader array of products and brands during each calendar year. Our purchases for calendar year 2003 exceeded our commitment under the New Agreement. We believe that this commitment to future purchases is consistent with our business needs and plans.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits.

See Index to Exhibits. The Index to Exhibits attached to this Form 10-Q/A supplements the Index to Exhibits contained in the 2004 Third Quarter Report.

b) Reports on Form 8-K.

The following reports on Form 8-K were filed during the quarter for which this report is filed:

- (1) Report dated October 20, 2003 reporting on Item 7, Financial Statement and Exhibits, and Item 12, Results of Operations and Financial Condition. This report furnished our press release regarding 2003 second quarter financial results.
- (2) Report dated October 29, 2003 reporting on Item 5, Other Events, and Item 7, Financial Statement and Exhibits. This report filed our press release regarding Carl E. Sassano's election as Chairman of the Board.
- (3) Report dated November 20, 2003 reporting on Item 7, Financial Statement and Exhibits, and Item 12, Results of Operations and Financial Condition. This report furnished our press release announcing our invitation to present at the Western New York Investor Conference in Buffalo, New York.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSCAT, INC.

Date: June 17, 2004

/s/ Carl E. Sassano

Carl E. Sassano
Chairman, President and Chief Executive Officer
/s/ Charles P. Hadeed

Date: June 17, 2004

Charles P. Hadeed
Vice President of Finance and Chief Financial
Officer

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INDEX TO EXHIBITS

(31) Rule 13a-14(a)/15d-14(a) Certifications

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

(32) Section 1350 Certification