

Hallwood Group Inc
Form 10-Q
May 15, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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: 1-8303

The Hallwood Group Incorporated

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

51-0261339
(I.R.S. Employer
Identification No.)

3710 Rawlins, Suite 1500, Dallas, Texas
(Address of principal executive offices)

75219
(Zip Code)

214-528-5588
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding at April 30, 2013
Common Stock, \$0.10 par value per share	1,525,166 shares

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THE HALLWOOD GROUP INCORPORATED AND SUBSIDIARIES

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(dollars in thousands)

(unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 91	\$ 193
Accounts receivable, net		
Factors	17,403	15,199
Trade and other	4,250	4,145
Related parties		64
Inventories	23,325	25,066
Deferred income tax	441	441
Prepays, deposits and other assets	592	716
Income taxes receivable / prepaid income taxes	4,865	4,832
	50,967	50,656
Noncurrent Assets		
Property, plant and equipment, net	19,637	20,083
Other assets	222	231
	19,859	20,314
Total Assets	\$ 70,826	\$ 70,970

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities		
Accounts payable	\$ 12,496	\$ 9,109
Accrued expenses and other liabilities	4,171	3,966
Accounts payable - related parties, net	42	
Current portion of loans payable	2,701	105
Litigation reserve - Hallwood Energy matters	2,079	2,079
	21,489	15,259
Noncurrent Liabilities		
Long term portion of loans payable (includes \$9,047 and \$8,747 to related party as of March 31, 2013 and December 31, 2012, respectively)	9,047	14,077
Deferred income tax	437	437
	9,484	14,514
Total Liabilities	30,973	29,773

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Contingencies and Commitments (Note 11)

Stockholders Equity

Common stock, issued 2,396,105 shares for both periods; outstanding 1,525,166 shares for both periods	240	240
Additional paid-in capital	51,700	51,700
Retained earnings	1,317	2,661
Treasury stock, 870,939 shares for both periods; at cost	(13,404)	(13,404)

Total Stockholders Equity	39,853	41,197
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Total Liabilities and Stockholders Equity	\$ 70,826	\$ 70,970
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**THE HALLWOOD GROUP INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share amounts)****(unaudited)**

	Three Months Ended March 31,	
	2013	2012
Revenues		
Textile products sales	\$ 31,283	\$ 35,879
Expenses		
Textile products cost of sales	27,459	30,149
Administrative and selling expenses	4,968	6,969
Litigation charge - Hallwood Energy matters		13,200
	32,427	50,318
Operating income (loss)	(1,144)	(14,439)
Other Income (Expense)		
Interest expense	(193)	(25)
Interest and other income		1
	(193)	(24)
Income (loss) before income taxes	(1,337)	(14,463)
Income tax expense (benefit)	7	(4,911)
Net Income (Loss)	\$ (1,344)	\$ (9,552)
Net Income (Loss) Per Common Share		
Basic	\$ (0.88)	\$ (6.26)
Diluted	\$ (0.88)	\$ (6.26)
Weighted Average Shares Outstanding		
Basic	1,525	1,525
Diluted	1,525	1,525

See accompanying notes to condensed consolidated financial statements.

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THE HALLWOOD GROUP INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
Net Loss	\$ (1,344)	\$ (9,552)
Other Comprehensive Income (Loss)		
None		
Comprehensive Loss	\$ (1,344)	\$ (9,552)

See accompanying notes to condensed consolidated financial statements.

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THE HALLWOOD GROUP INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands)

(unaudited)

	Common Stock		Additional	Retained	Treasury Stock		Total
	Shares	Par Value	Paid-In	Earnings	Shares	Cost	Stockholders
			Capital				Equity
Balance, January 1, 2013	2,396	\$ 240	\$ 51,700	\$ 2,661	871	\$ (13,404)	\$ 41,197
Net loss				(1,344)			(1,344)
Balance, March 31, 2013	2,396	\$ 240	\$ 51,700	\$ 1,317	871	\$ (13,404)	\$ 39,853

See accompanying notes to condensed consolidated financial statements.

Table of Contents**THE HALLWOOD GROUP INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,344)	\$ (9,552)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Litigation charge Hallwood Energy matters		13,200
Deferred tax expense (benefit)		(3,867)
Depreciation, amortization and impairment	600	593
Provision (recovery) for obsolete inventory	60	154
Provision (recovery) for doubtful accounts and factor dilution	(16)	8
Changes in assets and liabilities:		
Partial payment of litigation reserve Hallwood Energy matters		(1,800)
(Increase) decrease in accounts receivable	(2,229)	3,150
Increase (decrease) in accounts payable	3,648	1,777
(Increase) decrease in inventories	1,681	(3,752)
Net change in income taxes receivable/payable	(33)	(1,125)
Increase (decrease) in accrued expenses and other current liabilities	247	982
Net change in other assets and liabilities	133	188
Net cash provided by (used in) operating activities	2,747	(44)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment, net	(415)	(458)
Net cash used in investing activities	(415)	(458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revolving credit facilities	12,965	