

ABRAMS INDUSTRIES INC

Form 10-Q

December 15, 2005

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**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 quarter ended October 31, 2005
Commission file number 0-10146
ABRAMS INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of
incorporation or organization)

58-0522129

(I.R.S. Employer identification No.)

1945 The Exchange, Suite 300, Atlanta, GA 30339-2029

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (770) 953-0304

Former name, former address, former fiscal year, if changed since last report: N/A

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Yes No

The number of shares of \$1.00 par value Common Stock of the Registrant outstanding as of November 30, 2005, was 3,545,628.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ABRAMS INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	October 31, 2005	April 30, 2005
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,634,651	\$ 1,402,645
Restricted cash		8,272,399
Short-term investment	2,000,000	2,000,000
Receivables (Note 4)	2,010,550	2,721,831
Less: Allowance for doubtful accounts	(19,760)	(69,801)
Assets of discontinued operations (Note 5)	3,155	103,632
Costs and earnings in excess of billings	266,359	312,781
Deferred income taxes	552,953	552,953
Note receivables	882,267	23,500
Other	1,047,490	867,022
Total current assets	13,377,665	16,186,962
INCOME-PRODUCING PROPERTIES, net	24,296,167	24,413,645
PROPERTY AND EQUIPMENT, net	893,399	836,227
OTHER ASSETS:		
Real estate held for future development or sale	3,167,721	3,692,731
Intangible assets, net (Note 8)	3,371,747	3,164,272
Goodwill (Note 8)	5,458,717	5,458,717
Other	3,727,443	3,314,618
	\$54,292,859	\$57,067,172
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Trade and subcontractors payables	\$ 961,853	\$ 888,397
Accrued expenses	1,499,727	1,861,348
Accrued incentive compensation	456,402	1,089,369
Liabilities of discontinued operations (Note 5)	97,289	196,427
Billings in excess of costs and earnings	191,248	526,512
Current maturities of long-term debt	1,188,133	1,174,707
Total current liabilities	4,394,652	5,736,760
DEFERRED INCOME TAXES	3,177,700	3,460,151

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OTHER LIABILITIES	1,663,373	1,602,243
MORTGAGE NOTES PAYABLE, less current maturities	23,083,209	23,567,189
OTHER LONG-TERM DEBT, less current maturities	1,663,250	1,787,418
Total liabilities	33,982,184	36,153,761
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS EQUITY:		
Common stock, \$1 par value; 5,000,000 shares authorized; 3,694,436 issued and 3,545,738 outstanding at October 31, 2005 (including 335,203 shares issued on October 11, 2005, as a stock dividend), 3,357,601 issued and 3,209,113 outstanding at April 30, 2005	3,694,436	3,357,601
Additional paid-in capital	4,800,028	3,067,982
Deferred stock compensation	(6,048)	(14,162)
Retained earnings	12,508,071	15,186,932
Treasury stock, common shares; 148,698 at October 31, 2005, and 148,488 at April 30, 2005	(685,812)	(684,942)
Total shareholders equity	20,310,675	20,913,411
	\$54,292,859	\$57,067,172

See accompanying notes to consolidated financial statements.

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ABRAMS INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SECOND QUARTER ENDED OCTOBER 30,		FIRST SIX MONTHS ENDED OCTOBER 30,	
	2005	2004	2005	2004
REVENUES:				
Energy and facilities solutions	\$ 969,604	\$ 940,084	\$ 1,893,952	\$ 1,830,295
Energy services	1,874,731	1,993,530	3,969,641	3,956,398
Rental income	1,685,444	3,932,511	3,379,406	5,670,841
Real estate sales	1,154,254		1,154,254	
	5,684,033	6,866,125	10,397,253	11,457,534
Interest	51,928	9,810	98,152	38,628
Other	240,960	30,057	254,021	36,064
	5,976,921	6,905,992	10,749,426	11,532,226
COSTS AND EXPENSES:				
Energy and facilities solutions	492,253	552,869	1,002,524	1,033,758
Energy services	1,278,681	1,378,490	2,267,285	2,859,727
Rental property operating expenses, excluding interest	1,135,412	1,275,168	2,228,264	2,549,948
Cost of real estate sold	612,124		612,124	
	3,518,470	3,206,527	6,110,197	6,443,433
Selling, general and administrative				
Energy and facilities solutions	541,614	460,031	1,087,587	1,098,963
Energy services	530,741	481,658	1,085,636	1,121,691
Real estate	186,873	583,218	452,157	945,808
Parent	736,043	904,294	1,635,595	1,600,722
	1,995,271	2,429,201	4,260,975	4,767,184
Extinguishment of debt				218,071
Interest costs incurred	472,865	499,475	904,970	1,077,392
	5,986,606	6,135,203	11,276,142	12,506,080

