PERFICIENT INC
Form 10-Q
November 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

OR

o	**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: 001-15169

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

Delaware	**No. 74-2853258**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1120 South Capital of Texas Highway, Building 3, Suite 220
Austin, Texas 78746
(Address of principal executive offices)
(512) 531-6000
(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 during the past 90 days. þ Yes o 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 o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of October 25, 2006, there were 27,168,257 shares of Common Stock outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Perficient, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

		September 30, 2006		December 31, 2005
ASSETS		(In thousands)		
Current assets:				
Cash and cash equivalents	$	65	$	5,096
Accounts receivable, net		37,916		23,251
Other current assets:				
Prepaid expenses		1,783		887
Other current assets		2,773		1,530
Total other current assets		4,556		2,417
Total current assets		42,537		30,764
Property and equipment, net		1,584		960
Goodwill		68,946		46,263
Intangible assets, net		12,973		5,768
Other non-current assets		1,016		1,180
Total assets	$	127,056	$	84,935
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	2,260	$	3,774
Current portion of long-term debt		1,410		1,337
Other current liabilities		16,286		8,331
Note payable to related parties		--		244
Total current liabilities		19,956		13,686
Long-term borrowings, net of current portion		5,472		5,338
Deferred taxes		1,004		--
Total liabilities		26,432		19,024
Stockholders' equity:				
Common stock (par value $.001 per share; 50,000,000 shares authorized and				
26,270,076 shares issued and outstanding as of September 30, 2006;				
23,294,509 shares issued and outstanding as of December 31, 2005)		26		23
Additional paid-in capital		143,055		115,120
Accumulated other comprehensive loss		(105)		(87)
Accumulated deficit		(42,352)		(49,145)
Total stockholders' equity		100,624		65,911
Total liabilities and stockholders' equity	$	127,056	$	84,935

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
	(In thousands, except per share data)			
Revenues				
Services	$ 40,219	$ 23,157	$ 98,577	$ 60,049
Software	1,532	1,918	6,800	4,718
Reimbursable expenses	2,543	1,048	6,071	2,741
Total revenues	44,294	26,123	111,448	67,508
Cost of revenues (exclusive of depreciation and amortization, shown separately below)				
Project personnel costs	24,190	13,771	59,911	36,319
Software costs	1,247	1,503	5,673	3,881
Reimbursable expenses	2,543	1,048	6,071	2,741
Other project related expenses	460	502	1,474	1,265
			73,073	
Total cost of revenues	28,440	16,824	73,129	44,206
Gross margin	15,854	9,299	38,319	23,302
Selling, general and administrative	9,539	5,101	23,414	12,926
Depreciation	264	149	647	459
Amortization of intangible assets	1,211	494	2,335	1,074
Total operating expenses	11,014	5,744	26,396	14,459
Income from operations	4,840	3,555	11,923	8,843
Interest income	45	3	76	11
Interest expense	(217)	(204)	(463)	(438)
Other	7	5	72	13
Income before income taxes	4,675	3,359	11,608	8,429
Provision for income taxes	1,841	1,293	4,815	3,248
Net income	$ 2,834	$ 2,066	$ 6,793	$ 5,181
Basic net income per share	$ 0.11	$ 0.09	$ 0.28	$ 0.24
Diluted net income per share	$ 0.10	$ 0.08	$ 0.25	$ 0.21
Shares used in computing basic net income per share	25,618	22,418	24,525	21,703

Shares used in computing diluted net income per share	28,056	25,504	27,156	25,034

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statement of Stockholders' Equity
Nine Months Ended September 30, 2006
(Unaudited)
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2005	23,295	$ 23	$ 115,120	$ (87)	$ (49,145)	$ 65,911
Bay Street, Insolexen, and EGG acquisitions	1,499	2	17,989	--	--	17,991
Warrants exercised	145	--	146	--	--	146
Stock options exercised	1,324	1	3,133	--	--	3,134
Purchases of stock from Employee Stock Purchase Plan	4	--	57	--	--	57
Tax benefit of stock option exercises	--	--	4,383	--	--	4,383
Stock compensation	--	--	2,227	--	--	2,227
Vested stock compensation	3	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	(18)	--	(18)
Net income	--	--	--	--	6,793	6,793
Total comprehensive income	--	--	--	--	--	6,775
Balance at September 30, 2006	26,270	$ 26	$ 143,055	$ (105)	$ (42,352)	$ 100,624

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2006	2005
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 6,793	$ 5,181
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation	647	459
Amortization of intangibles	2,335	1,074
Non-cash stock compensation	2,227	191
Non-cash interest expense	6	19
Tax benefit on stock options	452	--
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,993)	(3,013)
Other assets	(709)	(1,102)
Accounts payable	(1,515)	(4,476)
Other liabilities	(2,744)	1,455
Net cash provided by (used in) operating activities	2,499	(212)
INVESTING ACTIVITIES		
Purchase of property and equipment	(995)	(548)
Capitalization of software developed for internal use	(59)	(484)
Purchase of businesses, net of cash acquired	(13,677)	(9,704)
Payments on Javelin Notes	(250)	(250)
Net cash used in investing activities	(14,981)	(10,986)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings	28,600	12,000
Payments on short-term borrowings	(27,400)	(2,000)
Payments on long-term debt	(994)	(815)
Deferred offering costs	--	(943)
Tax benefit on stock options	3,931	946
Proceeds from exercise of stock options and Employee Stock Purchase Plan	3,191	1,290
Proceeds from exercise of warrants	146	107
Net cash provided by financing activities	7,474	10,585
Effect of exchange rate on cash and cash equivalents	(23)	(36)
Change in cash and cash equivalents	(5,031)	(649)
Cash and cash equivalents at beginning of period	5,096	3,906
Cash and cash equivalents at end of period	$ 65	$ 3,257
Supplemental disclosures:		
Interest paid	$ 465	$ 394
Cash paid for income taxes	$ 3,111	$ 1,585

Non cash activities:				
Stock issued for Purchase of Business	$	17,991	$	8,864
Change in goodwill	$	533	$	(493)

See accompanying notes to interim unaudited condensed consolidated financial statements.

