

SYRATECH CORP
Form 10-Q
November 14, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2003

o **TRANSITION PERIOD PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-12624

Syratech Corporation

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction
of incorporation or organization)

13-3354944

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

175 McClellan Highway

East Boston, Massachusetts

(Address of principal executive office)

02128-9114

(Zip Code)

Registrant's telephone number, including area code - **617-561-2200**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 Act.) YES NO

Number of Shares of Common Stock, Par Value \$0.01 per share, outstanding at September 30, 2003 - 3,784,018

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SYRATECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	September 30, 2003	December 31, 2002
ASSETS	(Unaudited)	
Current assets:		
Cash and equivalents	\$ 2,714	\$ 1,399
Accounts receivable, net	63,373	51,582
Inventories	72,079	58,198
Deferred income taxes	14,125	20,649
Prepaid expenses and other	3,403	2,627
Assets held for sale		3,395
Total current assets	155,694	137,850
Property, plant and equipment, net	37,546	59,742
Other assets, net	3,215	5,154
Total	\$ 196,455	\$ 202,746
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Revolving loan facilities and notes payable	\$ 41,498	\$ 23,383
Accounts payable	22,542	8,107
Accrued expenses	9,773	11,888
Accrued interest	6,128	3,586
Accrued compensation	2,188	3,529
Accrued advertising	3,429	3,945
Deferred gain	1,294	
Income taxes payable	250	32
Liabilities held for sale		645
Total current liabilities	87,102	55,115
Long - term debt	118,271	153,584
Deferred income taxes	8,434	15,434
Pension liability	2,843	2,674
Long-term deferred gain	3,537	
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$.01 par value, 500,000 shares authorized; (25,000 designated as cumulative redeemable preferred stock, 18,000 shares issued and outstanding, liquidation value of \$18,000, and includes accrued and unpaid dividends of \$19,516 and \$16,418 in 2003 and 2002, respectively)	37,516	34,418
Common stock, \$.01 par value, 20,000,000 shares authorized; 3,784,018 shares issued and outstanding	38	38

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Deficit	(60,973)	(58,392)
Accumulated other comprehensive loss	(313)	(125)
Total stockholders' equity	(23,732)	(24,061)
Total	\$ 196,455	\$ 202,746

See notes to consolidated financial statements.

SYRATECH CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30 ,		Nine Months Ended September 30 ,	
	2003	2002	2003	2002
Net sales	\$ 86,862	\$ 94,992	\$ 163,253	\$ 172,283
Cost of sales	60,945	68,114	116,064	123,207
Gross profit	25,917	26,878	47,189	49,076
Selling, general and administrative expenses	15,872	17,763	43,394	48,267
Operating income	10,045	9,115	3,795	809
Interest expense	(4,110)	(5,054)	(12,259)	(14,842)
Interest income		1	1	1
Gain on extinguishment of debt			9,446	1,236
Income (loss) from continuing operations before provision (benefit) for income taxes and cumulative effect of a change in accounting principle	5,935	4,062	983	(12,796)
Provision (benefit) for income taxes	2,433	818	413	(3,259)
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	3,502	3,244	570	(9,537)
Discontinued Operation:				
Loss from operations of discontinued subsidiary			(53)	(241)
Net income (loss) before cumulative effect of a change in accounting principle	3,502	3,244	517	(9,778)
Cumulative effect of a change in accounting principle				(6,225)
Net income (loss)	3,502	3,244	517	(16,003)
Preferred stock dividends accrued	1,033	922	3,098	2,766
Net income (loss) applicable to common stockholders	\$ 2,469	\$ 2,322	\$ (2,581)	\$ (18,769)
Basic and diluted income (loss) per share:				
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	\$ 0.93	\$ 0.86	\$ 0.15	\$ (2.52)

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Loss from operations of discontinued subsidiaries				(0.01)		(0.06)
Cumulative effect of change in accounting principle						(1.65)
Preferred stock dividends accrued	(0.28)		(0.25)	(0.82)		(0.73)
Net income (loss) per common share	\$ 0.65	\$ 0.61	\$ (0.68)	\$ (4.96)		
Weighted average number of shares outstanding	3,784	3,784	3,784	3,784		

See notes to consolidated financial statements.

