

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1995-07-12** | Period of Report: **1995-06-04**  
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### FILER

#### GLASSMASTER CO

CIK: **109870** | IRS No.: **570283724** | State of Incorpor.: **SC** | Fiscal Year End: **0831**  
Type: **10QSB** | Act: **34** | File No.: **000-02331** | Film No.: **95553405**  
SIC: **3089** Plastics products, nec

Mailing Address  
*PO BOX 788*  
*LEXINGTON SC 29071*

Business Address  
*P O BOX 788*  
*LEXINGTON SC 29071*  
*8033592594*

SECURITIES AND EXCHANGE COMMISSION

Washington DC 20549

FORM 10-QSB

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

For the quarterly period ended June 4, 1995 .

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number 0-2331

GLASSMASTER COMPANY

(Exact name of small business issuer as specified in its charter)

South Carolina

57-0283724

(State or other jurisdiction of  
Incorporation of organization)

(IRS Employer  
Identification No.)

PO Box 788, Lexington SC

29071

(Address of principal executive offices)

(Zip Code)

Issuer's Telephone Number, including area code:

803-359-2594

No Change

(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

YES X NO

(2) Has been subject to such filing requirements for the past 90 days

YES X NO

Common shares outstanding June 4, 1995: 1,601,737 par value \$0.03

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Glassmaster Company  
Consolidated Comparative Balance Sheet  
(Thousands)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	June 4, 1995 (Unaudited)		August 31, 1994	
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current Assets:				
Cash		\$ 120		\$ 91
Accounts Receivable (Net of Reserve)		4,391		2,910
Other Current Receivables		172		364
Inventories:				
Raw Materials	\$ 1,925		\$ 1,176	
Work in Process	526		399	
Finished Products	681	3,132	407	1,982
Prepaid Expenses and Other Current Assets	-----	57	-----	8
Total Current Assets		7,872		5,355
Fixed Assets (Net of Dep'n)				
Property and Equipment (at cost)		5,580		4,339
Other Assets				
CSV Life Insurance and Other Unamortized Assets		235		284
		-----		-----
Total Assets		\$13,687		\$ 9,978
		=====		=====
LIABILITIES AND STOCKHOLDERS EQUITY				
Current Liabilities:				
Accounts Payable		\$ 2,424		\$ 1,424
Accrued Expenses		423		438
Accrued Income Taxes		(86)		224
Deferred Income Taxes		28		28
Notes & Mortgages Payable		3,741		1,942
		-----		-----
Total Current Liabilities		6,530		4,056
Long Term Liabilities				
Notes & Mtges, Due After One Year	\$ 3,265		\$ 2,546	
Deferred Income Taxes	433	3,698	263	2,809
	-----	-----	-----	-----
Total Liabilities		10,228		6,865
Stockholders' Equity				
Capital Stock (Authorized 5,000,00 Shares \$0.03				
Par - 1,601,737 (1995), 1,582,329 (1994)				
Shares Issued and Outstanding	\$ 48		\$ 48	
Paid-In Capital	1,323		1,264	
Donated Capital	124		124	

Retained Earnings	1,964	3,459	1,677	3,113
	-----	-----	-----	-----
Total Liabilities and Equity		\$13,687		\$ 9,978
		=====		=====

</TABLE>

Glassmaster Company  
Consolidated Comparative Income Statement  
(In thousands except per share amounts) (Unaudited)

<TABLE>  
<CAPTION>

	Three Months Ended		Nine Months Ended	
	June 4, 1995	May 29, 1994	June 4, 1995	May 29, 1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 6,531	\$ 6,301	\$18,400	\$17,070
Cost of Sales	5,615	4,937	15,311	13,420
	-----	-----	-----	-----
Gross Profit	916	1,364	3,089	3,650
Expenses:				
Selling	297	261	902	775
General and Administrative	285	235	855	671
Other Income and Expense - Net	243	308	776	822
	-----	-----	-----	-----
Total Expenses	825	804	2,533	2,268
Income From Operations	91	560	556	1,382
Interest Expense	151	105	396	301
	-----	-----	-----	-----
Income Before Income Taxes and Extraordinary Item	(60)	455	160	1,081
Income Taxes	(19)	174	64	400
	-----	-----	-----	-----
Income Before Extraordinary Item	(41)	281	96	681
Extraordinary Gain - Storm Damage (Net of Income Taxes of \$170,772)	0	0	287	0
	-----	-----	-----	-----
Net Income	\$ (41)	\$ 281	\$ 383	\$ 681
	=====	=====	=====	=====