PERFICIENT, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of Perficient, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States and are presented in accordance with the rules and regulations of the Securities and Exchange Commission applicable to interim financial information. Accordingly, certain footnote disclosures have been condensed or omitted. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. These financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as amended. Operating results for the three months and nine months ended September 30, 2006 may not be indicative of the results for the full fiscal year ending December 31, 2006. Certain prior year balances have been reclassified to conform to current period presentation.

2. Summary of Significant Accounting Policies

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share-Based Payment* ("SFAS No. 123R"). This Statement requires that effective January 1, 2006, the costs of employee share-based payments be measured at fair value on the awards' grant date and recognized in the financial statements over the requisite service period.

Prior to January 1, 2006, the Company accounted for share-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations and elected the disclosure option of SFAS No. 123 as amended by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. SFAS No. 123 required that companies either recognize compensation expense for grants of stock, stock options and other equity instruments based on fair value, or provide pro forma disclosure of net income and earnings per share in the notes to the financial statements. Accordingly, the Company measured compensation expense for stock options as the excess, if any, of the estimated fair market value of the Company's stock at the date of grant over the exercise price. The Company has elected to provide pro forma effects of this measurement in a footnote to its financial statements. Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R using the modified prospective application transition method (see Note 3).

Revenue Recognition

Revenues are primarily derived from professional services provided on a time and materials basis. For time and material projects, revenue is recognized and billed by multiplying the number of hours expended in the performance of the project by the established billing rates. For fixed fee projects, revenue is generally recognized using the proportionate performance method based on the ratio of hours expended to total estimated hours. Provisions for estimated losses on incomplete projects are made on a project-by-project basis and are recognized in the period in which such losses are determined. Billings in excess of costs plus earnings are classified as deferred revenues. On many projects the Company is also reimbursed for out-of-pocket expenses. These reimbursements are included as a component of revenue. Revenue from software sales is recorded on a gross basis based on the Company's role as principal in the transaction. In the event the Company does not meet the requirements to be considered a principal in the software sale transaction, the revenue would be recorded on a net basis.

Revenue is recognized when the following criteria are met: (1) persuasive evidence of the customer arrangement exists, (2) fees are fixed and determinable, (3) acceptance has occurred, and (4) collectibility is deemed probable. We determine the fair value of each element in the arrangement based on vendor-specific objective evidence ("VSOE") of fair value. VSOE of fair value is based upon the normal pricing and discounting practices for those products and services when sold separately. We follow very specific and detailed guidelines in determining revenues; however, certain judgments and estimates are made and used to determine revenue recognized in any accounting period. Material differences may result in the amount and timing of revenue recognized for any period if different conditions were to prevail.

Revenue from internally developed software which is allocated to maintenance and support is recognized ratably over the maintenance term (typically one year).

Revenue allocated to training and consulting service elements is recognized as the services are performed. Our consulting services are not essential to the functionality of our products as such services are available from other vendors.

Intangible Assets

In a business combination, goodwill represents the excess purchase price over the fair value of net assets acquired, or net liabilities assumed. As required, the Company performs an annual impairment test of goodwill. The Company evaluates goodwill at the enterprise level as of October 1 each year or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The impairment test utilizes a two-stepped approach. The first step screens for impairment and, when impairment is indicated, a second step is employed to measure the impairment. The Company also reviews other factors to determine the likelihood of impairment. No impairment was indicated using data as of October 1, 2005, and as of September 30, 2006, there were no events or changes in circumstances which would indicate that goodwill might be impaired.

Other intangible assets, including amounts allocated to customer relationships, customer backlog, non-compete agreements, and internally developed software, are being amortized over the assets' estimated useful lives using the straight-line method. Estimated useful lives range from four months to eight years. Amortization of intangible assets is considered operating expense and is included in “Amortization of intangible assets” in the accompanying unaudited interim condensed consolidated statements of operations. The Company periodically reviews the estimated useful lives of its other intangible assets, taking into consideration any events or circumstances that might result in a lack of recoverability or revised useful life. The Company also assesses potential impairments to intangible assets on an annual basis or when there is evidence that events or changes in circumstances impacted the carrying amount of an asset. The Company’s judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of the businesses, market conditions and other factors.

Long-lived assets held and used are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be entirely recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made. Management has determined that no impairment exists as of September 30, 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and such differences could be material to the financial statements.

3. Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R using the modified prospective application transition method. Under this method, compensation cost for the portion of awards for which the requisite service has not yet been rendered that are outstanding as of the adoption date is recognized over the remaining service period. The compensation cost for that portion of awards is based on the grant-date fair value of those awards as calculated for pro forma disclosures under SFAS No. 123. All new awards and awards that are modified, repurchased, or cancelled after the adoption date are accounted for under the provisions of SFAS No. 123R. Prior periods are not restated under this transition method. The Company recognizes share-based compensation ratably using the straight-line attribution method over the requisite service period. In addition, pursuant to SFAS No. 123R, the Company is required to estimate the amount of expected forfeitures when calculating share-based compensation, instead of accounting for forfeitures as they occur, which was the Company's practice prior to the adoption of SFAS No. 123R.

Total share-based compensation cost recognized for the three months ended September 30, 2006 and 2005 was approximately $758,000 and $73,000, and the associated current and future income tax benefits recognized for the three months ended September 30, 2006 and 2005 were approximately $238,000 and $28,000. For the nine months ended September 30, 2006 and 2005, total share-based compensation cost recognized was approximately $2.2 million and $191,000, and the associated current and future income tax benefits recognized were approximately $566,000 and $73,000. As of September 30, 2006, there was $8.6 million of total unrecognized compensation cost related to non-vested share-based awards. This cost is expected to be recognized over a weighted-average period of 2.4 years.

Prior to the adoption of SFAS No. 123R, the Company accounted for employee stock-based compensation using the intrinsic value method prescribed by APB 25. As presented below, the Company applied the disclosure provisions of SFAS 123, as amended by SFAS 148, *Accounting for Stock-Based Compensation - Transition and Disclosure,* as if the fair value method had been applied. If this method had been used, the Company's net income and net income per share for the three and nine months ended September 30, 2005 would have been adjusted to the pro forma amounts below (in thousands except per share data):

		Three Months Ended September 30, 2005		Nine Months Ended September 30, 2005
Net income -- as reported	$	2,066	$	5,181
Total stock-based compensation costs, net of tax, included in the determination of net income as reported		45		118
The stock-based employee compensation cost, net of tax, that would have been included in the determination of net income if the fair value based method had been applied to all awards		(533)		(1,588)
Pro forma net income available to common stockholders	$	1,578	$	3,711
Earnings per share:				
Basic -- as reported	$	0.09	$	0.24
Basic -- pro forma	$	0.07	$	0.18
Diluted -- as reported	$	0.08	$	0.21
Diluted -- pro forma	$	0.06	$	0.15

Equity Incentive Plans

The Company did not grant any stock option awards during the nine months ended September 30, 2006. The fair value of options granted during the nine months ended September 30, 2005 was calculated at the date of grant using the Black-Scholes pricing model with the following weighted-average assumptions: risk free interest rate of 3.61%; dividend yield of 0%; weighted-average expected life of options of 5 years; and a volatility factor of 1.384.

Stock option activity for the nine months ended September 30, 2006 was as follows (in thousands, except exercise price information):

	Shares		Range of Exercise Prices		Weighted-Average Exercise Price
Options outstanding at January 1, 2006	5,268	$	0.02 - $16.94	$	3.53
Options granted	--		--		--
Options exercised	(1,324)	$	0.02 - $12.13	$	2.43
Options canceled	(32)	$	1.01 - $13.25	$	5.95
Options outstanding at September 30, 2006	3,912	$	0.02 - $16.94	$	3.88
Options vested at September 30, 2006	2,466	$	0.02 - $16.94	$	3.33

Restricted stock activity for the nine months ended September 30, 2006 was as follows (in thousands, except fair value information):

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at January 1, 2006	614	$ 7.69
Awards granted	59	$ 12.98
Awards released	(2)	$ 6.83
Awards canceled	(13)	$ 8.01
Restricted stock awards outstanding at September 30, 2006	658	$ 8.16

4. Warrants

The following table summarizes information regarding warrants outstanding and exercisable as of September 30, 2006 (in thousands, except exercise price information):

	Warrants Outstanding and Exercisable
Exercise Price	**Warrants**
$1.98	9
$1.98	**9**

5. Net Income per Share

The following table presents the calculation of basic and diluted net income per share (in thousands, except per share information):

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Net income	$ 2,834	$ 2,066	$ 6,793	$ 5,181
Basic:				
Weighted-average shares of common stock outstanding	24,368	21,168	23,275	20,538
Weighted-average shares of common stock outstanding subject to contingency (i.e. restricted stock)	1,250	1,250	1,250	1,165
Shares used in computing basic net income per share	25,618	22,418	24,525	21,703
Effect of dilutive securities:				
Stock options	2,183	2,933	2,357	3,181
Warrants	46	153	96	150
Restricted stock subject to vesting	209	--	178	--
Shares used in computing diluted net income per share	28,056	25,504	27,156	25,034

Basic net income per share	$	0.11	$	0.09	$	0.28	$	0.24
Diluted net income per share	$	0.10	$	0.08	$	0.25	$	0.21

6. Commitments and Contingencies

The Company leases its office facilities and certain equipment under various operating lease agreements. The Company has the option to extend the term of certain of its office facilities leases. Future minimum commitments under these lease agreements are as follows (in thousands):

		Operating Leases
2006 remaining	$	357
2007		1,258
2008		1,020
2009		912
2010		662
Thereafter		359
Total minimum lease payments	$	4,568

The Company is required to maintain a letter of credit for $200,000 with Silicon Valley Bank to serve as collateral for an office space lease. This letter of credit with Silicon Valley Bank reduces the borrowings available under the Company's line of credit with Silicon Valley Bank. This letter of credit will remain in effect through October 2009.

