

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-12** | Period of Report: **1995-05-31**
SEC Accession No. **0000912057-95-005335**

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FILER

LANE PLYWOOD INC

CIK: **351864** | IRS No.: **930411530** | State of Incorpor.: **OR** | Fiscal Year End: **1130**
Type: **10-Q** | Act: **34** | File No.: **000-09594** | Film No.: **95553420**
SIC: **2400** Lumber & wood products (no furniture)

Mailing Address
*65 N BERTELSEN RD
EUGENE OR 97402*

Business Address
*65 N BERTELSEN RD
EUGENE OR 97402
5033425561*

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED: May 31, 1995

COMMISSION FILE NUMBER: 0-9594

EXACT NAME OF REGISTRANT AS SPECIFIED
IN ITS CHARTER:

Lane Plywood, Inc.

STATE OF INCORPORATION OF ORGANIZATION:

Oregon

I.R.S. EMPLOYER IDENTIFICATION NO.:

93-0411530

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES:

65 N. Bertelsen Rd.
Eugene, Or. 97402

REGISTRANT'S TELEPHONE NUMBER:

503-342-5561

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 RE-
QUIREMENTS FOR THE PAST 90 DAYS. YES X NO

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUERS'
CLASSES OF STOCK, AS OF THE LATEST PRACTICABLE DATE:

AS OF: June 15, 1995 -- 204662 Shares

LANE PLYWOOD, INC.

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LANE PLYWOOD, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	May 31, 1995	November 30, 1994
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,560	\$1,081,608
Accounts receivable--Trade and other	1,058,138	1,658,880
Other	192,732	38,330
Less-Allowance for doubtful accounts	(17,034)	(17,034)
Inventories--		
Plywood and veneer	1,092,894	772,254
Operating supplies	73,897	68,839
Prepaid and other current assets	63,981	195,059
Income Tax Refund	250,000	0
Deferred taxes	75,317	75,317
Timber and timberlands, held for sale	432,191	432,191
	-----	-----
Total current assets	\$3,223,676	\$4,305,444
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	560,038	565,262
Buildings	1,548,687	1,548,687
Machinery and equipment	7,390,431	7,959,833
Construction in progress	195,317	78,700
	-----	-----
	9,694,473	10,152,482
Less-Accumulated depreciation	(7,355,084)	(7,830,255)
	-----	-----
	\$2,339,389	\$2,322,227
Idle equipment	122,770	122,770
	-----	-----
	2,462,159	2,444,997
TIMBER AND TIMBERLANDS, at cost less depletion	624,976	624,976
LONG-TERM DEFINED BENEFIT COSTS	0	154,622

Total assets	\$6,310,811	\$7,530,039
--------------	-------------	-------------

</TABLE>

The accompanying notes are an integral part of these balance sheets.

LANE PLYWOOD, INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	May 31, 1995	November 30, 1994
<S>	<C>	<C>
CURRENT LIABILITIES:		
Book overdraft	\$ 458,360	\$ 0
Current portion of long-term debt	28,774	27,164
Short-term bank borrowing	236,122	423,508
Accounts payable -- Trade and other	1,118,319	1,234,420
Accrued liabilities --		
Payroll and related benefits	480,876	404,003
Other liabilities	48,000	473,554
	-----	-----
Total current liabilities	2,370,451	2,562,649
LONG-TERM DEBT, excluding current portion	102,967	124,428
COMMITMENTS	0	0
LONG-TERM DEFINED BENEFIT OBLIGATION	0	378,230
DEFERRED TAXES	78,196	102,196
POST RETIREMENT HEALTH BENEFITS	61,680	61,680
STOCKHOLDERS' EQUITY		
Common stock, no par value, 2,000,000 shares authorized, 715,574 shares issued	535,509	535,509
Pension liability - excess of assets	0	(285,997)
Retained earnings	3,162,008	4,051,344
	-----	-----
	3,697,517	4,300,856
	-----	-----
Total liabilities and stockholders' equity	\$6,310,811	\$7,530,039

</TABLE>

The accompanying notes are an integral part of these balance sheets.

LANE PLYWOOD, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	May 31, 1995	May 31, 1994	May 31, 1995	May 31, 1994
INCOME:				
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 9,999,021	\$ 8,070,701	\$ 19,470,103	\$16,300,667
Cost of goods sold	9,831,516	7,816,688	18,763,174	16,153,305
	-----	-----	-----	-----
Gross profit	167,505	254,013	706,929	147,362
Selling, general and administrative expense	314,686	201,846	622,783	401,465
Pension termination expense	1,357,676	0	1,357,676	0
	-----	-----	-----	-----
Operating income (loss)	(1,504,857)	52,167	(1,273,530)	(254,103)
Interest income	22,943	5,454	24,315	7,529
Interest expense	18,436	30,247	30,121	54,761
	-----	-----	-----	-----
Income (loss) before income taxes	(1,500,350)	27,374	(1,279,336)	(301,335)
Provision (benefit) for income taxes	(408,000)	50,000	(390,000)	(60,000)
	-----	-----	-----	-----
Net (loss)	(1,092,350)	(22,626)	(889,336)	(241,335)
	-----	-----	-----	-----
Average shares outstanding	204,662	204,662	204,662	204,662
Net (loss) per share, on average number of shares	(\$5.34)	(\$.11)	(\$4.35)	(\$1.18)

<CAPTION>

RETAINED EARNINGS:	May 31, 1995	Nov. 30, 1994
<S>	<C>	<C>
Balance-beginning of year	\$4,051,344	\$3,513,848
Adj. due to retirement of treasury shares	0	(51,166)
Net income (loss)	(889,336)	588,662
	-----	-----
Balance-end of year	\$3,162,008	\$4,051,344
	-----	-----

</TABLE>

The accompanying notes are an integral part of these financial statements.