Net Income Per Share (1,577,329 Shares)	\$ 0.18	\$ 0.43
---	---------	---------

Net Income Per Share (1,601,737 Shares)	\$ (0.03)	\$ 0.24
---	-----------	---------

Dividends Paid Per Share	\$ 0.00	\$ 0.00	\$ 0.06	\$ 0.05
	=====	=====	=====	=====

</TABLE>

Glassmaster Company  
Consolidated Statement of Cash Flows  
(Thousands) (Unaudited)

<TABLE>  
<CAPTION>

	Nine Months Ended	
	June 4, 1995	May 29, 1994
	-----	-----
<S>	<C>	<C>
Cash Flows From Operating Activities		
Net Income	\$ 383	\$ 681
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	551	385
Amortization	6	15
Loss on Disposal of Assets	45	45
Increase in Deferred Income Taxes	171	0
Changes in Operating Assets & Liabilities:		
Decrease (Increase) in Receivables	(1,317)	(1,044)
Decrease (Increase) in Inventories	(1,149)	(408)
Decrease (Increase) in Prepaid Expenses & Other Current Assets	(21)	(4)
Increase (Decrease) in Accounts Payable	1,140	142
Increase (Decrease) in Accrued Expenses	(466)	335
	-----	-----
Net Cash Provided (Used) By Operating Activities	(657)	147
	-----	-----
Cash Flows From Investing Activities		
Additional Investment in Fixed Assets	1,835	442
Disposal of Fixed Assets - Net Book Value	(42)	0
Increase (Decrease) in CSV Life Insurance	(1)	9
Additional Investment in Other Assets	3	0
Payment of Dividend	96	79
	-----	-----
Net Cash Used By Investing Activities	1,891	530
	-----	-----
Cash Flows From Financing Activities		
Proceeds from Exercise of Stock Options	13	16
Proceeds from Conversion of Debentures to Common Stock	47	0
Proceeds from Short-Term Borrowings	648	100
Repayment of Short-Term Borrowings	(599)	(167)
Proceeds from Long-Term Obligations	1,430	116
Repayment of Long-Term Obligations	(712)	(391)
Net Increase (Decrease) in Short-Term Revolving Line of Credit	1,750	739
	-----	-----
Net Cash Provided By Financing Activities	2,577	413
	-----	-----
Net Increase (Decrease) In Cash	29	30
Cash At Beginning of Period	91	115
	-----	-----
Cash At End of Period	\$ 120	\$ 145
	=====	=====
Supplemental Disclosures of Cash Flow Information		
Cash Paid For:		
Interest (Net of Amount Capitalized)	\$ 436	\$ 332

&lt;/TABLE&gt;

Glassmaster Company  
Notes to Consolidated Financial Statements  
(Unaudited)

## NOTE 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended June 4, 1995 are not necessarily indicative of the results that may be expected for the year ended August 31, 1995. For further information, refer to the Consolidated Financial Statements and Notes to Financial Statements included in the Company's Annual Report on Form 10-KSB for the year ended August 31, 1994. Certain prior year amounts may have been reclassified to conform with the 1995 presentation.

## Item 2. Management's Discussion and Analysis

## RESULT OF OPERATIONS

Net sales for the third quarter ended June 4, 1995 were \$6,530,810, an increase of approximately 4% when compared to the third quarter of the 1994 fiscal year. Year-to-date sales of \$18,400,279 are 8% ahead of last year's nine-month period sales of \$17,070,554. The increase in third quarter sales can be attributed to a 35% increase in sales by the Company's wholly-owned subsidiary, Glassmaster Controls Co. ("Controls"). Monofilament Division sales were unchanged when compared with the prior year quarter and Industrial Products Division sales decreased by approximately 7% versus last year's third quarter sales. Year-to-date sales have increased when compared to the prior year due to a 26% increase in sales by Controls and a 7% increase in sales at Monofilament. Industrial Products year-to-date sales have decreased by 9% when compared to last year's nine-month period. Customer orders for current period shipments as of the end of the third quarter are 63% ahead of the prior year at Controls while orders on hand are 4% lower at Industrial Products and 35% less than the prior year at Monofilament.