7. Balance Sheet Components

The components of accounts receivable are as follows (in thousands):

	September 30, 2006	December 31, 2005

Results of Operations

Recent Developments

In mid-December 2004, our principal competitor, Mallinckrodt, a division of Tyco International Ltd., initiated a recall of its liquid barium products due to potential microbial contamination. As a result, we estimate that our third quarter net sales were favorably affected by $3.3 million to $3.7 million due to our ability to provide replacement products. We anticipate that Mallinckrodt will resume shipping these products prior to the end of our fourth quarter. We are unable to predict what portion of the business, if any, we will be able to retain.

We recently received notice of price increases from several of our single-source barium suppliers. While this had no affect on the current quarter operating results, it could adversely affect our future results of operation. We currently are negotiating with our suppliers and exploring various alternatives to mitigate this potential cost increase.

As of the end of our current fiscal year, we will become subject to the accelerated filing requirements and the Section 404 internal control requirements of the Sarbanes-Oxley Act of 2002. As an accelerated filer, our

-27-

quarterly and annual SEC reports will be subject to more stringent filing deadlines. Additionally, under Section 404 of the Act, we will be required to design and implement a system of internal control over financial reporting and to evaluate and determine the effectiveness of our internal control over financial reporting. During the current quarter, we dedicated significant amounts of time and resources to these compliance efforts. We incurred outside consulting and auditing costs of $165,000 in the quarter, and we expect that our costs for continuing Sarbanes-Oxley compliance will be significant.

Quarters ended February 26, 2005 and February 28, 2004

Our fiscal quarters ended February 26, 2005 and February 28, 2004 both represent thirteen weeks.

Consolidated Results of Operations

For the quarter ended February 26, 2005, we reported net earnings of $2,918,000, or $.27 per common share on both a basic and diluted basis, compared to net earnings of $1,229,000, or $.12 per common share on both a basic and diluted basis, for the comparable period of last year.

Both the current quarter and the comparable quarter of the prior year included charges for restructuring our manufacturing operations. The current quarter included $649,000, or $.04 per basic share, in plant closing and operational restructuring costs related to the moving of our powder-based barium production to our manufacturing facility in Montreal, Canada. We expect the project to be completed by the end of fiscal 2005, and to generate projected annual pre-tax savings of $2,200,000 beginning in fiscal 2006. An expected pre-tax charge to earnings of $2,800,000 (inclusive of $2,074,000 in charges incurred during the nine months ended February 26, 2005), approximately half of which is severance related, will be recorded in the current year as a result of this program. The comparable quarter of the prior year included $500,000, or $.04 per basic share, in plant closing and operational restructuring costs related to the closings of our device manufacturing facility in San Lorenzo, Puerto Rico, and our heat-sealing operation in Westbury, New York, both of which were completed in the fourth quarter of fiscal 2004.

Excluding the effect of the plant closings and operational restructurings, operating results improved by $1,650,000 due to increased sales and improved gross profit, partially offset by increased operating expenses.

Continuing Operations

Net sales for the quarter ended February 26, 2005 increased 24%, or $5,883,000, over the quarter ended February 28, 2004 due to sales volume increases of $5,557,000, of which we estimate $3,300,000 to $3,700,000 can be attributed to the Mallinckrodt product recall, and foreign currency exchange rate fluctuations, which increased the translated amounts of our foreign subsidiaries sales to U.S. dollars for financial reporting purposes by $425,000. On a product line basis, the net sales increase resulted from increased sales of CT imaging contrast products, particularly our CT Smoothie lines, and CT injector systems totaling $4,322,000 and increased sales of X-ray fluoroscopy products of $1,175,000. Price increases had minimal effect on net sales for the current quarter.

Net sales in international markets, including direct exports from the United States, increased 11%, or $991,000, to $9,887,000 for the current quarter from $8,896,000 for the comparable period of last year. This increase is attributable to higher sales volumes of $566,000 and foreign currency exchange rate fluctuations, which increased the translated amounts of foreign subsidiaries sales to U.S. dollars for financial reporting purposes by $425,000.

Gross profit, expressed as a percentage of net sales, improved to 41% for the current quarter from 39% for the comparable quarter of the prior year due primarily to favorable changes in sales product mix and cost savings from the closings of our device manufacturing facility in San Lorenzo, Puerto Rico, and our heat-sealing operation in Westbury, New York. Our third fiscal quarters traditionally have fewer production days than the other fiscal quarters, resulting in somewhat lower gross profit percentages.

Selling and administrative (S&A) expenses were $8,923,000 for the quarter ended February 26, 2005 compared to $7,963,000 for the quarter ended February 28, 2004. This increase of $960,000, or 12%, was due, in large part, to: (i) increased compensation costs of $260,000; (ii) costs of $165,000 for Sarbanes-Oxley Act Section 404 compliance efforts; and (iii) foreign currency exchange rate fluctuations which increased the translated amounts of our foreign subsidiaries S&A expenses to U.S. dollars for financial reporting purposes by $134,000.

