TOPPS CO INC
Form 10-Q
October 06, 2005

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 August 27, 2005

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: 000-15817

THE TOPPS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-2849283
(I.R.S. Employer Identification No.)

One Whitehall Street, New York, NY 10004
(Address of principal executive offices, including zip code)

(212) 376-0300
(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 _X_ No ___ .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 126-2 of the Act). Yes _X_ No ____.

The number of outstanding shares of Common Stock as of October 1, 2005 was 40,606,186.

THE TOPPS COMPANY, INC.
AND SUBSIDIARIES

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THE TOPPS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	August 27, 2005	February 26, 2005
	(amounts in thousands, except share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,180	$ 36,442
Short-term investments	64,754	69,955
Accounts receivable, net	27,578	27,851
Inventories	37,275	32,936
Income tax receivable	834	338
Deferred tax assets	3,809	3,616
Prepaid expenses and other current assets	12,250	14,541
TOTAL CURRENT ASSETS	178,680	185,679
PROPERTY, PLANT AND EQUIPMENT	36,288	34,983
Less: accumulated depreciation and amortization	23,910	22,430
PROPERTY, PLANT AND EQUIPMENT	12,378	12,553
GOODWILL	67,566	67,566
INTANGIBLE ASSETS, net of accumulated amortization	7,646	8,544
DEFERRED TAX ASSETS	4,502	4,222
OTHER ASSETS	13,332	11,847
TOTAL ASSETS	$ 284,104	$ 290,411
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 10,132	$ 12,658
Accrued expenses and other liabilities	24,757	27,485
Deferred tax liabilities	19	-
Income taxes payable	5,117	7,390
TOTAL CURRENT LIABILITIES	40,025	47,533
OTHER LIABILITIES	24,160	23,689
TOTAL LIABILITIES	64,185	71,222

STOCKHOLDERS' EQUITY:		
Preferred stock, par value $.01 per share; authorized 10,000,000 shares, none issued	-	-
Common stock, par value $.01 per share; authorized 100,000,000 shares; issued 49,244,000 shares as of of August 27, 2005 and February 26, 2005	492	492
Additional paid-in capital	28,293	28,293
Treasury stock, 8,689,000 shares and 8,790,000 shares as of August 27, 2005 and February 26, 2005	(84,383)	(85,060)
Retained earnings	277,721	275,226
Accumulated other comprehensive (loss)/ income, net of tax	(2,204)	238
TOTAL STOCKHOLDERS' EQUITY	219,919	219,189
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY ...	$ 284,104	$ 290,411

See Notes to Condensed Consolidated Financial Statements.

THE TOPPS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 27, 2005	August 28, 2004	August 27, 2005	August 28, 2004
	(amounts in thousands, except share data)			
Net sales	$ 75,277	$ 68,781	$ 154,143	$ 156,870
Cost of sales	46,857	42,501	98,049	96,791
Gross profit on sales	28,420	26,280	56,094	60,079
Other income	195	411	1,147	844
Selling, general and administrative expenses	25,330	21,879	53,559	50,472
Income from operations	3,285	4,812	3,682	10,451
Interest income, net	798	557	1,537	1,041
Income before (benefit)/ provision for income taxes	4,083	5,369	5,219	11,492
(Benefit)/provision				

for income taxes	(754)	1,714	(515)	3,735
Net income	$ 4,837	$ 3,655	$ 5,734	$ 7,757
Net income per share - basic	$ 0.12	$ 0.09	0.14	$ 0.19
- diluted	$ 0.12	$ 0.09	0.14	$ 0.19
Weighted average shares outstanding - basic	40,512,000	40,459,000	40,484,000	40,513,000
- diluted	41,547,000	41,511,000	41,429,000	41,565,000

See Notes to Condensed Consolidated Financial Statements.

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THE TOPPS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(Unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 27, 2005	August 28, 2004	August 27, 2005	August 28, 2004
	(amounts in thousands, except share data)			
Net income	$ 4,837	$ 3,655	$ 5,734	$ 7,757
Currency translation adjustment	(636)	(756)	(2,442)	(1,623)
Comprehensive income	$ 4,201	$ 2,899	$ 3,292	$ 6,134

See Notes to Condensed Consolidated Financial Statements.

THE TOPPS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Twenty-six weeks ended	
	August 27, 2005	August 28, 2004
	(amounts in thousands)	
Cash flows from operating activities:		
Net income	$ 5,734	$ 7,757
Adjustments to reconcile net income to cash (used in)/ provided by operating activities:		
Depreciation and amortization	2,852	3,161
Deferred income taxes	(454)	317
Changes in operating assets and liabilities:		
Accounts receivable	273	10,718
Inventories	(4,339)	2,007
Income tax receivable/payable	(2,769)	2,178
Prepaid expenses and other current assets	2,291	1,916
Payables and other current liabilities	(5,254)	(2,982)
Cumulative foreign currency adjustment and other	(1,400)	(218)
Cash (used in)/provided by operating activities	(3,066)	24,854
Cash flows from investing activities:		
Proceeds from sales/(purchase) of short-term investments	5,201	(10,525)
Additions to property, plant and equipment	(1,305)	(1,065)
Cash provided by/(used in) investing activities	3,896	(11,590)

Cash flows from financing activities:		
Dividends paid to stockholders	(3,239)	(3,254)
Purchase of treasury stock	--	(3,202)
Exercise of stock options	677	649
Cash used in financing activities	(2,562)	(5,807)
Effect of exchange rates on cash and cash equivalents	(2,530)	(1,220)
Net (decrease)/increase in cash	$ (4,262)	$ 6,237
Cash at beginning of year	36,442	56,959
Cash at end of period	$ 32,180	$ 63,196
Supplemental disclosure of cash flow information:		
Interest paid	$ 38	$ 137
Income taxes paid	$ 1,797	$ 1,792

See Notes to Condensed Consolidated Financial Statements.

