

WINLAND ELECTRONICS INC
Form 10-Q
August 13, 2010

UNITED STATES
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:

June 30, 2010

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 No.: 1-15637

WINLAND ELECTRONICS, INC.
(Name of registrant in its charter)

Minnesota
(State or other jurisdiction of incorporation or organization)

41-0992135
(IRS Employer Identification Number)

1950 Excel Drive, Mankato, Minnesota 56001
(Address of principal executive offices)

(507) 625-7231
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Exchange
Common Stock, \$.01 par value	American Stock Exchange
Preferred Stock Purchase Rights	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer 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

There were 3,699,230 shares of Common Stock, \$.01 par value, outstanding as of August 12, 2010.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BALANCE SHEETS AS OF JUNE 30, 2010 AND DECEMBER 31, 2009

CONDENSED STATEMENTS OF OPERATIONS FOR THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

NOTES TO CONDENSED FINANCIAL STATEMENTS

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4. CONTROLS AND PROCEDURES

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 1A. RISK FACTORS

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS

SIGNATURES

EXHIBIT INDEX

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WINLAND ELECTRONICS, INC.
CONDENSED BALANCE SHEETS
(In Thousands, Except Share Data)

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current Assets		
Cash	\$ 100	\$ 55
Accounts receivable, less allowance for doubtful accounts of \$64 and \$49, respectively	3,597	2,823
Refundable income taxes	376	1,023
Inventories, less allowance for obsolescence of \$766 and \$562, respectively	3,195	3,039
Prepaid expenses and other assets	308	256
Total current assets	7,576	7,196
Property and equipment at cost	11,933	12,266
Less accumulated depreciation	(8,045)	(7,937)
Net property and equipment	3,888	4,329
Total assets	\$ 11,464	\$ 11,525
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Revolving line of credit agreement	\$ 1,248	\$ 367
Current maturities of long-term debt	394	380
Accounts payable	1,692	1,132
Accrued expenses:		
Compensation	392	369
Other short-term tax liabilities	258	-
Other	53	49
Total current liabilities	4,037	2,297
Long Term Liabilities		
Long-term debt, less current maturities	498	699
Deferred revenue	118	122
Other long-term tax liabilities	-	258
Total long-term liabilities	616	1,079
Stockholders' Equity		
Common stock, par value \$0.01 per share; authorized 20,000,000 shares; issued and outstanding 3,699,230 shares as of June 30, 2010 and 3,686,435 as of December 31, 2009	37	37

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Additional paid-in capital	5,039	5,016
Retained earnings	1,735	3,096
Total stockholders' equity	6,811	8,149
Total liabilities and stockholders' equity	\$ 11,464	\$ 11,525

See Notes to Condensed Financial Statements

[Table of Contents](#)

Page 3

WINLAND ELECTRONICS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$5,131	\$5,734	\$9,675	\$12,886
Cost of sales	4,934	5,246	9,061	11,322
Gross profit	197	488	614	1,564
Operating expenses				
General and administrative	510	543	970	1,169
Sales and marketing	367	423	744	774
Research and development	114	87	219	252
Total operating expenses	991	1,053	1,933	2,195
Operating loss	(794)	(565)	(1,319)	(631)
Other income (expense)				
Interest expense	(27)	(23)	(48)	(46)
Other income (expense), net	(1)	3	7	(12)
Total other expense	(28)	(20)	(41)	(58)
Loss before income taxes	(822)	(585)	(1,360)	(689)
Income tax expense	-	(129)	(2)	(150)
Net loss	\$(822)	\$(714)	\$(1,362)	\$(839)
Loss per common share:				
Basic and diluted	\$(0.22)	\$(0.19)	\$(0.37)	\$(0.23)
Weighted-average number of common shares outstanding:				
Basic and diluted	3,689,930	3,669,148	3,686,683	3,669,148

See Notes to Condensed Financial Statements

[Table of Contents](#)

Page 4

WINLAND ELECTRONICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)
(Unaudited)

	For the Six Months Ended June 30,	
	2010	2009
Cash Flows From Operating Activities		
Net loss	\$(1,362)	\$(839)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	397	412
Increase in allowance for doubtful accounts	15	-
Loss on disposal of property and equipment	47	20
Non-cash stock based compensation	16	47
Changes in assets and liabilities:		
Accounts receivable	(789)	333
Refundable income taxes	647	204
Inventories	(156)	(266)
Prepaid expenses	(52)	(199)
Accounts payable	560	(37)
Accrued expenses, including deferred revenue and other short-term tax liabilities	27	26
Net cash used in operating activities	(650)	(299)
Cash Flows From Investing Activities		
Purchases of property and equipment	(13)	(59)
Proceeds from sale of property and equipment	7	7
Net cash used in investing activities	(6)	(52)
Cash flows From Financing Activities		
Net borrowings on revolving line of credit	881	386
Payments on long-term borrowings, including capital lease obligations	(187)	(213)
Proceeds from issuance of common stock	7	6
Net cash provided by financing activities	701	179
Net increase (decrease) in cash	45	(172)
Cash		
Beginning of period	55	356
Ending of period	\$100	\$184
Supplemental information		
Cash payments for:		
Interest	\$35	\$47
Cash received for:		
Income taxes	\$645	\$-
Non-cash reclassification of other tax liability from long-term to short-term		