SYRATECH CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ 517	\$ (16,003)
Less net loss from discontinued operations	53	241
Less effect of accounting change		6,225
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	570	(9,537)
Adjustments to reconcile income (loss) from continuing operations to net cash from continuing operations :		
Depreciation and amortization	6,448	6,883
Deferred income taxes	(476)	2,623
Gain on extinguishment of debt	(9,446)	(1,236)
Gain on disposal of assets including amortization of deferred gains	(1,281)	83
Pension liability	169	(245)
Changes in assets and liabilities:		
Accounts receivable	(11,791)	(9,050)
Inventories	(13,881)	(23,572)
Prepaid expenses and other	(822)	(491)
Accounts payable and accrued expenses	13,005	13,031
Income taxes payable	218	1,148
Net cash from operating activities of continuing operations	(17,287)	(20,363)
Net cash from operating activities of discontinued operations	(53)	(1,373)
Net cash from operating activities	(17,340)	(21,736)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,130)	(1,885)
Proceeds from disposal of assets	16,805	
Other	(39)	24
Net cash from investing activities of continuing operations	13,636	(1,861)
Net cash from investing activities of discontinued operations	2,750	
Net cash from investing activities	16,386	(1,861)
Cash flows from financing activities:		
Change in revolving loan facilities	18,264	21,268
Retirement of outstanding Senior Notes	(15,724)	(1,203)

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Repayments of promissory note			(103)
Deferred financing costs and other	(83)		(633)
Net cash from financing activities of continuing operations	2,457		19,329
Effect of exchange rate changes	(188)		368
Net increase (decrease) in cash and equivalents	1,315		(3,900)
Cash and equivalents, beginning of period	1,399		4,602
Cash and equivalents, end of period	\$ 2,714	\$	702

See notes to consolidated financial statements.

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands, except share and per share data)

1. FINANCIAL INFORMATION

The accompanying unaudited interim condensed consolidated financial statements of Syratech Corporation and Subsidiaries (the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the 2003 presentation. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's 2002 Annual Report on Form 10-K.

In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

2. DISCONTINUED OPERATION

In December 2002 the Company formalized its decision to offer for sale its indirect wholly owned subsidiary, C.J. Vander Ltd. and its subsidiaries. The Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144) as of January 1, 2002. Accordingly, results of this operation have been classified as discontinued and prior periods have been restated. On March 21, 2003, the Company through an indirect wholly-owned subsidiary sold C. J. Vander Ltd. and its subsidiaries to HLW 179 Limited, a company led by the existing management of C. J. Vander Ltd. Proceeds of the sale net of expected selling costs were approximately \$2,750. In connection with the sale, two subsidiaries of the Company entered into agreements to supply certain products to the new company and one of its subsidiaries. The Company recorded a charge of \$5,305 in December 2002 to reduce this business to fair value less costs to sell. The nine months ended September 30, 2003 reflects the \$53 net loss from discontinued operations which was recorded in the quarter ended March 31, 2003.

Net sales and net loss from discontinued operations are as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales	\$	\$ 2,240	\$ 1,675	\$ 5,651
Net loss from discontinued operations	\$	\$	\$ (53)	\$ (241)

3. ASSET SALE

On January 15, 2003, the Company through an indirect wholly-owned subsidiary sold its warehouse property in Mira Loma CA (the Property) to Industrial Developments International, Inc. (Buyer). The purchase price of \$26,750 was partially paid by the Buyer 's assumption of \$9,787 of the Company 's indebtedness related to the Property and the remainder was paid in cash. Simultaneously with the sale of the Property, the Buyer leased the Property back to the Company. The lease agreement provides for gradual reductions in the square footage leased by the Company during its 66 month term. A gain of \$6,085 related to the sale of the Property will be recognized over the term of the lease. In the nine months ended September 30, 2003, \$1,254 of the gain was recognized, and \$4,831 has been deferred to future periods, of which \$3,537 is classified as long term.

4. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Nine Months Ended September 30,	
	2003	2002
Cash paid during the period for:		
Interest	\$ 8,510	\$ 10,791
Income taxes	\$ 1,099	\$ 1,344
Supplemental schedule of non-cash financing activities:		
Accrued cumulative redeemable preferred stock dividends	\$ 3,098	\$ 2,766

5. INVENTORIES

Inventories consisted of the following:

	September 30, 2003	December 31, 2002
Raw materials	\$ 9,502	\$ 7,993
Work-in-process	5,383	2,219
Finished goods	57,194	47,986
Total	\$ 72,079	\$ 58,198

6. INCOME TAXES

The provision for income taxes for the nine month period ended September 30, 2003 has been computed using the estimated effective full year tax rate of 42.0%. The tax rate used for the nine month period ending September 30, 2002 was 25.5%. The rate increase is due to taxable gains on the extinguishment of debt and the sale of the Company's Mira Loma, California facility recorded during the period, which changed the mix of foreign and domestic taxable income.

7. REVOLVING LOAN FACILITIES AND NOTES PAYABLE

The Company has a Senior Revolving Credit Facility (the Revolving Credit Facility) dated April 16, 1997 (amended effective as of July 31, 1997, December 31, 1997, March 30, 1998, December 31, 1998, March 26, 2001, August 13, 2001, March 22, 2002, November 12, 2002, December 18, 2002 and March 20, 2003). The obligations of the Company under the Revolving Credit Facility are secured by inventory and accounts receivable of the Company and its domestic subsidiaries, and by a pledge of 100% of the domestic subsidiaries' and at least 65% of its foreign subsidiary's outstanding capital stock. The Revolving Credit Facility as amended, provides for borrowings of up to \$86,364 with borrowing capacity related to inventory limited to a maximum of \$55,000. The Revolving Credit Facility expires on April 15, 2004. The December 18, 2002 amendment provides for repurchases of the Company's 11% Senior Notes due 2007 (the Senior Notes) subject to approval of each transaction by the administrative agent for the lenders. The Company must maintain minimum EBITDA (i) for the period of three consecutive Fiscal Quarters ending September 30, 2003, of \$5,000, and (ii) for the period of four consecutive Fiscal Quarters ending December 31, 2003 and on the last day of each Fiscal Quarter thereafter of \$15,000. Borrowings made under the Revolving Credit Facility, other than for repurchases of Senior Notes, bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 375 basis points or the Prime Rate plus 100 basis points. Borrowings made under the Revolving Credit Facility for the repurchase of Senior Notes bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 500 basis points or the Prime Rate plus 225 basis points. As amended, the Company must maintain minimum borrowing availability of \$10,000 until October 15, 2003, \$11,250 on October 16, 2003 increasing gradually to \$20,000 for the period from December 3, 2003 through January 2004, \$25,000 during February and March of 2004 and \$10,000 thereafter.

At September 30, 2003, \$2,018 was outstanding under the Revolving Credit Facility bearing interest at the Prime Rate plus 100 basis points and \$39,000 was at the Eurodollar Rate plus 375 basis points. The Company is in compliance with the covenants, as amended, as of September 30, 2003. Availability under the Revolving Credit Facility, net of outstanding letters of credit and minimum availability requirements, was \$15,969 at September 30, 2003.