THE TOPPS COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AUGUST 27, 2005 AND FEBRUARY 26, 2005
AND FOR THE THIRTEEN AND TWENTY-SIX WEEK PERIODS ENDED
AUGUST 27, 2005 AND AUGUST 28, 2004

1. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited condensed interim consolidated financial statements have been prepared by The Topps Company, Inc. and its subsidiaries (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which are, in the opinion of management, considered necessary for a fair presentation. Operating results for the twenty-six week periods ended August 27, 2005 and August 28, 2004 are not necessarily indicative of the results that may be expected for the year. For further information, refer to the consolidated financial statements and notes thereto in the Company's annual report for the year ended February 26, 2005.

Employee Stock Options: The Company accounts for stock-based employee compensation based on the intrinsic value of stock options granted in accordance with the provisions of Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees." Information relating to stock-based employee compensation, including the pro forma effects, had the Company accounted for stock-based employee compensation based on the fair value of stock options granted (net of tax) in accordance with Statement of Financial Accounting Standards ("SFAS") 123, "Accounting for Stock-Based Compensation," is shown below:

	For the thirteen weeks ended			
	August 27, 2005		August 28, 2004	
	As reported	Pro forma	As reported	Pro forma
Net income, as reported	$ 4,837	$ 4,837	$ 3,655	$ 3,655
Less: Stock-based employee compensation	--	(88)		(170)
Pro forma net income		$ 4,749		$ 3,485
Earnings per share:				
Basic	$ 0.12	$ 0.12	$ 0.09	$ 0.09
Diluted	$ 0.12	$ 0.11	$ 0.09	$ 0.08

	For the twenty-six weeks ended			
	August 27, 2005		August 28, 2004	
	As reported	Pro forma	As reported	Pro forma
Net income, as reported	$ 5,734	$ 5,734	$ 7,757	$ 7,757
Less: Stock-based employee compensation	--	(204)		(311)
Pro forma net income		$ 5,530		$ 7,446
Earnings per share:				
Basic	$ 0.14	$ 0.14	$ 0.19	$ 0.18
Diluted	$ 0.14	$ 0.13	$ 0.19	$ 0.18

Options have an exercise price equal to the market price on the date prior to the grant date and typically vest over a three-year period. No options were issued in the first six months of fiscal 2006. With respect to options issued in prior years, in determining the preceding pro forma amounts under SFAS 123, the fair value of each option grant is estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions: $0.16 per share dividend on fiscal 2005 and fiscal 2004 options, risk free interest rate, estimated volatility and expected life as follows: fiscal 2005 options - 4.4%, 32% and 5.8 years, respectively; fiscal 2004 options - 4.4%, 38% and 6.5 years, respectively.

2. Quarterly Comparison

Management believes that quarter-to-quarter comparisons of sales and operating results are affected by a number of factors, including, but not limited to, the timing of sports and entertainment releases, new product introductions, seasonal products, the timing of various expenses such as advertising and variations in shipping and factory scheduling requirements. Thus, quarterly results may vary.

3. Accounts Receivable

	August 27, 2005	February 26, 2005
	(amounts in thousands)	
Gross receivables	$ 50,904	$ 51,265
Reserve for returns	(20,240)	(20,824)
Other reserves	(3,086)	(2,590)
Net receivables	$ 27,578	$ 27,851

Other reserves consist of allowances for discounts, doubtful accounts and customer deductions for marketing promotional programs.

4. Inventories

	August 27, 2005	February 26, 2005
	(amounts in thousands)	
Raw materials	$ 11,181	$ 7,468
Work in process	5,269	3,703
Finished products	20,825	21,765
Total inventories	$ 37,275	$ 32,936

5. Segment Information

Following is the breakdown of industry segments as required by SFAS 131, "Disclosures About Segments of an Enterprise and Related Information." The Company has two reportable business segments: Confectionery and Entertainment.

The Confectionery segment consists of a variety of candy products including Ring Pop, Push Pop and Baby Bottle Pop, Juicy Drop Pop, the Bazooka bubble gum line and, from time to time, confectionery products based on licensed characters, such as Pokemon and Yu-Gi-Oh!.

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The Entertainment segment primarily consists of cards and sticker album products featuring sports and non-sports subjects. Trading cards feature players from Major League Baseball, the National Basketball Association and the National Football League, as well as characters from popular films, television shows and other entertainment properties. Sticker album products feature players from the English Premier League and characters from entertainment properties such as Pokemon and Yu-Gi-Oh! This segment also includes results from WizKids, a designer and marketer of strategy games acquired in July 2003.

The Company's chief decision-maker regularly evaluates the performance of each segment based upon its contributed margin, which is profit after cost of goods, product development, advertising and promotional costs and obsolescence, but before unallocated general and administrative expenses

and manufacturing overhead, depreciation and amortization, other income (expense), net interest and income taxes.

The majority of the Company's assets are shared across both segments, and the Company's chief decision-maker does not evaluate the performance of each segment utilizing asset-based measures. Therefore, the Company does not include a breakdown of assets or depreciation and amortization by segment.

	Thirteen weeks ended		Twenty-six weeks ended	
	August 27, 2005	August 28, 2004	August 27, 2005	August 28, 2004
	(amounts in thousands)			
Net Sales				
Confectionery	$ 42,248	$ 39,982	$ 86,287	$ 84,189
Entertainment	33,029	28,799	67,856	72,681
Total	$ 75,277	$ 68,781	$154,143	$156,870
Contributed Margin				
Confectionery	$ 14,067	$ 15,777	$ 25,907	$ 28,779
Entertainment	10,046	8,998	18,327	22,426
Total	$ 24,113	$ 24,775	$ 44,234	$ 51,205
Reconciliation of Contributed Margin to Income Before Provision for Income Taxes:				
Total contributed margin	$ 24,113	$ 24,775	$ 44,234	$ 51,205
Unallocated selling, general and administrative expenses and manufacturing overhead	(19,602)	(18,805)	(38,847)	(38,437)
Depreciation and amortization	(1,421)	(1,569)	(2,852)	(3,161)
Other income, net	195	411	1,147	844
Income from operations	3,285	4,812	3,682	10,451
Interest income, net	798	557	1,537	1,041
Income before provision/ (benefit) for income taxes	$ 4,083	$ 5,369	$ 5,219	$ 11,492

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6. Common Stock

In June 2003, the Board of Directors of the Company initiated a quarterly cash dividend of $0.04 per share. On June 30, 2005, the Board of Directors declared its second quarter cash dividend of $0.04 per share payable on August 1, 2005 to shareholders of record on July 18, 2005. On October 5, 2005, the Board of Directors declared its third quarter cash dividend of

$0.04 per share payable on November 1, 2005 to shareholders of record on October 18, 2005.