Research and development (R&D) expenditures increased 36% for the current quarter to $1,421,000, or 5% of net sales, from $1,047,000, or 4% of net sales, for the comparable quarter of the prior year due primarily to increased spending of $179,000 relating to X-ray fluoroscopy and CT imaging projects, $74,000 relating to gastroenterology projects, $59,000 relating to general regulatory costs and $42,000 relating to virtual colonoscopy projects. Of the R&D expenditures for the current quarter, approximately 53% relate to X-ray fluoroscopy and CT imaging projects, 28% to general regulatory costs, 11% to gastroenterology projects, 6% to virtual colonoscopy projects and 2% to other projects. R&D expenditures are expected to continue at approximately current levels for the remainder of this fiscal year.

Other income, net of other expenses, totaled $1,495,000 for the current quarter compared to $908,000 for the comparable period of last year. This increase was due primarily to increased foreign currency exchange gains of $366,000, resulting from the strengthening of the U.S. dollar in the current quarter, and increased gains of $322,000 on the sales of non-core equity securities, partially offset by reduced interest income of $79,000. Interest income for the comparable period of last year included $115,000 in imputed interest on loans to AngioDynamics. Certain of these loans were capitalized in connection with the initial public offering of AngioDynamics and the balance was repaid in the current fiscal year.

For the quarter ended February 26, 2005, our effective tax rate of 10% differed from the Federal statutory tax rate of 34% due primarily to the reversal of valuation allowances relating to a previously impaired, non-core equity security and losses of our subsidiary in Puerto Rico, partially offset by non-deductible expenses. For the quarter ended February 28, 2004, our effective tax rate of 52% differed from the Federal statutory tax rate of 34% due primarily to not currently deductible losses incurred at our subsidiary in Puerto Rico and non-deductible expenses. The losses incurred at our Puerto Rican subsidiary resulted from the closing of this facility and the outsourcing of its operations.

Discontinued Operations

We have consolidated the financial statements of AngioDynamics and reported its results as a discontinued operation in an amount equal to our percentage of equity ownership through October 30, 2004, the spin-off date. Since the spin-off occurred prior to our third fiscal quarter, the results for the discontinued operation were excluded from the accompanying consolidated statement of earnings for the current quarter.

Summarized results of operations for AngioDynamics as reported in earnings from discontinued operation in the accompanying consolidated statement of earnings are as follows:

	Thirteen weeks ended February 28, 2004
	(in thousands)
Net sales	
From unaffiliated customers	$ 12,223
From affiliates	232
Total net sales	$ 12,455
Earnings before income taxes	$ 946
Income tax provision	265
Earnings from discontinued operation	$ 681

Nine months ended February 26, 2005 and February 28, 2004

Our nine months ended February 26, 2005 and February 28, 2004 both represent thirty-nine weeks.

Consolidated Results of Operations

For the nine months ended February 26, 2005, we reported net earnings of $5,600,000, or $.52 and $.51 per common share on a basic and diluted basis, respectively, compared to net earnings of $2,699,000, or $.26 per common share on both a basic and diluted basis, for the comparable period of last year.

Both the current nine months and the comparable nine months of the prior year included charges for restructuring our manufacturing operations. The current nine months included $2,074,000, or $.13 per basic share, in plant closing and operational restructuring costs related to the moving of our powder-based barium production to our manufacturing facility in Montreal, Canada. The comparable nine months of the prior year included $1,700,000, or $.15 per basic share, in plant closing and operational restructuring costs related to the closings of our device manufacturing facility in San Lorenzo, Puerto Rico, and our heat-sealing operation in Westbury, New York, both of which were completed in the fourth quarter of fiscal 2004.

Excluding the effect of the plant closings and operational restructurings, operating results improved by $2,332,000 due to increased sales and improved gross profit, partially offset by increased operating expenses, including the recording of compensation costs of $406,000, resulting from the modification of certain stock options previously granted to one of our former directors.

Continuing Operations

Net sales for the nine months ended February 26, 2005 increased 11%, or $8,188,000, compared to the nine months ended February 28, 2004 due to sales volume increases of $6,782,000, of which we estimate $3,300,000 to $3,700,000 can be attributed to the Mallinckrodt product recall, and foreign currency exchange rate fluctuations, which increased the translated amounts of our foreign subsidiaries sales to U.S. dollars for financial reporting purposes by $1,202,000. On a product line basis, the net sales increase resulted from increased sales of CT imaging contrast products, particularly our CT Smoothie lines, and CT injector systems totaling $8,188,000. Price increases accounted for less than 1% of net sales for the current period.

Net sales in international markets, including direct exports from the United States, increased 4%, or $931,000, to $27,019,000 for the current period from $26,088,000 for the comparable period of last year. Foreign currency exchange rate fluctuations, which increased the translated amounts of foreign subsidiaries sales to U.S. dollars for financial reporting purposes by $1,202,000, were partially offset by lower sales volumes.

Gross profit, expressed as a percentage of net sales, improved to 43% for the current period from 39% for the comparable period of the prior year due primarily to: (i) cost savings from the closings of our device manufacturing facility in San Lorenzo, Puerto Rico, and our heat-sealing operation in Westbury, New York; (ii) the decline in distributor rebates; and (iii) reduced raw material and purchased finished product costs.