At September 30, 2003, the Company also had debt financing with third parties of \$118,271 of 11% Senior Notes which are due April 15, 2007 and require interest payments to be made semi-annually on April 15 and October 15. The Senior Notes are general unsecured obligations of the Company and rank pari passu in right of payment with all current and future unsubordinated indebtedness of the Company, including borrowings under the Revolving Credit Facility. However, all borrowings under the Revolving Credit Facility are secured by a first priority lien on the accounts receivable and inventory of the Company and its domestic subsidiaries (Guarantor Subsidiaries) but not of its foreign subsidiary (See Note 13). Consequently, the obligations of the Company under the Senior Notes are effectively subordinated to its obligations under the Revolving Credit Facility to the extent of such assets. The Senior Notes became redeemable, in whole or in part, at the Company's option after April 15, 2002.

For the nine month period ended September 30, 2003, the Company's total purchases of its Senior Notes were \$25,675 at face value, resulting in a pre-tax gain of \$9,446. The Company made no purchases of Senior Notes during the three months ended September 30, 2003.

The Company's Wallace International de Puerto Rico, Inc. subsidiary has a \$500 credit facility which expires on January 30, 2004. Its terms require that the facility be paid down to zero for one 15 consecutive day period prior to that date. Borrowings under the facility bear interest at a rate equal to the Prime Rate plus 200 basis points. Borrowings of \$480 were outstanding under this credit facility at September 30, 2003 and availability under the facility was \$20.

8. COMPREHENSIVE INCOME/(LOSS)

Comprehensive income (loss) is comprised of net income, foreign currency translation adjustments, and pension adjustments related to recording the minimum pension liability and maximum intangible asset. Accumulated other comprehensive income by component is as follows:

	September 30, 2003	December 31, 2002
Translation adjustment	\$ (269)	\$ (81)
Minimum pension adjustment	(44)	(44)
Total accumulated other comprehensive income	\$ (313)	\$ (125)

9. ACCOUNTING PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for hedging activities and derivative instruments including certain derivative instruments embedded in other contracts. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's financial position or results of operations.

10. SEGMENT DISCLOSURES

The Company has identified only one distinct and reportable segment: Home Entertainment and Decorative Products, which generates revenue from two types of product offerings: Tabletop and Giftware, and Seasonal. The following table presents the Company's net sales in these product categories for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Tabletop and Giftware	\$ 56,912	\$ 62,073	\$ 123,093	\$ 129,967
Seasonal	29,950	32,919	40,160	42,316
Total	\$ 86,862	\$ 94,992	\$ 163,253	\$ 172,283

11. EMPLOYEE BENEFIT PLANS

At September 30, 2003, the Company had employment agreements with certain officers and employees for terms ranging from one to three years. These agreements provide for minimum annual salaries aggregating \$2,724 and certain other benefits. In June 2003, an employment agreement with an officer and director was amended to increase his annual compensation for a one year period by \$100.

12. SUBSEQUENT EVENT RESIGNATION OF CHAIRMAN OF THE BOARD

Effective October 22, 2003, Leonard Florence resigned as Chairman of the Company's board of directors. Mr. Florence, who founded Syratech in 1986, stepped down as Chief Executive Officer on March 11, 2002. Under the terms of an agreement related to the resignation (i) Mr. Florence resigned as an officer and director of the Company and its subsidiaries and was released from his obligation to provide advisory services to the Company; (ii) the Company paid Mr. Florence \$750 and also \$25 of his legal expense, and is obligated to pay Mr. Florence an additional \$200 in January 2005; (iii) the Company was relieved of its obligation to provide medical benefits following January 22, 2004 and (iv) the Company agreed to reimburse certain secretarial and office costs through April 16, 2005.

13. SUPPLEMENTAL CONSOLIDATING FINANCIAL STATEMENTS

The following supplemental consolidating financial statements as of September 30, 2003 and December 31, 2002, and for each of the three month and nine month periods ended September 30, 2003 and 2002, present separate financial information for the Issuer/Guarantor Parent, the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries. Certain prior year amounts have been reclassified to conform with the 2003 presentation. Separate financial statements of each guarantor are not presented because management believes that such statements would not be materially different from the information presented herein.