In October 1999, the Company's Board of Directors authorized the repurchase of up to 5 million shares of the Company's common stock. In October 2001, the Company completed the authorization and the Board approved the purchase of another 5 million shares. As of August 27, 2005, under these two programs, the Company has purchased 8,390,700 common shares. During the first half of fiscal 2006, the Company did not purchase any shares due to a strategic business review being performed by investment banking and consulting firms. In September 2005, the Company entered into a written trading plan that complies with Rule 10b5-1 of the Securities and Exchange Commission which provides for the purchase of up to 500,000 shares for each of the next four quarters at the prevailing market price per share, subject to certain conditions. Subsequently, as of October 1, 2005, the Company had repurchased 11,333 shares. In addition, the Board of Directors has increased the outstanding share authorization to 5 million shares.

Each of the members of the Board of Directors who is not an employee of the Company annually receives $20,000 of restricted stock, which is issued out of treasury stock and vests over one year.

7. Credit Agreement

On June 26, 2000, the Company entered into a credit agreement with Chase Manhattan Bank and LaSalle Bank National Association for a term of four years, which ended on June 26, 2004. On June 25, 2004, the credit agreement was amended to extend the expiration date for 90 days in order to provide the Company sufficient time to complete refinancing arrangements. This credit agreement has now expired.

On September 14, 2004, the Company entered into a new credit agreement with JPMorgan Chase Bank. The agreement provides for a $30.0 million unsecured facility to cover revolver and letter of credit needs and expires on September 13, 2007. Interest rates are variable and a function of market rates and the Company's EBITDA. The credit agreement contains restrictions and prohibitions of a nature generally found in loan agreements of this type and requires the Company, among other things, to comply with certain financial covenants, limits the Company's ability to sell or acquire assets or borrow additional money and places certain restrictions on the purchase of Company shares and the payment of dividends. The credit agreement may be terminated by the Company at any point over the three-year term (provided the Company repays all outstanding amounts thereunder) without penalty.

There was no debt outstanding under the credit agreement as of August 27, 2005 or February 26, 2005.

8. Reclassifications

Cash and cash equivalents and short-term investments in the prior years' financial statements have been reclassified to conform with the current year's presentation.

The Company has reclassified its portfolio of auction rate securities ("ARS") from cash to short-term investments in line with recent clarification from regulatory bodies. The Company classified approximately

$69,955,000 as of February 26, 2005 and reclassified $36,878,000 and $47,403,000 in investments in ARS as of February 28, 2004 and August 28, 2004, respectively. Year-over-year changes in the amounts of these securities are now being reflected under investing activities on the Consolidated Statements of Cash Flows. The impact of the reclassification on investing activities, related to the ARS, was approximately ($10,525,000) for the period ended August 28, 2004.

9. Goodwill and Intangible Assets

On March 3, 2002, the Company adopted SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets" which require the Company to prospectively cease amortization of goodwill and instead conduct periodic tests of goodwill for impairment. Intangible assets as of August 27, 2005 and February 26, 2005 were as follows:

(amounts in thousands)

	August 27, 2005			February 26, 2005		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	
Licenses and Contracts	$ 21,569	$(18,276)	$ 3,293	$ 21,569	$(17,942)	$
Intellectual Property	18,784	(14,801)	3,983	18,784	(14,284)	
Software and Other	2,953	(2,858)	95	2,953	(2,811)	
Minimum Pension Liability......	275	--	275	275	--	
Total Intangibles	$ 43,581	$(35,935)	$ 7,646	$ 43,581	$(35,037)	$

Useful lives of the Company's intangible assets have been established based on the Company's intended use of such assets and their estimated period of future benefit, which are reviewed periodically. Useful lives are as follows:

Category	Weighted Average Useful Life	Remaining Useful Life
Licenses and Contracts	15 years	4.9 years
Intellectual Property	6 years	3.9 years
Software and Other	5 years	1.0 years

The weighted average remaining useful life for the Company's intangible assets in aggregate is 4.3 years. Over the next five years, the Company estimates annual amortization of the intangible assets detailed above to be as follows:

Fiscal Year(s)	Amount (in thousands)
2006	$ 1,797
2007	$ 1,750
2008	$ 1,703
2009	$ 1,703
2010 and thereafter	$ 1,591

In addition to the amortization of intangibles listed above, reported

amortization expense, which was $1,191,000 and $1,268,000 for the twenty-six weeks ended August 27, 2005 and August 28, 2004, respectively, included amortization of deferred financing fees and deferred compensation costs.

10. Legal Proceedings

On November 19, 2001 Media Technologies, Inc. sued the Company and nine other manufacturers of trading cards (the "Defendants") in the Federal District Court for the Central District of California for their sales of all types of "relic" cards that contain an authentic piece of equipment, i.e., a piece of sporting equipment or jersey. Plaintiffs alleged infringement of U.S. Patent Nos. 5,803,501 and 6,142,532. On May 23, 2005 the Company entered into a settlement agreement in which it paid Media Technologies, Inc. a sum of $2,000,000. Media Technologies Inc. agreed to dismiss all claims against the Company and to issue a license to the Company to distribute relic cards for seven years. The Company further agreed that under certain conditions which may arise in the future, it would make additional payments to Media Technologies, Inc. as part of the ongoing license.

