ARISTOTLE CORP
Form 10-Q
November 09, 2007

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 9, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

[ ] 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 0-14669

THE ARISTOTLE CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**06-1165854**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

96 CUMMINGS POINT ROAD, STAMFORD, CONNECTICUT

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

06902

(ZIP CODE)

(203) 358-8000

(REGISTRANT S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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 [X]

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

Yes [ ] No [X]

As of November 5, 2007, 17,945,825 shares of Common Stock, 1,081,427 shares of Series I Preferred Stock and 10,984,971 shares of Series J Preferred Stock were outstanding.

THE ARISTOTLE CORPORATION

INDEX OF INFORMATION CONTAINED IN FORM 10-Q FOR THE

QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

PART I

ITEM 1. FINANCIAL STATEMENTS

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

Assets		September 30, 2007 (unaudited)	December 31, 2006	September 30, 2006 (unaudited)
Current assets:				
Cash and cash equivalents	$	3,173	5,814	3,306
Marketable securities		2,886	-	-
Investments		15,761	14,586	14,172
Accounts receivable, net		27,975	15,458	27,261
Inventories, net		40,046	37,487	36,296
Prepaid expenses and other		5,084	8,123	4,818
Deferred income taxes		2,634	4,051	4,562
Total current assets		97,559	85,519	90,415
Property, plant and equipment, net		27,140	25,426	23,873
Goodwill		14,458	13,860	14,018
Deferred income taxes		8,188	8,188	2,712
Investments		4,000	-	-

Other assets		391	328	327
Total assets	$	151,736	133,321	131,345
Liabilities and Stockholders Equity				
Current liabilities:				
Current installments of long-term debt	$	300	287	165
Trade accounts payable		8,593	9,440	10,939
Accrued expenses		6,814	6,729	5,099
Income taxes		4,434	1,478	688
Accrued dividends payable		-	2,159	-
Total current liabilities		20,141	20,093	16,891
Long-term debt, less current installments		14,237	11,985	21,297
Long term pension obligations		2,808	4,469	1,417
Other long-term accruals		2,424	2,383	-
Stockholders equity:				
Preferred stock, Series I, $6.00 stated value; $.01 par value; 2,400,000 shares authorized, 1,081,427, 1,100,122 and 1,100,122 shares issued and outstanding at September 30, 2007, December 31, 2006 and September 30, 2006, respectively		6,489	6,601	6,601
Preferred stock, Series J, $6.00 stated value; $.01 par value; 11,200,000 shares authorized, 10,984,971 shares issued and outstanding		65,760	65,760	65,760
Common stock, $.01 par value; 20,000,000 shares authorized, 17,943,975, 17,248,284 and 17,269,846 shares issued and outstanding at September 30, 2007, December 31, 2006 and September 30, 2006, respectively		179	172	173
Additional paid-in capital		6,867	3,106	3,327
Retained earnings		31,866	20,057	15,569
Accumulated other comprehensive earnings (loss)		965	(1,305)	310
Total stockholders equity		112,126	94,391	91,740
Total liabilities and stockholders equity	$	151,736	133,321	131,345

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except share and per share data)

(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2007	**2006**	**2007**	**2006**
Net sales	$	63,524	61,843	167,950	161,488
Cost of sales		39,017	38,516	102,909	100,167
Gross profit		24,507	23,327	65,041	61,321
Selling and administrative expense		12,133	12,000	35,677	34,441
Earnings from operations		12,374	11,327	29,364	26,880
Other (expense) income:					
Interest expense		(393)	(413)	(1,082)	(1,361)
Other, net		453	525	1,216	1,355
		60	112	134	(6)
Earnings before income taxes		12,434	11,439	29,498	26,874
Income taxes:					
Current		4,690	1,215	8,596	2,970
Deferred		84	2,531	2,623	6,750
		4,774	3,746	11,219	9,720
Net earnings		7,660	7,693	18,279	17,154
Preferred dividends		2,154	2,158	6,470	6,476
	$	5,506	5,535	11,809	10,678

Net earnings applicable to common stockholders					
Earnings per common share:					
Basic	$	.31	.32	.67	.62
Diluted	$	.31	.32	.67	.61
Weighted average common shares outstanding:					
Basic		17,927,671	17,269,846	17,552,073	17,261,961
Diluted		17,946,013	17,529,652	17,569,502	17,511,332

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash flows from operating activities:		
Net earnings	$ 18,279	17,154
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,397	1,406
Stock option compensation	75	101
Loss on sale of property, plant and equipment	3	-
Earnings in equity method investment	(1,175)	(1,316)
Excess tax benefits from stock-based compensation	(1,305)	(24)
Deferred income taxes	2,615	6,749
Change in assets and liabilities:		
Accounts receivable	(12,517)	(12,731)
Inventories	(2,559)	(717)
Prepaid expenses and other	3,039	3,208
Other assets	(676)	(152)
Trade accounts payable	(847)	1,926
Accrued expenses and other liabilities	3,102	693
Net cash provided by operating activities	9,431	16,297
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,450)	(2,773)
Proceeds from the sale of plant, property and equipment	6	-