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEETS

September 30, 2003

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated					
ASSETS										
Current assets:										
Cash and equivalents	\$	\$	111	\$	\$	2,714				
Accounts receivable, net			48,751			63,373				
Inventories			71,103			72,079				
Deferred income taxes		145	13,980			14,125				
Prepaid expenses and other		113	2,978			3,403				
Total current assets		258	136,923			155,694				
Property, plant and equipment, net			37,441			37,546				
Other assets, net		3,531	790		(1,106)	3,215				
Investment		49,665	26,903		(76,568)					
Total	\$	53,454	\$	202,057	\$	18,618	\$	(77,674)	\$	196,455
LIABILITIES AND STOCKHOLDERS										
EQUITY										
Current liabilities:										
Revolving loan facilities and notes payable	\$	\$	41,498	\$	\$	41,498				
Accounts payable			5,296		17,246	22,542				
Accrued expenses		41	7,493		52	2,187	9,773			
Accrued interest		8,369	(2,241)			6,128				
Accrued compensation			1,738		450	2,188				
Accrued advertising			3,429			3,429				
Deferred gain			1,294			1,294				
Income taxes payable		(6,083)	5,475		330	528	250			
Total current liabilities		2,327	63,982		18,078	2,715	87,102			
Long -term debt		165,000				(46,729)	118,271			
Deferred income taxes		5,515	2,919				8,434			
Pension liability and other long-term liabilities			2,843				2,843			
Deferred Gain			3,537				3,537			
Intercompany (receivable) payable		23,076	19,150		(41,197)	(1,029)				
Stockholders equity (deficit)		(142,464)	109,626		41,737	(32,631)	(23,732)			
Total	\$	53,454	\$	202,057	\$	18,618	\$	(77,674)	\$	196,455

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2002

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and equivalents	\$	\$ 331	\$ 1,068	\$	\$ 1,399
Accounts receivable, net		49,167	2,415		51,582
Inventories		57,729	428	41	58,198
Deferred income taxes	5,829	14,820			20,649
Prepaid expenses and other	113	2,235	279		2,627
Assets held for sale			3,395		3,395
Total current assets	5,942	124,282	7,585	41	137,850
Property, plant and equipment, net		59,653	140	(51)	59,742
Other assets, net	4,737	1,018		(601)	5,154
Investment	49,665	11,978		(61,643)	
Total	\$ 60,344	\$ 196,931	\$ 7,725	\$ (62,254)	\$ 202,746
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Revolving loan facilities and notes payable	\$	\$ 23,383	\$	\$	\$ 23,383
Accounts payable		5,211	2,896		8,107
Accrued expenses	40	10,747	1,101		11,888
Accrued interest	3,832	(246)			3,586
Accrued compensation		2,774	755		3,529
Accrued advertising		3,945			3,945
Income taxes payable	(6,083)	3,496	(90)	2,709	32
Liabilities held for sale			645		645
Total current liabilities	(2,211)	49,310	5,307	2,709	55,115
Long-term debt	165,000	9,638		(21,054)	153,584
Deferred income taxes	5,515	9,919			15,434
Pension liability		2,674			2,674
Intercompany (receivable) payable	13,570	22,406	(34,584)	(1,392)	
Stockholders equity (deficit)	(121,530)	102,984	37,002	(42,517)	(24,061)
Total	\$ 60,344	\$ 196,931	\$ 7,725	\$ (62,254)	\$ 202,746

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2003

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 80,831	\$ 26,562	\$ (20,531)	\$ 86,862
Cost of sales		63,004	18,472	(20,531)	60,945
Gross profit		17,827	8,090		25,917
Selling, general and administrative expenses	113	10,949	4,810		15,872
Operating income (loss)	(113)	6,878	3,280		10,045
Interest expense	(4,897)	790	(3)		(4,110)
Interest income					
Gain on extinguishment of debt					
Income (loss) from continuing operations before provision (benefit) for income taxes	(5,010)	7,668	3,277		5,935
Provision (benefit) for income taxes	(1,659)	3,566	526		2,433
Income (loss) from continuing operations	(3,351)	4,102	2,751		3,502
Discontinued Operations:					
Loss from operations of discontinued subsidiaries					
Net income (loss)	(3,351)	4,102	2,751		3,502
Preferred stock dividends accrued	1,033				1,033
Net income (loss) applicable to common stockholders	\$ (4,384)	\$ 4,102	\$ 2,751	\$	\$ 2,469