In September of 1999, the Company filed a lawsuit against Cadbury Stani S.A.I.C. ("Stani"), a corporation organized and existing under the laws of Argentina, in federal court in the Southern District of New York. The case centers on the licensing relationship the parties had since 1957 in which the Company had granted Stani the exclusive right to manufacuture and distribute gum using the Bazooka brand and related formulas and technologies in Argentina, Bolivia, Chile, Paraguay and Uruguay. In particular, at issue is a 1980 Licensing Agreement (the "Agreement") between the parties and a 1985 Amendment to that Agreement. In its September 17, 2003 Fourth Amended complaint, the Company alleges that Stani continued to use the Company's proprietary and specialized knowledge and experience, and its trade secrets, regarding the production of gum after the Agreement's expiration in April 1996, that it unlawfully disclosed this information to Cadbury Schweppes PLC ("Schweppes") which purchased Stani in 1993 and that it deliberately concealed its use and disclosure from the Company. The Company has filed claims for breach of contract, misappropriation of trade secrets and fraudulent inducement to enter into the 1985 Amendment. The Company is seeking to recover disgorgement of Stani's profits, certain lost royalties and punitive damages, interest and costs. It is also seeking a permanent injunction against Stani's future use and dissemination of the Company's proprietary information and trade secrets. In the Fourth Amended Complaint, the Company demands damages in excess of $250 million. The Fourth Amended Complaint also initially contained claims against Schweppes, which the parties agreed to dismiss on February 4, 2003.

On December 17, 2003, Stani moved for partial summary judgment and to limit the Company's possible damages. In part, Stani alleged that certain claims were barred by the statute of limitations and that neither disgorgement of Stani's profits nor punitive damages were available remedies to the Company on any of its claims. The Court heard oral argument from counsel on January 14, 2005. By its August 2, 2005 decision, the Court denied Stani's summary judgment motion, in part, and ruled that (i) the Company's claims were not barred by the statute of limitations; and (ii) disgorgement of profits and punitive damages are available remedies on the Company's misappropriation of trade secrets claims. The Court granted Stani's summary judgment motion, in part, and ruled that (i) disgorgement of profits and punitive damages

are not available remedies on the Company's breach of contract and fraudulent inducement claims: and (ii) Stani was not estopped from claiming the 1985 Amendment altered the 1980 Agreement.

The parties await a trial date. If the Company ultimately prevails in this litigation, it could have a material impact on the Company's consolidated financial statements.

WizKids, Inc. ("Wizkids") and Jordan Weisman filed a complaint for professional malpractice, breach of fiduciary duty and disgorgement of fees against the law firm Michael, Best & Friedrich, LLP ("MB&F), and Timothy Kelley, one of its partners, based on their submission of the PCT patent

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application for WizKids' combat dial that is alleged to have prejudiced WizKids' United States patent rights by failing to designate the United States as one of the member states for subsequent conversion to a national application.

WizKids has received a patent from The United States Patent and Trade Office (the "PTO"). The rights conferred by the patent are dependent, however, on the PTO issuing an order granting a pending petition to rectify the error referenced above. Prior petitions have not been successful in correcting the error, and the pending petition is the sixth petition filed with the PTO. In the event the PTO grants the petition, it may affirm WizKids' patent rights, but WizKids alleges it would still retain claims against MB&F for prior damage incurred as a result of the error.

The complaint against MB&F and Mr. Kelley was filed in Washington state court on December 12, 2003. The parties have indicated they will file motions for summary judgment with respect to the various claims, and a hearing is scheduled for December 2005. Trial is scheduled for January 23, 2006. Whether the petition is granted or denied, and/or if WizKids ultimately prevails in this litigation, it could have a material impact on the Company's consolidated financial statements.

The Company is a party in several other civil actions which are routine and incidental to its business. In management's opinion, after consultation with legal counsel, these other actions will not have a material adverse effect on the Company's financial condition or results of operations.

11. Employee Benefit Plans

The components of net periodic benefit costs for the thirteen and twenty-six weeks ended August 27, 2005 and August 28, 2004 are as follows:

	Pension		Postretirement Healthcare	
Thirteen Weeks	August 27, 2005	August 28, 2004	August 27, 2005	August 28, 2004
	(amounts in thousands)			
Service cost	$ 399	$ 355	$ 93	$ 76
Interest cost	618	604	143	142
Expected return on plan assets	(551)	(524)	-	-
Amortization of:				
Initial transition obligation	(16)	(15)	50	50

Prior service cost	13	33	-	-
Actuarial losses	238	202	10	-
Net periodic benefit cost	$ 701	$ 655	$ 296	$ 268

	Pension		Postretirement Healthcare	
Twenty-six weeks	August 27, 2005	August 28, 2004	August 27, 2005	August 28, 2004
	(amounts in thousands)			
Service cost	$ 798	$ 710	$ 186	$ 152
Interest cost	1,236	1,207	286	284
Expected return on plan assets	(1,102)	(1,048)	-	-
Amortization of:				
Initial transition obligation	(32)	(30)	100	100
Prior service cost	26	66	-	-
Actuarial losses	476	404	20	-
Net periodic benefit cost	$1,402	$1,309	$ 592	$ 536

The fiscal 2006 costs are estimated based on actuarial assumptions, and actual costs will be adjusted accordingly during the year.

12. Recently Issued Accounting Pronouncements

On December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 123 (revised 2004), "Share-Based Payments", which requires that the cost resulting from all share-based payment transactions be recognized in the financial statements starting with interim statements issued after June 15, 2005. The SEC has since extended the date to be effective for fiscal years beginning after June 5, 2005. This statement establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees. SFAS 123(R) (revised 2004) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The Company is currently evaluating the impact of adopting this standard on its future financial statements.

