

Hallwood Group Inc
Form 10-Q
May 15, 2012
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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, 2012

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)

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

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

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, 2012
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, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,367	\$ 10,869
Accounts receivable, net		
Factors	18,376	17,487
Trade and other	4,127	8,174
Related parties	42	42
Inventories	28,578	24,980
Deferred income tax, net	5,651	4,788
Prepays, deposits and other assets	667	934
Prepaid income taxes	2,146	1,027
	69,954	68,301
Noncurrent Assets		
Property, plant and equipment	20,199	20,442
Deferred income tax, net	1,881	
Other assets	241	162
	22,321	20,604
Total Assets	\$ 92,275	\$ 88,905
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	\$ 10,610	\$ 8,941
Accrued expenses and other current liabilities	6,078	5,096
Payable Hallwood Energy matters		
Litigation reserve	20,700	9,300
Contingent additional investment in Hallwood Energy	3,201	3,201
Income taxes payable	4	10
	40,593	26,548
Noncurrent Liabilities		
Long term portion of loans payable	2,000	2,000
Deferred income tax	94	1,217
	2,094	3,217
Total Liabilities	42,687	29,765
Contingencies and Commitments (Note 13)		

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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	11,052	20,604
Treasury stock, 870,939 shares for both periods; at cost	(13,404)	(13,404)

Total Stockholders Equity	49,588	59,140
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Total Liabilities and Stockholders Equity	\$ 92,275	\$ 88,905
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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,	
	2012	2011
Revenues		
Textile products sales	\$ 35,879	\$ 26,769
Expenses		
Textile products cost of sales	30,149	23,194
Administrative and selling expenses	6,969	5,146
Litigation charge - Hallwood Energy matters	13,200	
	50,318	28,340
Operating loss	(14,439)	(1,571)
Other Income (Loss)		
Interest expense	(25)	(26)
Interest and other income	1	17
	(24)	(9)
Loss before income taxes	(14,463)	(1,580)
Income tax expense (benefit)	(4,911)	(584)
Net Loss	\$ (9,552)	\$ (996)
Net Loss Per Common Share		
Basic	\$ (6.26)	\$ (0.65)
Diluted	\$ (6.26)	\$ (0.65)
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,	
	2012	2011
Net Loss	\$ (9,552)	\$ (996)
Other Comprehensive Income (Loss)		
None		
Comprehensive Loss	\$ (9,552)	\$ (996)

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 Capital	Earnings	Shares	Cost	Stockholders Equity
Balance, January 1, 2012	2,396	\$ 240	\$ 51,700	\$ 20,604	871	\$ (13,404)	\$ 59,140
Net loss				(9,552)			(9,552)
Balance, March 31, 2012	2,396	\$ 240	\$ 51,700	\$ 11,052	871	\$ (13,404)	\$ 49,588

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,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (9,552)	\$ (996)
Adjustments to reconcile net income (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	593	658
Provision (recovery) for obsolete inventory	154	(29)
Provision (recovery) for doubtful accounts and factor dilution	8	(51)
Changes in assets and liabilities:		
(Increase) decrease in inventories	(3,752)	(6,563)
(Increase) decrease in accounts receivable	3,150	3,225
Partial payment of litigation reserve Hallwood Energy matters	(1,800)	
Increase (decrease) in accounts payable	1,777	2,508
Increase (decrease) in accrued expenses and other current liabilities	982	(1,248)
Net change in other assets and liabilities	188	(267)
Net change in income taxes receivable/payable	(1,125)	(672)
Net cash provided by (used in) operating activities	(44)	(3,435)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of short-term investments		1,115
Proceeds from disposal of equipment	58	
Investments in property, plant and equipment, net	(516)	