S&A expenses were $26,192,000 for the nine months ended February 26, 2005 compared to $23,233,000 for the nine months ended February 28, 2004. This increase of $2,959,000, or 13%, was due, in large part, to: (i) increased compensation costs of $596,000; (ii) foreign currency exchange rate fluctuations, which increased the translated amounts of our foreign subsidiaries S&A expenses to U.S. dollars for financial reporting purposes by $435,000; (iii) the recording of a non-cash compensation charge of $406,000, resulting from the modification of certain stock options previously granted to one of our former directors; and (iv) costs of $165,000 for Sarbanes-Oxley Act Section 404 compliance efforts.

R&D expenditures increased 21% for the current period to $3,919,000, or 5% of net sales, from $3,229,000, or 4% of net sales, for the comparable period of the prior year due primarily to increased spending of $313,000 relating to gastroenterology projects, $198,000 relating to X-ray fluoroscopy and CT imaging projects, $73,000 relating to general regulatory costs and $60,000 relating to virtual colonoscopy projects. Of the R&D expenditures for the current period, approximately 48% relate to X-ray fluoroscopy and CT imaging projects, 28% to general regulatory costs, 14% to gastroenterology projects, 8% to virtual colonoscopy projects and 2% to other projects.

Other income, net of other expenses, totaled $2,503,000 for the current period compared to $1,815,000 for the comparable period of last year. This improvement was due primarily to increased gains of $1,392,000 on the sales of non-core equity securities, partially offset by reduced interest income of $442,000 and unfavorable changes in foreign currency exchange gains and losses of $183,000, resulting from the weakening of the U.S. dollar. Interest income for the comparable period of last year included $535,000 in imputed interest on loans to AngioDynamics. Certain of these loans were capitalized in connection with the initial public offering of AngioDynamics and the balance was repaid in the current fiscal year.

For the nine months ended February 26, 2005, our effective tax rate of 11% differed from the Federal statutory tax rate of 34% due primarily to the reversal of valuation allowances relating to a previously impaired, non-core equity security and losses of our subsidiary in Puerto Rico, partially offset by non-deductible expenses, including stock option compensation costs of $377,000. For the nine ended February 28, 2004, our effective tax rate of 52% differed from the Federal statutory tax rate of 34% due primarily to not currently deductible losses incurred at our subsidiary in Puerto Rico and non-deductible expenses, partially offset by the utilization of previously unrecorded net operating loss carryforwards in certain foreign jurisdictions. The losses incurred at our Puerto Rican subsidiary resulted from the closing of this facility and the outsourcing of its operations.

Discontinued Operations

We have consolidated the financial statements of AngioDynamics and reported its results as a discontinued operation in an amount equal to our percentage of equity ownership through October 30, 2004, the spin-off date. The results for the discontinued operation for the current nine months represent only twenty-two weeks activity and, therefore, are not comparative to the results for the prior year s first nine months.

Summarized results of operations for AngioDynamics, including minority interest, as reported in earnings from discontinued operation in the accompanying consolidated statements of earnings are as follows:

	Twenty-two weeks ended October 30, 2004	Thirty-nine weeks ended February 28, 2004
	(in thousands)	
Net sales		
From unaffiliated customers	$ 22,342	$ 34,289
From affiliates	420	647
Total net sales	$ 22,762	$ 34,936
Earnings before income taxes	$ 2,628	$ 2,593
Income tax provision	1,103	989
Earnings before minority interest	1,525	1,604
Minority interest	297	
Earnings from discontinued operation	$ 1,228	$ 1,604

Liquidity and Capital Resources

For the nine months ended February 26, 2005, cash dividends and capital expenditures were funded by working capital, cash reserves and the repayment of intercompany debt by AngioDynamics from the proceeds of its IPO. Our policy has generally been to fund operations and capital requirements without incurring significant debt. At February 26, 2005, debt (notes payable, current maturities of long-term debt and long-term debt) was $624,000, as compared to $767,000 at May 29, 2004. We have available $1,614,000 under a bank line of credit, of which no amounts were outstanding at February 26, 2005.

Our contractual obligations and their effect on liquidity and cash flows as of February 26, 2005 are set forth in the table below. We have no variable interest entities or other off-balance sheet obligations.

	Payments Due By Period as of February 26, 2005				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Contractual Obligations:					
Long-term debt	$ 217	$ 107	$ 110		
Notes payable	407	407			
Operating leases (1)	9,652	1,763	3,552	$ 3,550	$ 787
Purchase obligations (1)	4,876	4,876			
Employment contract (1)	680	680			
Consulting contracts (1)	77	42	35		
Other long-term liabilities reflected on the consolidated balance sheet					
Deferred compensation (2)	2,713	16	40	51	2,606
Accrued retirement benefits	200	62			138
Total	$ 18,822	$ 7,953	$ 3,737	$ 3,601	$ 3,531

(1) The non-cancelable operating leases, purchase obligations, and employment and consulting contracts are not reflected on the consolidated balance sheet under accounting principles generally accepted in the United States of America. The purchase obligations consist primarily of finished good product and component parts.

(2) Deferred compensation costs covering active employees are assumed payable after five years, although certain circumstances, such as termination, would require earlier payment.

At February 26, 2005, approximately $25,716,000, or 25%, of our assets consisted of cash and cash equivalents and short-term debt and equity securities. The current ratio was 5.35 to 1, with net working capital of $61,787,000, at February 26, 2005, compared to a current ratio of 6.07 to 1, with net working capital of $88,636,000, at May 29, 2004. The decrease in net working capital resulted from our spin-off of AngioDynamics. We believe that our cash reserves, cash provided from continuing operations and our existing bank line of credit will provide sufficient liquidity to meet our current obligations for the next 12 months.