On December 21, 2004, the FASB issued FASB Staff Position ("FSP") 109-b, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision With the American Job Creation Act of 2004". The Act introduces a one time dividend received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer provided certain criteria are met. An enterprise that is evaluating the repatriation provision shall apply the provisions of Statement 109 as it decides on a plan for reinvestment or repatriation without the effects of the repatriation provision until it has decided on a plan. The range of possible amounts the Company is considering for repatriation under that provision is between zero and $11 million. The related potential range of income tax effects is between zero and $0.4 million.

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, "Inventory Costs", which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of adopting this standard in its future financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets", which eliminates the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS No. 153 will be effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company is currently evaluating the impact of adopting this standard in its future financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections", a replacement of APB Opinion No.20, "Accounting Changes" and SFAS No.3, "Reporting Accounting Changes in Interim Financial Statements", which changes the requirements for the accounting and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS No. 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is currently evaluating the impact of adopting this standard in its future financial statements.

13. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and, therefore, there is no effect on its financial position, changes in financial position, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources from this type of arrangement.

14. Subsequent Event

On September 29, 2005, a restructuring program was announced which will separate the Confectionery and Entertainment businesses to the extent practical and streamline the organizational structure through headcount reductions. In connection with the headcount reductions, the Company will incur a charge of approximately $2.4 million, of which 50% will be recognized in the third quarter and the balance in the fourth quarter. In addition, the Company announced that it will exit one of its Internet operations, thePit.com, through either sale or closure, and will record an after-tax charge of approximately $5 million in the third quarter.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM REVIEW

To the Board of Directors and Stockholders of The Topps Company, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of The Topps Company, Inc. and subsidiaries (the "Company") as of August 27, 2005, and the related condensed consolidated statements of operations, comprehensive income, and cash flows for the thirteen and twenty-six week periods ended August 27, 2005 and August 28, 2004 and of cash flows for the twenty-six week periods ended August 27, 2005 and August 28, 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of February 26, 2005, and the related consolidated statements of operations, stockholders' equity, comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated May 10, 2005 (May 23, 2005 as to note 22), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 27, 2005 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

New York, New York
October 5, 2005

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

The following table sets forth, for the periods indicated, net sales by key business segment:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 27, 2005	August 28, 2004	August 27, 2005	August 28, 2004
	(in thousands of dollars)			
Net Sales				
Confectionery	$ 42,248	$ 39,982	$ 86,287	$ 84,189
Entertainment	33,029	28,799	67,856	72,681
Total	$ 75,277	$ 68,781	$154,143	$156,870

Second Quarter Fiscal Year 2006 (thirteen weeks ended August 27, 2005) versus
Second Quarter Fiscal Year 2005 (thirteen weeks ended August 28, 2004)

Net sales for the second quarter of fiscal 2006 were $75.3 million, an increase of $6.5 million, or 9.4%, from $68.8 million in the same period last year. Changes in foreign currency rates versus the dollar did not materially impact revenue.

Net sales of confectionery products, which include, among other things, Ring Pop, Push Pop, Baby Bottle Pop, Juicy Drop Pop, Bazooka brand bubble gum and licensed candy products, were $42.2 million in the second quarter of this year, an increase of $2.3 million, or 5.7%, from $40.0 million in fiscal 2005. This increase was the result of strong performance in the U.S. of Ring Pop, Push Pop and Baby Bottle Pop. Growth was driven by new television commercials and higher levels of advertising, as well as by increased promotional support at club stores. Juicy Drop Pop distribution gains also added to year-over-year sales. The impact of stronger foreign currencies on sales this year was negligible.

Net sales of entertainment products, which include cards, stickers, sticker albums and the WizKids line of strategy games, were $33.0 million in the second quarter of fiscal 2006, an increase of $4.2 million, or 14.7%, from $28.8 million in the same period last year. The increase reflected a very favorable performance of football cards which benefited from a strong rookie line up, products and promotions featuring Topps' 50th anniversary of marketing football products and a reduction in the number of other football products in the market due to the liquidation of a long-term competitor. Additionally, strong sales of non-sports publishing products, specifically those featuring WWE in Italy, Star Wars and Wacky Packages added to sales in the quarter. Finally, Wizkids sales in the quarter surpassed year ago levels, driven by positive acceptance of Pirates products both in the gaming channel and mass market. Weaker foreign currencies (a function of a different product mix than confectionery sales) had a modestly negative impact on sales in the quarter this year.

Gross profit as a percentage of net sales in the second quarter of fiscal 2005 was 37.8% as compared with last year's level of 38.2%. This decline reflected higher provisions for returns driven by a somewhat sluggish sports card market, particularly as regards previously shipped baseball and basketball products and WizKids' mass market sales.

SG&A expense was $25.3 million in the quarter this year, up from $21.9 million in fiscal 2005. As a percentage of net sales, SG&A was 33.6% this year versus 31.8% a year ago. Higher SG&A dollar spending was primarily the result of a $2.8 million increase in marketing costs due to a return to historical levels of advertising on the U.S. confectionery business and the launch of new products in Japan. Overhead expenses also increased year-over-year due to the extension of the Chairman's employment contract, implementation of new systems, higher audit and Sarbanes-Oxley expenses and normal salary inflation.

Net interest income of $798,000 in the second quarter of this year was higher than a year ago due to more favorable interest rates.

The Company reflects provisions for federal, state and local income taxes in accordance with statutory income tax rates. The Company's tax rate of (18.5%) in the second quarter of this year versus 31.9% last year reflected a non-cash reversal of approximately $1.6 million of tax reserves following the completion of a tax audit. Excluding this reversal, the Company's tax rate was 20.6%, which reflects the benefit of foreign tax credits and other tax planning.

Net income for the second quarter of fiscal 2006 was $4.8 million, or $0.12 per diluted share, compared with $3.7 million, or $0.09, per diluted share last year. The reversal of tax reserves in the quarter this year added $1.6 million to net income and $0.04 to E.P.S.