Gross profit margins from third quarter sales were 14% compared to 21.6% during the third quarter of the prior fiscal year and 18.6% in the second quarter of this fiscal year. Year-to-date gross profit has declined from 21.4% of last year's sales to 16.8% of sales through the first nine months of the current fiscal year. The decrease in profit margins during the third quarter can be attributed primarily to increases in raw material costs at each of the operating divisions. Producers of engineering resins have raised prices consistently since January 1, 1995. These price increases had a particularly negative impact on Monofilament gross margins due to the inability to raise selling prices along some product lines because of pricing commitments to certain customers on shipments through July, 1995. Adjustments to selling prices will have been made along all product lines by

the end of the fiscal year attempting to pass along these higher costs.

Year-to-date gross margins have been impacted by the aforementioned material cost increases and by manufacturing inefficiencies at Controls that resulted from the relocation to a new facility during the first and second quarters.

Selling expenses are slightly higher this year to date as a percent of sales compared to last year primarily due to increased product delivery costs at Monofilament and increased advertising at Industrial Products. General and Administrative and Other expenses are higher due to increased costs associated with employee benefit plans. Interest Expense has increased 31% year to date compared to last year due to higher average interest rates and additional debt at Controls necessary to finance building and equipment acquisitions and provide additional working capital required.

Third quarter Income (Loss) Before Taxes and Extraordinary Items was (\$60,214) this year compared to \$454,667 last year with year-to-date totals of \$160,126 this year and \$1,081,748 last year. The Provision for Income Taxes was \$63,934 through the first nine months of this fiscal year compared to \$400,620 last year. The Net Consolidated Loss for the third quarter was (\$40,717) versus last year's third quarter net income of \$280,960. Year-to-date Net Income of \$383,253 this year compares to \$681,128 last year.

#### LIQUIDITY AND CAPITAL RESOURCES

The working capital of the company improved by \$255,000 during the third quarter primarily due to the conversion of short-term revolver debt to long-term debt at Controls. Working Capital as of the end of the third quarter totaled \$1,343,000, an increase of \$119,000 compared to the prior year third quarter. The company has invested approximately \$1.8 million in buildings, equipment, and tooling during the current fiscal year primarily to add productive capacity at Monofilament and Controls. These capital additions have been funded primarily by additional long-term debt (\$1.4 million) with the balance funded by working capital generated by operations.

Increases in outstanding Accounts Receivable (\$1.3 million) and Inventories (\$1.2 million) during the first three quarters of this fiscal year led to a net increase in Operating Assets and Liabilities of \$1.8 million (see Consolidated Statement of Cash Flows). This increased working capital requirement has been funded primarily by short-term revolving credit facilities secured by receivables and inventories. In South Carolina, the Receivables and Inventory Financing Agreement provides for a revolving line of credit of up to \$4.0 million. As of June 4, 1995, total borrowings against this credit line were \$2.5 million. In Michigan, Glassmaster Controls Company has in place a similar revolving credit line of up to \$500,000 and is secured by accounts receivable. As of June 4, 1995, borrowings outstanding against this line of credit were \$75,000.

The Company currently anticipates that its cash requirements during the remainder of this fiscal year will be provided by operating activities and from existing and committed credit facilities.

Glassmaster Company  
Lexington SC

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits.

Exhibit No. 27 - Financial Data Schedule

b) Reports on Form 8-K.

There were no reports on Form 8-K filed during the quarter ended June 4, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLASSMASTER COMPANY

Date: July 12, 1995

Raymond M. Trehella

-----  
Raymond M. Trehella  
(President and  
Principal Executive Officer)

Date: July 12, 1995

Steven R. Menchinger

-----  
Steven R. Menchinger  
(Treasurer, Controller, and  
Principal Financial Officer)



EXHIBIT INDEX

Exhibit No. -----	Description -----
27	Financial Data Schedule

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This schedule contains summary financial information extracted from the Consolidated Balance Sheet at June 4, 1995 (Unaudited) and the Consolidated Income Statement for the Nine Months ended June 4, 1995 (Unaudited) and is qualified in its entirety by reference to such financial statements.

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