

PORTA SYSTEMS CORP  
Form 10-Q  
May 13, 2008

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

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

For the quarterly period ended March 31, 2008

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 0-8460

**PORTA SYSTEMS CORP.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

11-2203988  
(I.R.S. Employer  
Identification No.)

6851 Jericho Turnpike, Suite 170, Syosset, New York 11791  
(Address of principal executive offices, including ZIP Code)

516-364-9300  
(Company'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 a 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 Exchange Act. Check one:  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company x

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Common stock (par value \$0.01) 10,053,617 shares as of May 9, 2008.

**PART I.- FINANCIAL INFORMATION****Item 1- Financial Statements**

## PORTA SYSTEMS CORP. AND SUBSIDIARIES

## Consolidated Balance Sheets

(In thousands, except shares and par value)

|                                                                                                       | Unaudited<br>March 31,<br>2008 | December 31,<br>2007 |
|-------------------------------------------------------------------------------------------------------|--------------------------------|----------------------|
| <u>Assets</u>                                                                                         |                                |                      |
| Current assets:                                                                                       |                                |                      |
| Cash and cash equivalents                                                                             | \$ 315                         | \$ 494               |
| Accounts receivable - trade,<br>less allowance for doubtful accounts of \$25 in 2008 and \$50 in 2007 | 5,462                          | 5,098                |
| Inventories                                                                                           | 7,098                          | 6,411                |
| Prepaid expenses and other current assets                                                             | 503                            | 203                  |
| Total current assets                                                                                  | 13,378                         | 12,206               |
| Property, plant and equipment, net                                                                    | 1,645                          | 1,678                |
| Goodwill                                                                                              | 2,961                          | 2,961                |
| Other assets                                                                                          | 54                             | 54                   |
| Total assets                                                                                          | \$ 18,038                      | \$ 16,899            |
| <u>Liabilities and Stockholders' Deficit</u>                                                          |                                |                      |
| Current liabilities:                                                                                  |                                |                      |
| Senior debt                                                                                           | \$ 24,373                      | \$ 24,373            |
| Subordinated notes                                                                                    | 6,144                          | 6,144                |
| 6% Convertible subordinated debentures                                                                | 385                            | 385                  |
| Accounts payable                                                                                      | 6,289                          | 5,523                |
| Accrued expenses and other                                                                            | 2,855                          | 2,447                |
| Other accrued interest payable                                                                        | 8,436                          | 7,847                |
| Total current liabilities                                                                             | 48,482                         | 46,719               |
| Deferred compensation and other long term liabilities                                                 | 704                            | 707                  |
| Total liabilities                                                                                     | 49,186                         | 47,426               |
| <u>Commitments and contingencies</u>                                                                  |                                |                      |