First Half Fiscal 2006 (twenty-six weeks ended August 27, 2005) compared to First Half Fiscal 2005 (twenty-six weeks ended August 28, 2004)

Net sales in the first half of fiscal 2006 were $154.1 million, a decrease of $2.7 million, or 1.7%, from $156.9 million in the same period last year. Stronger foreign currencies versus the dollar served to increase this year's sales by $1.6 million, primarily in the first quarter.

Net sales of confectionery products were $86.3 million in the first half of this year, an increase of $2.1 million, or 2.5%, from $84.2 million in fiscal 2005. Stronger foreign currencies contributed $1.0 million. Higher sales were a function of distribution gains of Juicy Drop Pop in the U.S., the launch of Bazooka Booster worldwide and roll out of Mega Mouth Spray in Japan and Argentina.

Net sales of entertainment products in the first half of this year were $67.9 million, a decrease of $4.8 million, or 6.6%, from $72.7 million last year. Stronger foreign currencies added $0.6 million to sales this year. The absence of the European Football Championship and related products in the twenty-six weeks this year and softer first quarter U.S. sports sales were the primary reasons for the year-over-year sales decline. Net sales of non-sports publishing products increased in the period this year driven by strong releases featuring WWE, Wacky Packages and Barbie.

Gross profit as a percentage of net sales in the first half of fiscal 2006 was 36.4% as compared with 38.3% for the same period last year. This decline reflected an increase in provisions for returns associated primarily with the U.S. entertainment segment, including WizKids, as well as higher price support for U.S. confectionery products. Additionally, product mix changes and the introduction of lower margin confectionery products in the first quarter served to reduce gross profit margins this year.

SG&A expense was $53.6 million for the first half of fiscal 2006 compared with $50.5 million for the same period in fiscal 2005. As a percent of net sales, SG&A was 34.7%, 2.5% points higher than last year. Excluding the impact of a $1.9 million European Community fine in the fiscal 2005 first quarter, the year-over-year increase in SG&A for the six-month period was $5.0 million. This increase was the result of higher advertising and marketing costs due to the reinstatement of U.S. confectionery advertising levels and a national television campaign in support of WizKids' launch of their Pirates products in the mass market. Other costs associated with the extension of the Chairman's contract, normal salary inflation, increased merchandising support for the U.S. confectionery business and the implementation of new systems also contributed to the increase in SG&A.

Net interest income for the first half of fiscal 2006 increased to $1.5 million from $1.0 million in fiscal 2005 due to higher interest rates.

The Company's tax rate for the first half this year of (9.9%) versus 32.5% last year reflected a one-time non-cash reversal of approximately $1.6 million of tax reserves following the completion of a tax audit. Without the reversal of these reserves, the Company's tax rate would have been 20.6%, which reflects the benefit of foreign tax credits and other tax planning.

Net income in the first half of fiscal 2006 was $5.7 million, or $0.14 per diluted share, compared with $7.8 million, or $0.19 per diluted share last year. The reversal of tax reserves in the second quarter this year added $1.6 million to net income and $0.04 to EPS.

Other Matters

On September 29, 2005, a restructuring program was announced which will separate the Confectionery and Entertainment businesses to the extent practical, and streamline the organizational structure through headcount reductions. In connection with the headcount reductions, the Company will incur a charge of approximately $2.4 million, of which 50% will be recognized in the third quarter and the balance in the fourth quarter. In addition, the Company announced that it will exit one of its Internet operations, thePit.com, through either sale or closure, and will record an after-tax charge of approximately $5 million in the third quarter.

Liquidity and Capital Resources

Management believes that the Company has adequate reserves to meet its liquidity and capital needs over the foreseeable future as a result of the combination of cash on hand, anticipated cash from operations and credit line availability.

On August 27, 2005, the Company had $32.2 million in cash and cash equivalents and $64.8 million in short-term investments.

On June 26, 2000, the Company entered into a credit agreement with Chase Manhattan Bank and LaSalle Bank National Association for a term of four years, which ended on June 26, 2004. On June 25, 2004, the credit agreement was amended to extend the expiration date for 90 days in order to provide the Company sufficient time to complete refinancing arrangements. This credit agreement has now expired.

On September 14, 2004, the Company entered into a new credit agreement with JPMorgan Chase Bank. The agreement provides for a $30.0 million unsecured facility to cover revolver and letter of credit needs and expires on September 13, 2007. Interest rates are variable and a function of market rates and the Company's EBITDA. The credit agreement contains restrictions and prohibitions of a nature generally found in loan agreements of this type and requires the Company, among other things, to comply with certain financial covenants, limits

the Company's ability to sell or acquire assets or borrow additional money and places certain restrictions on the purchase of Company shares and the payment of dividends. The credit agreement may be terminated by the Company at any point over the three-year term (provided the Company repays all outstanding amounts thereunder) without penalty.

In October 2001, the Board of Directors authorized the purchase of up to 5 million shares of stock. To-date, the Company has repurchased a total of 3.4 million shares under this authorization. During the first half of fiscal 2006, the Company did not purchase any shares due to a strategic business review being performed by investment banking and consulting firms. In September 2005, the Company entered into a written trading plan that complies with Rule 10b5-1 of the Securities and Exchange Commission which provides for the purchase of up to 500,000 shares for each of the next four quarters at the prevailing market price per share, subject to certain conditions. Subsequently, as of October 1, 2005, the Company had repurchased 11,333 shares. In addition, the Board of Directors has increased the outstanding share authorization to 5 million shares.

In the twenty-six weeks ended August 27, 2005, the Company's net decrease in cash and cash equivalents was $4.3 million versus an increase of $6.2 million in the comparable period of fiscal 2005.

Cash used by operating activities in the first twenty-six weeks of this period was $3.1 million versus cash provided of $24.9 million last year. This use of cash was primarily due to a $5.3 million reduction in payables related to payment of fiscal 2005 bonuses and the timing of European purchases, as well as to a $4.3 million increase in inventories stemming from the timing of board stock purchases and the acquisition of autographs for future sports products. Prior period's favorable cash performance reflected higher net income and a substantial reduction in accounts receivable due to an increase in the returns reserve related to sales of European entertainment products.