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2002

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 65,270	\$ 56,033	\$ (26,311)	\$ 94,992
Cost of sales		47,829	46,596	(26,311)	68,114
Gross profit		17,441	9,437		26,878
Selling, general and administrative expenses	113	12,170	5,480		17,763
Operating income (loss)	(113)	5,271	3,957		9,115
Interest expense	(4,972)	(211)	129		(5,054)
Interest income			1		1
Gain on extinguishment of debt					
Income (loss) from continuing operations before provision (benefit) for income taxes	(5,085)	5,060	4,087		4,062
Provision (benefit) for income taxes	(478)	664	632		818
Income (loss) from continuing operations	(4,607)	4,396	3,455		3,244
Discontinued Operations:					
Loss from operations of discontinued subsidiaries					
Net income (loss)	(4,607)	4,396	3,455		3,244
Cumulative effect of a change in accounting principle					
Net income (loss)	(4,607)	4,396	3,455		3,244
Preferred stock dividends accrued	922				922
Net income (loss) applicable to common stockholders	\$ (5,529)	\$ 4,396	\$ 3,455	\$	\$ 2,322

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2003

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 161,829	\$ 42,367	\$ (40,943)	\$ 163,253
Cost of sales		128,293	28,714	(40,943)	116,064
Gross profit		33,536	13,653		47,189
Selling, general and administrative expenses	338	34,243	8,813		43,394
Operating income (loss) from continuing operations	(338)	(707)	4,840		3,795
Interest expense	(14,911)	2,573	79		(12,259)
Interest income		1			1
Gain on extinguishment of debt	9,446				9,446
Income (loss) from continuing operations before provision (benefit) for income taxes	(5,803)	1,867	4,919		983
Provision (benefit) for income taxes	5,684	(6,030)	759		413
Income (loss) from continuing operations	(11,487)	7,897	4,160		570
Discontinued Operations:					
Loss from operations of discontinued subsidiaries		(21)	(32)		(53)
Net income (loss)	(11,487)	7,876	4,128		517
Preferred stock dividends accrued	3,098				3,098
Net income (loss) applicable to common stockholders	\$ (14,585)	\$ 7,876	\$ 4,128	\$	\$ (2,581)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2002

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 127,764	\$ 94,815	\$ (50,296)	\$ 172,283
Cost of sales		94,474	79,029	(50,296)	123,207
Gross profit		33,290	15,786		49,076
Selling, general and administrative expenses	338	37,979	9,950		48,267
Operating income (loss)	(338)	(4,689)	5,836		809
Interest expense	(15,187)	(76)	421		(14,842)
Interest income			1		1
Gain on extinguishment of debt	1,236				1,236
Income (loss) from continuing operations before provision (benefit) for income taxes	(14,289)	(4,765)	6,258		(12,796)
Provision (benefit) for income taxes	(2,697)	(1,495)	933		(3,259)
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(11,592)	(3,270)	5,325		(9,537)
Discontinued Operations:					
Loss from operations of discontinued subsidiaries			(241)		(241)
Net income (loss)	(11,592)	(3,270)	5,084		(9,778)
Cumulative effect of a change in accounting principle		(6,225)			(6,225)
Net income (loss)	(11,592)	(9,495)	5,084		(16,003)
Preferred stock dividends accrued	2,766				2,766
Net income (loss) applicable to common stockholders	\$ (14,358)	\$ (9,495)	\$ 5,084	\$	\$ (18,769)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2003

Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations
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