Purchases of marketable securities		(2,886)	-
Purchases of other investments		(4,000)	-
Net cash used in investing activities		(9,330)	(2,773)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		7,000	8,933
Principal payments on long-term debt		(4,735)	(12,427)
Proceeds from issuance of stock under stock option plans		3,581	108
Changes in other long-term accruals		41	-
Preferred dividends paid		(8,629)	(8,635)
Net cash used in financing activities		(2,742)	(12,021)
Net increase (decrease) in cash and cash equivalents		(2,641)	1,503
Cash and cash equivalents at beginning of period		5,814	1,803
Cash and cash equivalents at end of period	$	3,173	3,306
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	$	973	1,457
Income taxes	$	5,635	2,455

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

1.

Organization

The Aristotle Corporation (Aristotle) and its subsidiaries (together with Aristotle, the Company), founded in 1986, and headquartered in Stamford, CT, is a leading manufacturer and global distributor of educational, health, medical technology and agricultural products. A selection of over 80,000 items is offered, primarily through more than 45 separate catalogs carrying the brand of Nasco (founded in 1941), as well as those bearing the brands of Life/Form®, Whirl-Pak®, Simulaids, Triarco, Spectrum Educational Supplies, Hubbard Scientific, Scott Resources, Haan Crafts, To-Sew, CPR Prompt®, Ginsberg Scientific and Summit Learning. Products include educational materials and supplies for substantially all K-12 curricula, molded plastics, biological materials and items for the agricultural, senior care and food industries. In addition, the Company offers medical simulators and manikins used for training in cardiopulmonary resuscitation and the fire and emergency rescue and patient care fields. The Company also markets proprietary product lines that provide exclusive distribution rights throughout all of its catalogs. The proprietary product lines are developed internally through the Company s research and development efforts and acquired externally by licensing rights from third parties.

Geneve Corporation (Geneve), a privately-held diversified financial holding company, and an affiliated entity held approximately 90% of Aristotle s voting power at September 30, 2007 and 2006.

2.

Financial Statement Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form

10-Q and Rule 10-01 of Regulation S-X. Accordingly, the Condensed Consolidated Financial Statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position as of
September 30, 2007 and 2006, results of operations for the three and nine months ended September 30, 2007 and 2006 and cash flows for the nine months ended September 30, 2007 and 2006, as applicable, have been made. Operating results for the three and nine months ended September 30, 2007 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

3.

Principles of Consolidation

All significant intercompany balances and transactions have been eliminated in consolidation.

4.

Recently Issued Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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 allows an entity to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has elected to apply the provisions of SFAS No. 157, *Fair Value Measurements* (SFAS 157). An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. The Company does not expect the adoption of SFAS No. 159 to have a material impact on the Company s financial position or results of operations, when adopted.

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

In September 2006, the FASB issued SFAS No. 157. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value. SFAS 157 expands the disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The disclosures focus on the inputs used to measure fair value, the recurring fair value measurements using significant unobservable inputs and the effect of the measurement on earnings (or changes in net assets) for the period. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently reviewing the requirements of SFAS 157 and, at this point, has not determined what impact, if any, SFAS 157 will have on the Company s financial position or results of operations, when adopted.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109* (Interpretation No. 48), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interpretation No. 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted the provisions of Interpretation No. 48 on January 1, 2007. The Company did not have any uncertain income tax positions or unrecognized tax benefits at the date of adoption and, as such, the adoption did not have any impact on the Company s financial position or results of operations. The Company and its qualifying domestic subsidiaries are included in the Federal income tax return and certain state income tax returns of Geneve. The provision for income taxes for the Company is determined on a separate return basis in accordance with a tax sharing agreement with Geneve and payments for Federal and certain state income taxes are made to Geneve. The Internal Revenue Service is currently auditing Geneve s consolidated 2004 and 2005 Federal income tax returns, which include the Company. The Company anticipates that this examination will be completed within the next twelve months. The Company believes that it has made adequate provision for all income tax positions, such that the outcome of any issues or claims will not result in a material change in the Company s financial position or results of operations.

5.

Marketable Securities

The Company invests in marketable securities, which the Company classifies as available-for-sale. The marketable securities are included in current assets, and are reported at fair value based on quoted market prices as of the reporting date. All unrealized gains or losses are reflected net of tax in accumulated other comprehensive income within Stockholders Equity. The Company invested an additional $1.0 million in marketable securities during the quarter ended September 30, 2007.