Cash provided by investing activities was $3.9 million this period versus a use of cash of $11.6 million last year. In the first six months of this year, short-term investments were reduced by $5.2 million, partially offset by capital spending of $1.3 million, largely related to the rollout of new systems. Last year's use of cash of $11.6 million reflected the purchase of $10.5 million of short-term investments and $1.1 million in capital spending. Fiscal 2006 full year capital spending is projected to be approximately $3 million, driven by investments in Ring Pop production equipment and computer software and hardware. Capital spending will be funded out of cash flow from operating activities.

Cash used in financing activities of $2.6 million this period reflects $3.2 million in cash dividends, partially offset by $0.6 million in cash from options exercised. This compares with a total outlay for financing activities of $5.8 million in the same period last year, comprised of $3.2 million in cash dividends and $3.2 million in treasury stock purchases less $0.6 million in stock option exercises. Dividend payments and treasury stock purchases are being funded out of cash flow from operating activities.

There are no material changes outside the ordinary course of business with respect to Company's purchase obligations as presented in the Commitments table included in its Annual Report on Form 10-K for the year ended February 26, 2005.

The Company does not have any off-balance sheet arrangements and, therefore, there is no effect on its financial position, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources from this type of arrangement.

Cautionary Statements

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"), the Company is hereby filing cautionary statements identifying important factors that could cause actual results to differ materially from those projected in any forward-looking statements of the Company made by or on behalf of the Company, whether oral or written. Among the factors that could cause the Company's actual results to differ materially from those indicated in any such forward-looking statements are: (i) the failure of certain of the Company's principal products,

particularly sports cards, entertainment cards, WizKids strategy games, confectionery products and sticker album collections, to achieve expected sales levels; (ii) the Company's inability to produce timely, or at all, certain new planned confectionery products; (iii) quarterly fluctuations in results; (iv) the Company's loss of important licensing arrangements; (v) the Company's loss of important supply arrangements with third parties; (vi) the loss of any of the Company's key customers or distributors; (vii) further material contraction in the trading card industry as a whole; (viii) excessive returns of the Company's products; (ix) civil unrest, currency devaluation, health-related issues, or political upheaval in certain foreign countries in which the Company conducts business; and other risks detailed from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Topps management to make estimates and judgments that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Note 1 to the Company's consolidated financial statements, included in its Annual Report on Form 10-K for the year ended February 26, 2005, "Summary of Significant Accounting Policies," summarizes its significant accounting policies. Following is a summary of the critical policies and methods used.

Revenue Recognition: Revenue related to sales of the Company's products is generally recognized when products are shipped, the title and risk of loss has passed to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. Sales made on a returnable basis are recorded net of a provision for estimated returns. These estimates are revised, as necessary, to reflect actual experience and market conditions.

Returns Provisions: In determining the provision for returns, the Company

performs an in-depth review of wholesale and retail inventory levels for each product sold, trends in product sell-through by sales channel, and other factors. The provision for returns was $12.4 million in the first twenty-six weeks of fiscal 2006 and $11.2 million in 2005, which equates to 8.0% and 7.1% of net sales, respectively. The increase in the provision this year was partially the result of higher expected returns on various U.S. sports card products and on certain WizKids products sold to retail channels. An increase or decrease in the provision for returns by 1% of net sales would have decreased or increased operating income by approximately $1.5 million.

Intangible Assets: Intangible assets include trademarks and the value of sports, entertainment and proprietary product rights. Amortization is by the straight-line method over estimated lives which range between three and fifteen years. Management evaluates the recoverability of finite-lived intangible assets under the provisions of SFAS No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" based on the projected undiscounted cash flows attributable to the individual assets, among other methods.

Accrual for Obsolete Inventory: The Company's accrual for obsolete inventory reflects the cost of items in inventory not anticipated to be sold. This accrual is deemed necessary as a result of discontinued items and packaging or a reduction in forecasted sales and is adjusted periodically based on a review of inventory levels and sales projections. The provision for obsolete inventory was $2.0 million in the twenty-six weeks of fiscal 2006 and $1.9 million in fiscal 2005, which equates to 1.3% and 1.2% of net sales, respectively. An increase or decrease in the provision for obsolescence by 1% of net sales would have decreased or increased operating income by approximately $1.5 million.

ITEM 3. DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk associated with activities in derivative financial instruments (e.g., hedging or currency swap agreements), other financial instruments and derivative commodity instruments is confined to the impact of mark-to-market changes in foreign currency rates on the Company's forward contracts and options. The Company has no debt outstanding and does not engage in any commodity-related derivative transactions. As of August 27, 2005, the Company had $18.7 million of contracts which were entered into for the purpose of hedging forecasted receipts and disbursements in various foreign currencies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis,

information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

Changes in internal controls

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no significant deficiencies or material weaknesses, and therefore there were no corrective actions taken.

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PART II

ITEM 1. LEGAL PROCEEDINGS

On November 19, 2001 Media Technologies, Inc. sued the Company and nine other manufacturers of trading cards (the "Defendants") in the Federal District Court for the Central District of California for their sales of all types of "relic" cards that contain an authentic piece of equipment, i.e., a piece of sporting equipment or jersey. Plaintiffs alleged infringement of U.S. Patent Nos. 5,803,501 and 6,142,532. On May 23, 2005 the Company entered into a settlement agreement in which it paid Media Technologies, Inc. a sum of $2,000,000. Media Technologies Inc. agreed to dismiss all claims against the Company and to issue a license to the Company to distribute relic cards for seven years. The Company further agreed that under certain conditions which may arise in the future, it would make additional payments to Media Technologies, Inc. as part of the ongoing license.