In March 2003, the Board of Directors authorized the repurchase of up to 300,000 shares of our common stock at an aggregate purchase price of up to $3,000,000. During the nine months ended February 26, 2005, no shares were repurchased under this program. In aggregate, we have repurchased 74,234 shares of common stock for approximately $716,000 under this program.

In June 2003, our Board of Directors declared a cash dividend of $.25 per outstanding share of our common stock. The dividend was distributed on August 1, 2003 to shareholders of record as of July 15, 2003. In June 2004, our Board of Directors declared a cash dividend of $.30 per outstanding share of our common stock. The dividend was distributed on July 1, 2004 to shareholders of record as of June 15, 2004. Future dividends are subject to our Board of Directors review of operations and financial and other conditions then prevailing.

Critical Accounting Policies

Our significant accounting policies are summarized in Note A to the Consolidated Financial Statements included in our Annual Report on Form 10-K for our fiscal year ended May 29, 2004. While all these significant accounting policies affect the reporting of our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require us to use a greater degree of judgment and/or estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgment or estimate methodologies would cause a material effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report. The accounting policies identified as critical are as follows:

Revenue Recognition

We recognize revenues in accordance with generally accepted accounting principles as outlined in Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements, which requires that four basic criteria be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) the price is fixed or determinable; (3) collectibility is reasonably assured; and (4) product delivery has occurred or services have been rendered. Decisions relative to criterion (3) regarding collectibility are based upon our judgments, as discussed under Accounts Receivable below. Should conditions change in the future and cause us to determine this criterion is not met, our results of operations may be affected. We recognize revenue on the date the product is shipped, which is when title passes to the customer. Shipping and credit terms are negotiated on a customer-by-customer basis. Products are shipped primarily to distributors at an agreed-upon list price. The distributor then resells the products primarily to hospitals and, depending upon contracts between us, the distributor and the hospital, the distributor may be entitled to a rebate. We deduct all rebates from sales and have a provision for rebates based on historical information for all rebates that have not yet been submitted to us by the distributors. All product returns must be pre-approved by us and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and must have at least 12 months remaining prior to its expiration date. We record revenue on warranties and extended warranties on a straight-line basis over the term of the related warranty contracts, which generally cover one year. Deferred revenues related to warranties and extended warranties are $510,000 at February 26, 2005. Service costs are expensed as incurred.

Accounts Receivable

Accounts receivable are generally due within 30 to 90 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. We perform ongoing credit evaluations and adjust credit limits based upon payment history and the customer s current credit worthiness, as determined by a review of their current credit information. We continuously monitor aging reports, collections and payments from customers, and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues we identify. While such credit losses have historically been within expectations and the provisions established, we cannot guarantee the same credit loss rates will be experienced in the future. We write off accounts receivable when they become uncollectible. Concentration risk exists relative to our accounts receivable, as 35% of our total accounts receivable balance at February 26, 2005 is concentrated in one distributor. While the accounts receivable related to this distributor are significant, we do not believe the credit loss risk to be significant given the distributor s consistent payment history.

Income Taxes

In preparing our financial statements, income tax expense is calculated for each jurisdiction in which we operate. This involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability, based primarily on our ability to generate future taxable income. Where their recovery is not likely, we establish a valuation allowance and record a corresponding additional tax expense in our statement of earnings. If actual results differ from our estimates due to changes in assumptions, the provision for income taxes could be materially affected.

Inventories

We value inventories at the lower of cost (on the first-in, first-out method) or market. On a quarterly basis, we review inventory quantities on hand and analyze the provision for excess and obsolete inventory based primarily on product expiration dating and our estimated sales forecast, which is based on sales history and anticipated future demand. Our estimates of future product demand may not be accurate and we may understate or overstate the provision required for excess and obsolete inventory. Accordingly, any significant unanticipated changes in demand could have a significant impact on the value of our inventory and results of operations. At February 26, 2005, our reserve for excess and obsolete inventory was $1,763,000.

Property, Plant and Equipment

We state property, plant and equipment at cost, less accumulated depreciation, and depreciate principally using the straight-line method over their estimated useful lives. We determine this based on our estimates of the period over which the asset will generate revenue. Any change in condition that would cause us to change our estimate of the useful lives of a group or class of assets may significantly affect depreciation expense on a prospective basis.

Effects of Recently Issued Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, Inventory Costs , an amendment of ARB No. 43, Chapter 4. The amendments made by SFAS No. 151 will improve financial reporting by clarifying that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and by requiring the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 24, 2004. We are currently evaluating the impact of adoption of SFAS No. 151 on our financial position and results of operations.

In December 2004, the FASB issued SFAS No. 123 (R), Accounting for Stock-Based Compensation. SFAS No. 123 (R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123 (R), only certain pro forma disclosures of fair value were required. SFAS No. 123 (R) shall be effective for us as of the beginning of the first interim reporting period that begins after June 15, 2005. The adoption of this statement may have a material impact on our financial statements commencing with the second quarter ending December 3, 2005.