The carrying value of the marketable equity securities at September 30, 2007 was $2.9 million. Net unrealized loss, net of tax, included in accumulated other comprehensive income was $.1 million at September 30, 2007.

6.

Earnings per Common Share

Basic earnings per common share is calculated by dividing net earnings applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings applicable to common stockholders by the weighted average number of common shares outstanding during the period and including each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the period.

Shares of Common Stock available for issue upon conversion of the 1,100,122 shares of Series I Preferred Stock outstanding at September 30, 2006, were not dilutive and, therefore, have not been included in the computation of diluted earnings per common share amounts for the periods ended September 30, 2006. On September 14, 2007, the right to convert

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

Series I Preferred Stock into Common Stock expired. As a result, the shares of Series I Preferred Stock were not dilutive and have not been included in the computation of diluted earnings per common share amounts for the periods ended September 30, 2007.

7.

Investments

The Company has invested in a limited partnership, the general partner of which is an affiliate of the Company. The assets of this limited partnership are managed exclusively by a non-affiliate of the Company. The purpose of the limited partnership is to manage a diversified investment portfolio. No additional amounts were invested by the Company during the nine months ended September 30, 2007 and 2006. The Company s investment is accounted for under the equity method of accounting, which equates the carrying value of the investment to the Company s equity in the partnership s underlying book value. Assets in the partnership are carried at fair value. This investment is classified as a current asset on the Company s balance sheet. The Company s equity earnings or loss is credited or charged, as appropriate, to other income within the Condensed Consolidated Statements of Earnings. For the three months ended September 30, 2007 and 2006, equity earnings amounted to $.3 million and $.5 million, respectively. For the nine months ended September 30, 2007 and 2006, equity earnings amounted to $1.2 million and $1.3 million, respectively.

In July 2007, the Company invested $4.0 million to acquire a 4.9% ownership interest in a provider of interactive instructional and assessment systems for K-12 and other education markets. The Company accounts for the investment under the cost method of accounting, which records the investment at the historical cost.

8.

Inventories

The classification of inventories is as follows (in thousands):

		September 30, 2007	December 31, 2006	September 30, 2006
Raw materials	$	7,735	6,281	5,926
Work in process		1,755	1,552	1,313
Finished goods		31,946	30,935	30,489
Less inventory reserves		(1,390)	(1,281)	(1,432)
Net inventories	$	40,046	37,487	36,296

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THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

9.

Stockholders Equity and Comprehensive Earnings

Changes in stockholders equity for the nine months ended September 30 are as follows (in thousands):

		2007	**2006**
Balance at January 1	$	94,391	80,446
Net earnings		18,279	17,154
Exercise of stock options, including related			
tax benefit of $1,305 and $24 for 2007			
and 2006, respectively		3,581	108
Stock option compensation		75	101
Other comprehensive earnings:			
Amortization of pension prior service cost and unrecognized net actuarial loss		181	-
Unrealized loss on marketable securities		(69)	-
Foreign currency translation adjustment		2,158	407
Preferred dividends		(6,470)	(6,476)
Balance at September 30	$	112,126	91,740

Comprehensive earnings for the three and nine months ended September 30 are as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2007	2006	2007	2006
Net earnings	$	7,660	7,693	18,279	17,154
Amortization of pension prior service cost and unrecognized net actuarial loss		60	-	181	-
Unrealized loss on marketable securities		(64)	-	(69)	-
Foreign currency translation adjustment		997	(18)	2,158	407
Comprehensive earnings	$	8,653	7,675	20,549	17,561

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

10.

Stock Options

The Company established the 1997 Employee and Director Stock Plan in 1997 (1997 Plan). The 1997 Plan provides for granting up to 150,000 options in the aggregate to employees and directors of the Company to purchase shares of Common Stock. The exercise term of the options and vesting requirements is for such period as the Board of Directors (or a committee thereof, appointed to administer the 1997 Plan, if any) designates. Following the merger with Nasco International, Inc. on June 17, 2002 (the Merger), each option to purchase one share of the Company s Common Stock granted under the 1997 Plan became an option to purchase one share of Common Stock and one share of Series I Preferred Stock of the Company. The Company does not currently intend to grant any additional options under the 1997 Plan.

The Company established the 2002 Employee, Director and Consultant Stock Plan in 2002 (2002 Plan). Under the 2002 Plan, employees, directors and consultants of the Company are eligible to receive nonincentive and incentive options and stock grants of up to an aggregate of 1,500,000 shares of Common Stock. Options granted under the 2002 Plan generally vest over a three year period and have an exercise term of no longer than five years from the issue date.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The risk-free interest rate is based on United States Treasury yields in effect at the date of grant consistent with the estimated life of the options. The estimated life of options granted represents the period of time that the options are expected to be outstanding. The expected volatility is based on an analysis of historical prices of the Company s stock over a period of time consistent with the estimated life of the options.