(LOSS) EARNINGS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	(9,685)	770,789	(526,716)	(973,854)
INCOME TAX (BENEFIT) EXPENSE	(3,680)	310,757	(200,152)	(349,595)
(LOSS) EARNINGS FROM CONTINUING OPERATIONS	(6,005)	460,032	(326,564)	(624,259)
DISCONTINUED OPERATIONS: (Loss) earnings from discontinued operations, adjusted for applicable income tax (benefit) expense of \$(10,362), \$34,881, \$(20,456), and \$32,232, respectively	(16,909)	61,308	(33,376)	40,145
NET (LOSS) EARNINGS	\$ (22,914)	\$ 521,340	\$ (359,940)	\$ (584,114)
NET (LOSS) EARNINGS PER SHARE BASIC AND DILUTED:				
From continuing operations	\$ (.00)	\$.13	\$ (.09)	\$ (.18)
From discontinued operations	(.01)	.02	(.01)	.01
NET (LOSS) EARNINGS PER SHARE BASIC AND DILUTED	\$ (.01)	\$.15	\$ (.10)	\$ (.17)
DIVIDENDS PER SHARE	\$.04	\$.04	\$.07	\$.22
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED	3,545,418	3,541,913	3,545,049	3,537,356

See accompanying notes to consolidated financial statements.

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ABRAMS INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Stock Compensation	Retained Earnings	Treasury Stock	Total
BALANCES at April 30, 2003	3,060,239	3,060,239	2,153,505	(16,598)	16,734,753	(673,947)	21,257,952
Net loss					(1,850,126)		(1,850,126)
Common stock acquired							
Common stock issued	267,389	267,389	810,369	(41,700)			1,036,058
Stock compensation expense				31,443		(5,836)	25,607
Cash dividends declared \$.16 per share					(471,964)		(471,964)
BALANCES at April 30, 2004	3,327,628	3,327,628	2,963,874	(26,855)	14,412,663	(679,783)	19,997,527
Net earnings					1,800,358		1,800,358
Common stock acquired							
Common stock issued	29,973	29,973	104,108	(39,175)			94,906
Stock compensation expense				51,868		(5,159)	46,709
Cash dividends declared \$.32 per share					(1,026,089)		(1,026,089)
BALANCES at April 30, 2005	3,357,601	3,357,601	3,067,982	(14,162)	15,186,932	(684,942)	20,913,411
Net loss					(359,940)		(359,940)
Common stock issued	900	900	3,555	(4,455)			
Stock compensation expense				12,569		(870)	11,699
Stock option exercise	732	732	2,196				2,928
Cash dividends declared \$.0726 per share (adjusted for subsequent stock dividend)					(257,423)		(257,423)
Stock dividend declared 10% at market value on date declared	335,203	335,203	1,726,295		(2,061,498)		
BALANCES at October 31, 2005	3,694,436	\$3,694,436	\$4,800,028	\$ (6,048)	\$12,508,071	\$(685,812)	\$20,310,675

See accompanying notes to consolidated financial statements.

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ABRAMS INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED	
	OCTOBER 30,	
	2005	2004
CONTINUING OPERATIONS:		
Cash flows from operating activities:		
Net loss	\$ (359,940)	\$ (584,114)
Loss (earnings) from discontinued operations, net of tax	33,376	(40,145)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Gain on sale of real estate	(542,130)	
Depreciation and amortization	790,935	1,011,336
Deferred tax benefit	(282,451)	(333,325)
(Recovery of) provision for doubtful accounts, net	(50,041)	9,190
Extinguishment of debt		218,071
Changes in assets and liabilities:		
Receivables	711,281	(593,466)
Costs and earnings in excess of billings	46,422	232,306
Note receivables	(623,031)	
Other current assets	(180,468)	(284,356)
Other assets	(198,561)	(303,504)
Trade and subcontractors payable	73,456	630,058
Accrued expenses	(361,621)	(187,204)
Accrued incentive compensation	(632,967)	
Billings in excess of costs and earnings	(335,264)	711,124
Other liabilities	61,130	180,736
 Net cash (used in) provided by operating activities	 (1,849,874)	 666,707
 Cash flows from investing activities:		
Release of restricted cash held in escrow	8,272,399	
Proceeds from sale of real estate	617,140	
Additions to income-producing properties, net	(355,897)	(205,447)
Additions to property and equipment, net	(148,158)	(400,581)
Additions to intangible assets, net	(474,143)	(253,955)
Acquisition, net of cash acquired		(178,315)
 Net cash provided by (used in) investing activities	 7,911,341	 (1,038,298)
 Cash flows from financing activities:		
Debt restructuring		(1,974,042)
Debt repayments	(542,929)	(478,212)
Deferred loan costs paid		(50,000)