In September of 1999, the Company filed a lawsuit against Cadbury Stani S.A.I.C. ("Stani"), a corporation organized and existing under the laws of Argentina, in federal court in the Southern District of New York. The case centers on the licensing relationship the parties had since 1957 in which the Company had granted Stani the exclusive right to manufacture and distribute gum using the Bazooka brand and related formulas and technologies in Argentina, Bolivia, Chile, Paraguay and Uruguay. In particular, at issue is a 1980 Licensing Agreement (the "Agreement") between the parties and a 1985 Amendment to that Agreement. In its September 17, 2003 Fourth Amended complaint, the Company alleges that Stani continued to use the Company's proprietary and specialized knowledge and experience, and its trade secrets, regarding the production of gum after the Agreement's expiration in April 1996, that it unlawfully disclosed this information to Cadbury Schweppes PLC ("Schweppes") which purchased Stani in 1993 and that it deliberately concealed its use and disclosure from the Company. The Company has filed claims for breach of contract, misappropriation of trade secrets and fraudulent inducement to enter into the 1985 Amendment. The Company is seeking to recover disgorgement of Stani's profits, certain lost royalties and punitive damages, interest and costs. It is also seeking a permanent injunction against Stani's future use and dissemination of the Company's proprietary information and trade secrets. In the Fourth Amended Complaint, the Company demands damages in excess of $250 million. The Fourth Amended Complaint also initially contained claims against Schweppes, which the parties agreed to dismiss on February 4, 2003.

On December 17, 2003, Stani moved for partial summary judgment and to limit the Company's possible damages. In part, Stani alleged that certain claims were

barred by the statute of limitations and that neither disgorgement of Stani's profits nor punitive damages were available remedies to the Company on any of its claims. The Court heard oral argument from counsel on January 14, 2005. By its August 2, 2005 decision, the Court denied Stani's summary judgment motion, in part, and ruled that (i) the Company's claims were not barred by the statute of limitations; and (ii) disgorgement of profits and punitive damages are available remedies on the Company's misappropriation of trade secrets claims. The Court granted Stani's summary judgment motion, in part, and ruled that (i) disgorgement of profits and punitive damages are not available remedies on the Company's breach of contract and fraudulent inducement claims: and (ii) Stani was not estopped from claiming the 1985 Amendment altered the 1980 Agreement.

The parties await a trial date. If the Company ultimately prevails in this litigation, it could have a material impact on the Company's consolidated financial statements.

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WizKids, Inc. ("Wizkids") and Jordan Weisman filed a complaint for professional malpractice, breach of fiduciary duty and disgorgement of fees against the law firm Michael, Best & Friedrich, LLP ("MB&F), and Timothy Kelley, one of its partners, based on their submission of a PCT patent application for WizKids' combat dial that is alleged to have prejudiced WizKids' United States patent rights by failing to designate the United States as one of the member states for subsequent conversion to a national application.

WizKids has recieved a patent from The United States Patent and Trademark Office (the "PTO"). The rights conferred by the patent are dependent, however, on the PTO issuing an order granting a pending petition to rectify the error referenced above. Prior petitions have not been successful in correcting the error, and the pending petition is the sixth petition filed with the PTO. In the event the PTO grants the petition, it may affirm WizKids' patent rights, but WizKids alleges it would still retain claims against MB&F for prior damage incurred as a result of the error.

The complaint against MB&F and Mr. Kelley was filed in Washington state cour on December 12, 2003. The parties have indicated they will file motions for summary judgment with respect to the various claims, and a hearing is scheduled for December 2005. Trial is scheduled for January 23, 2006. Whether the petition is granted or denied, and/or if WizKids ultimately prevails in this litigation, it could have a material impact on the Company's consolidated financial statements.

The Company is a party in several other civil actions which are routine and incidental to its business. In management's opinion, after consultation with legal counsel, these other actions will not have a material adverse effect on the Company's financial condition or results of operations.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company took place on June 30, 2005 for the following purposes:

1. To elect three directors;
2. To ratify the appointment of the Company's independent auditors.

The results of the matters voted on are as follows:

	For	Withheld
1. Election of Directors		
Stephen D. Greenberg	32,486,861	5,727,963
Ann Kirschner	32,551,936	5,662,888
Richard Tarlow	32,500,161	5,714,663

	For	Withheld	Against
2. Ratification of Appointment of the Company's Independent Auditors	38,004,224	183,195	27,405

On June 9, 2005 the Company issued a press release announcing that it had settled with shareholders who had filed separate proxy statements. The press release was filed in an 8-K on June 13, 2005.

ITEM 4(b). DIRECTORS

Arthur T. Shortin	Ann Kirschner	Jack H. Nusbaum
Allan A. Feder	David Mauer	Richard Tarlow
Stephen D. Greenberg	Edward D. Miller	Stanley Tulchin

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits as required by Item 601 of Regulation S-K filed herewith:

10.1 Letter Amendment, effective July 19, 2005, to the Memorandum of Agreement, dated January 6, 2003, between the Company and Major League Baseball Players Association. Confidential treatment has been requested with respect to portions of this exhibit. Omitted portions have been filed with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

10.2 The Topps Company, Inc. 2001 Stock Incentive Plan, Amended and Restated as of June 30, 2005.

31.1 Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of Arthur T. Shorin, Chairman and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Catherine K. Jessup, Vice-President - Chief Financial Officer and Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K

1. Form 8-K, filed on July 7, 2005, reporting the Company's updated stock incentive, stock option, and executive severance plans.

2. Form 8-K, filed on July 25, 2005, reporting the Company's new agreement with the Major League Baseball Players Association.

3. Form 8-K, filed on September 14, 2005, with press release, dated September 12, 2005, reporting the Company's termination of the process of evaluating the possible sale of the Confectionery business.

4. Form 8-K, filed on September 29, 2005, with press release, dated September 29, 2005, reporting the Company's results of operations and financial position for the second fiscal quarter.

5. Form 8-K, filed on October 5, 2005, with press release, dated October 5, 2005, reporting the Company's fiscal third quarter cash dividend declaration.

SIGNATURE

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.

THE TOPPS COMPANY, INC.

REGISTRANT

/s/ Catherine K. Jessup

Catherine K. Jessup
Duly Authorized Officer

October 6, 2005