In March 2004, the FASB Emerging Issues Task Force (EITF) released Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. EITF 03-1 provides guidance for determining whether impairment for certain debt and equity investments is other-than-temporary and the measurement of an impaired loss. Certain disclosure requirements of EITF 03-1 were adopted in fiscal 2004 and we have complied with the new disclosure requirements in its consolidated financial statements. The recognition and measurement requirements of EITF 03-1 were initially effective for reporting periods beginning after June 15, 2004. In September 2004, the FASB Staff issued FASB Staff Position (FSP) EITF 03-1-1 that delayed the effective date for certain measurement and recognition guidance contained in EITF 03-1. The FSP requires that entities continue to apply previously existing other-than-temporary guidance until a final consensus is reached. We do not anticipate that issuance of a final consensus will materially impact our financial condition or results of operations.

Item 3. **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in foreign currency exchange rates and, to a much lesser extent, interest rates on investments and financing, which could impact our results of operations and financial position. We do not currently engage in any hedging or market risk management tools. There have been no material changes with respect to market risk previously disclosed in our Annual Report on Form 10-K for our 2004 fiscal year.

Foreign Currency Exchange Rate Risk

The financial reporting of our international subsidiaries is denominated in currencies other than the U.S. dollar. Since the functional currency of our international subsidiaries is the local currency, foreign currency translation adjustments are accumulated as a component of accumulated other comprehensive income in stockholders equity. Assuming a hypothetical aggregate change in the exchange rates of foreign currencies versus the U.S. dollar of 10% at February 26, 2005, our assets and liabilities would increase or decrease by $3,771,000 and $534,000, respectively, and our net sales and net earnings would increase or decrease by $2,575,000 and $433,000, respectively, on an annual basis.

We also maintain intercompany balances and loans receivable with subsidiaries with different local currencies. These amounts are at risk of foreign exchange losses if exchange rates fluctuate. Assuming a hypothetical aggregate change in the exchange rates of foreign currencies versus the U.S. dollar of 10% at February 26, 2005, our pre-tax earnings would be favorably or unfavorably impacted by approximately $620,000 on an annual basis.

Interest Rate Risk

Our excess cash is invested in highly liquid, short-term, investment grade securities with maturities of less than one year. These investments are not held for speculative or trading purposes. Changes in interest rates may affect the investment income we earn on cash, cash equivalents and debt securities and therefore affect our cash flows and results of operations. As of February 26, 2005, we were exposed to interest rate change market risk with respect to our investments in tax-free municipal bonds in the amount of $15,160,000. The bonds bear interest at a floating rate established between seven and 35 days. For the nine months ended February 26, 2005, the after-tax interest rate on the bonds approximated 1.5%. Each 100 basis point (or 1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately $152,000 on an annual basis.

As our principal amount of fixed interest rate financing approximated $624,000 at February 26, 2005, a change in interest rates would not materially impact results of operations or financial position. At February 26, 2005, we did not maintain any variable interest rate financing.

As of February 26, 2005, we have available $1,614,000 under a working capital bank line of credit. Advances under this line of credit will bear interest at an annual rate indexed to prime. We will thus be exposed to interest rate risk with respect to this credit facility to the extent that interest rates rise when there are amounts outstanding under this facility.

Item 4. **Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information we (including our consolidated subsidiaries) are required to disclose in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting that occurred in the quarter ended February 26, 2005, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

E-Z-EM, Inc. and Subsidiaries

Part II: Other Information

Item 1. **Legal Proceedings**

Certain legal proceedings in which we are involved are discussed in Part I, Item 3 of our Annual Report on Form 10-K for the fiscal year ended May 29, 2004.

Item 2. **Unregistered Sales of Securities and Use of Proceeds**

None.

Item 3. **Defaults Upon Senior Securities**

None.

Item 4. **Submission Of Matters to a Vote of Security Holders**

None.

Item 5. **Other Information**

None.

Item 6. **Exhibits**

No.	**Description**	**Page**
3.1	Restated Certificate of Incorporation of the Registrant, as amended	(a)
3.2	Amended and Restated Bylaws of the Registrant	(b)
10.1	Asset Purchase Agreement dated January 16, 2005 by and among E-Z-EM, Inc. and O Dell Engineering Ltd. and Philip O Dell	41
10.2	Form of Non-statutory Stock Option Agreement for 2004 Stock and Incentive Award Plan (Employee)	84
10.3	Form of Non-statutory Stock Option Agreement for 2004 Stock and Incentive Award Plan (Member of the Board of Directors)	89
10.4	Form of Incentive Stock Option Agreement for 2004 Stock and Incentive Award Plan (Employee)	93
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Anthony A. Lombardo)	98

-38-

No.	Description	Page
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Dennis J. Curtin)	99
32.1	Certification pursuant to Title 18, United States Code, Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Anthony A. Lombardo)	100
32.2	Certification pursuant to Title 18, United States Code, Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Dennis J. Curtin)	101

(a) Incorporated by reference to Exhibit 3.1 to the Registrant s Registration Statement on Form 8-A filed with the Commission on April 8, 2005.

(b) Incorporated by reference to Exhibit 3.2 to the Registrant s Current Report on Form 8-K filed with the Commission on January 21, 2005 under Commission File No. 1-11479.

-39-

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.

E-Z-EM, Inc.

(Registrant)

Date April 12, 2005 /s/ Anthony A. Lombardo

Anthony A. Lombardo, President,
Chief Executive Officer, Director

Date April 12, 2005 /s/ Dennis J. Curtin

Dennis J. Curtin, Senior Vice
President - Chief Financial
Officer (Principal Financial and
Chief Accounting Officer)

-40-