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Cash received on stock option exercise	2,928	
Cash dividends	(257,423)	(769,456)
Net cash used in financing activities	(797,424)	(3,271,710)
DISCONTINUED OPERATIONS:		
Operating activities	(32,037)	1,764,506
Investing activities		(47,472)
Financing activities		(89,156)
Net cash (used in) provided by discontinued operations	(32,037)	1,627,878
Net increase (decrease) in cash and cash equivalents	5,232,006	(2,015,423)
Cash and cash equivalents at beginning of period	1,402,645	6,379,679
Cash and cash equivalents at end of period	\$ 6,634,651	\$ 4,364,256
Supplemental disclosure of noncash financing activities:		
Issuance of common stock under Stock Award Plan	\$ 4,455	\$ 7,500
<i>See accompanying notes to consolidated financial statements.</i>		

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ABRAMS INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2005, AND APRIL 30, 2005
(UNAUDITED)

NOTE 1. ORGANIZATION AND BUSINESS

Abrams Industries, Inc. (together with its subsidiaries, the Company) was organized under Delaware law in 1960. In 1984, the Company changed its state of incorporation from Delaware to Georgia. The Company (i) provides energy engineering and analytical consulting services and develops, implements and supports facility management software applications; (ii) implements energy saving lighting programs and provides other energy services, including facility related improvements that reduce energy and operating costs; and (iii) engages in real estate investment and development.

NOTE 2. UNAUDITED STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations, although management believes that the accompanying disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals that are necessary for a fair statement of the results for the interim periods presented. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 2005. Results of operations for interim periods are not necessarily indicative of annual results.

Certain reclassifications have been made to the fiscal 2005 consolidated financial statements to conform to the classifications adopted in 2006.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

For purposes of the required pro forma disclosures required by Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, the Company has computed the value of all stock option awards granted for the quarter ended October 31, 2005, and October 31, 2004, using the Black-Scholes option pricing model. If the Company had accounted for its stock-based compensation awards in accordance with SFAS 123, pro forma results would have been as follows:

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	Quarter		Six Months	
	Ended October 31,		Ended October 31,	
	2005	2004	2005	2004
Net (loss) earnings, as reported	\$(22,914)	\$521,340	\$(359,940)	\$(584,114)
Add: Stock-based compensation	6,654	16,273	16,057	34,680
Deduct: Total stock-based compensation expense as determined under fair value based method for all awards, net of related tax effects	(28,013)	(33,674)	(58,655)	(107,668)
Add: Forfeitures, net of related tax effects	7,073	25,271	9,659	46,534
Pro forma net (loss) earnings	\$(37,200)	\$529,210	\$(392,879)	\$(610,568)
Net (loss) earnings per share:				
Basic and diluted as reported	\$ (0.01)	\$ 0.15	\$ (0.10)	\$ (0.17)
Basic and diluted pro forma	\$ (0.01)	\$ 0.15	\$ (0.11)	\$ (0.17)

Options to purchase 703,536 shares were outstanding at October 31, 2005, of which 464,062 options were vested. The Company did not grant any stock options or shares of restricted stock for the quarter ended October 31, 2005. The Company did grant 30,000 stock options and 2,300 shares of restricted stock for the quarter ended October 31, 2004. The Company granted 4,000 stock options and 900 shares of restricted stock for the first six months ended October 31, 2005, and granted 84,900 stock options and 7,500 shares of restricted stock for the first six months ended October 31, 2004. The number of stock options forfeited in the quarters ended October 31, 2005, and October 31, 2004, was 12,198 and 33,500, respectively. The number of stock options forfeited in the first six months ended October 31, 2005, and October 31, 2004, was 16,248 and 60,000, respectively. There were 3,662 stock options that were in-the-money and exercisable as of October 31, 2005. The number of shares of unvested, restricted stock forfeited in the quarters ended October 31, 2005, and October 31, 2004, was 110 and 400, respectively. The number of shares of unvested, restricted stock forfeited in the first six months ended October 31, 2005, and October 31, 2004, was 210 and 700, respectively.

NOTE 4. RECEIVABLES

All net contract and trade receivables are expected to be collected within one year.

NOTE 5. DISCONTINUED OPERATIONS

Construction Segment

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