A summary of option activity during the nine months ended September 30, 2007 is presented below (in thousands, except share and per share data):

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2006	750,675	$ 3.55		
Granted	2,000	10.62		
Expired	-	-		
Forfeited	-	-		
Exercised	(684,900)	3.32		
Outstanding at September 30, 2007	67,775	6.09	1.88	$ 415,457
Exercisable at September 30, 2007	58,941	5.81	1.68	377,969

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

The Company granted 2,000 options in the three months and nine months ended September 30, 2007. No options were granted during the three and nine months ended September 30, 2006. The intrinsic value of options exercised during the three months ended September 30, 2007 and 2006 totaled $.1 million and nil, respectively. The intrinsic value of options exercised during the nine months ended September 30, 2007 and 2006 totaled $1.2 million and $.1 million, respectively. Cash received from option exercises for each of the three months ended September 30, 2007 and 2006 totaled $.2 million and nil, respectively. Cash received from option exercises for the nine months ended September 30, 2007 and 2006 totaled $3.6 million and $.1 million, respectively.

A summary of the status of the Company s nonvested options at September 30, 2007, and changes during the nine months then ended, is presented below:

	Number of Options	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2006	21,334	$ 4.55
Granted	2,000	9.86
Vested	(14,500)	4.53
Forfeited	-	-
Nonvested at September 30, 2007	8,834	5.80

At September 30, 2007, there was less than $.1 million of total unrecognized compensation cost related to options. These costs are expected to be recognized within the Condensed Consolidated Statements of Earnings over a weighted average period of approximately six months. The total fair value of options vested during each of the three and nine months ended September 30, 2007 was less than $.1 million.

Stock option compensation recognized within the Condensed Consolidated Statements of Earnings amounted to less than $.1 million for each of the three months ended September 30, 2007 and 2006. For each of the nine months ended September 30, 2007 and 2006, stock option compensation amounted to $.1 million.

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

11.

Defined Benefit Pension Plan

On December 31, 2005, the Company froze the benefits under its pension plan for all hourly employees and certain salaried employees.

The Company contributed $1.6 million and $.1 million to the pension plan for the three months ended September 30, 2007 and 2006, respectively. The Company contributed $1.9 million and $.3 million to the pension plan for the nine months ended September 30, 2007 and 2006, respectively. The Company expects to contribute a total of approximately $2.2 million to the pension plan in 2007. Such contributions reduce the Company s long-term pension obligations.

The following table presents the components of net periodic benefit cost for the three and nine months ended September 30 (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2007	**2006**	**2007**	**2006**
Service cost	$	77	51	230	226
Interest cost		202	220	604	667
Expected return on plan assets		(193)	(187)	(580)	(660)

Amortization of prior service cost		(1)	(1)	(2)	(2)
Recognized net actuarial loss		99	113	300	321
Net periodic benefit cost	$	184	196	552	552

12.

Segment Reporting

The Company s business activities are organized into two business segments, educational and commercial. The educational segment relates to instructional teaching aids and materials, which are distributed to educational institutions principally in North America, for kindergarten through grade 12 classes, and for nursing school and emergency medical instructors. Products in the educational segment are marketed primarily through catalogs. The growth potential of the educational segment is directly related to school enrollments and the strength of government funding of education. The commercial segment relates to agricultural products, sterile sampling containers and systems, materials for nursing home activities and novelty and gift products. Products in the commercial segment are marketed through catalogs nationwide and through a worldwide dealer network covering more than 60 countries. Market growth in the commercial segment is principally impacted by the general economic conditions of world agriculture, the increasing size of the aged population, as well as increasing global awareness of food and water quality standards. The Company evaluates the performance of these segments based on net sales and gross profit.

THE ARISTOTLE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

The following table presents segment information for the three and nine months ended September 30 (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2007	**2006**	**2007**	**2006**
Net sales:					
Educational	$	55,067	53,817	142,608	137,199
Commercial		8,457	8,026	25,342	24,289
Net sales	$	63,524	61,843	167,950	161,488
Gross profit:					
Educational	$	22,311	21,389	58,400	54,867
Commercial		3,395	3,133	10,189	9,714
Other costs of sales		(1,199)	(1,195)	(3,548)	(3,260)
Gross profit	$	24,507	23,327	65,041	61,321

Other costs of sales primarily include freight costs incurred in the procurement of inventories and shipment of customer orders not allocable to a particular segment.

The following table presents segment identifiable asset information as of September 30, 2007, December 31, 2006 and September 30, 2006 (in thousands):

		September 30, 2007	December 31, 2006	September 30, 2006
Identifiable assets:				
Educational	$	67,121	66,102	63,960
Commercial		6,458	5,929	5,718
Other corporate assets		78,157	61,290	61,667