LANE PLYWOOD, INC.
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED

<TABLE>
<CAPTION>

	MAY 31, 1995 <C>	MAY 31, 1994 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (889,336)	\$ (241,335)
Adjustments to reconcile net income(loss) to net cash provided from (used in) operations:		
Depreciation	96,000	93,700
(Gain) on disposition of property	(17,992)	0
Change in working capital:		
(Increase) decrease in receivables	196,340	(12,777)
(Increase) decrease in inventories	(325,698)	(448,631)
(Increase) decrease in prepaids and other current assets	131,078	44,480
Increase (decrease) in accounts payable and accrued liabilities	(412,007)	(376,200)
	-----	-----
Net cash provided (used) by operating activities	(1,221,615)	(940,763)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(118,701)	(39,400)
Additions to timberlands	0	(1,464)
Proceeds from disposition of property	23,532	171,592
	-----	-----
Net cash provided (used) by investing activities	(95,169)	130,728
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in book cash overdraft	458,360	(36,419)
Proceeds from (payment of) short-term bank borrowing	(187,386)	301,118
Payment of long-term debt	(21,461)	(48,422)
Pension termination funding adjustments	38,389	0
Dividends paid	(51,166)	0
	-----	-----
Net cash provided (used) by financing activities	236,736	216,277
	-----	-----
(Decrease) in cash and cash equivalents	(1,080,048)	(593,758)
Cash and cash equivalents:		
Beginning of year	1,081,608	1,199,345
	-----	-----
End of period	\$ 1,560	\$ 605,587
	-----	-----
CASH PAID DURING THE YEAR FOR:		
Interest	\$ 30,121	\$ 47,232

</TABLE>

The accompanying notes are an integral part of these financial statements.

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LANE PLYWOOD, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. PRINCIPLES OF INTERIM STATEMENTS:

The interim financial statements have been prepared by the Company without audit and are subject to year-end adjustment. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the position of the Company as of May 31, 1995 and November 30, 1994 and results of operations and cash flows for the six months ended May 31, 1995. It is suggested that these interim statements be read in conjunction with the financial statements and notes thereto in the 1994 annual report on form 10-K.

2. INCENTIVE PROFIT SHARING PLAN:

The Company has an incentive profit sharing plan which provides for bonus payments to eligible employees. The total bonus distribution to eligible employees is based on 30% of income before income taxes, adjusted for the effect of major gains or losses on dispositions of assets, if any, and adjusted for the effect of inventory costs determined under the LIFO method in excess of a base provision equal to the sum of 5% of stockholders' equity and 10% of long-term debt at the beginning of the fiscal year.

During the period of March 1, 1981 to July 31, 1983, wage and salary rates for all employees were either reduced or restored dependent upon the Company's financial position. An accumulation of lost earnings during this period was maintained and will be paid out of 20% of the profits earned in accordance with the incentive profit sharing plan. The amounts of this special class of payments were accrued in the amounts of \$0 in 1995, \$77,491 in 1994 and \$44,638 in 1993. At May 31, 1995, the accumulated amount of earnings eligible for future restoration totaled \$868,262. The remaining 10% of profits earned in accordance with the incentive profit sharing plan are distributed to all eligible employees, independent of the wage restoration portion. The amount of bonus accrued for 1995, 1994, and 1993 was \$0, \$38,745 and \$22,319, respectively.

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3. NOTES PAYABLE AND LONG-TERM DEBT:

At May 31, 1995, long-term debt consisted of the following:

<TABLE>

<CAPTION>

May 31,
1995

Nov. 30,
1994

<S>	<C>	<C>
Purchase contract at 8.03% due in 1999, \$1,666.08 monthly payment including interest until 1999, collateralized by certain assets	69,408	76,452
Purchase contract at 8% due in 1999, \$18,802 annual payment plus interest collateralized by certain assets	62,333	75,140
	-----	-----
	135,298	151,592
Less-current portion	28,774	27,164
	-----	-----
	\$102,967	\$124,428
	-----	-----

</TABLE>

Under a short-term line of credit with the bank, collateralized by accounts receivable, inventory, and machinery, the Company may borrow up to a maximum of \$2,000,000 with interest at the bank's variable basic rate (9.0% at May 31, 1995) plus 1% with April 30, 1995 expiration date which has been extended to June 30, 1995. At May 31, 1995, \$236,122 of the line of credit was used.

The loan agreement pertaining to the short-term line of credit with the bank contains, among other things, certain requirements as to the maintenance of the working capital, net worth, and debt to net worth, and restrictions as to the level of capital and lease expenditures, the incurrence of debt, investments and payment of dividends. Under the most restrictive requirements, the company must maintain \$3,600,000 of stockholders' equity and \$775,000 working capital after allowances for accounting entries relating to the defined benefit pension plan. At May 31, 1995, the Company was in compliance with all loan requirements.

4. DEFINED BENEFIT PENSION PLAN:

The Company terminated the defined benefit retirement plan effective March 15, 1995 and is in the process of filing the IRS and PBGC forms necessary to effectuate the termination of the plan. This process may take up to a year to complete the termination process.

The Company funded the termination of the defined benefit retirement plan on April 20, 1995 when interest rates and asset levels reached a level at which the Company could make up the cash difference necessary to purchase annuities for all participants in the plan. Due to the change in the Mortality Tables being used to

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project longevity and a drop in the treasury interest rates after the November 30, 1994 statement, the amount necessary to fully fund the cash difference paid by the Company was \$1,262,157. Transamerica Life Insurance Company is in the process of preparing information for all participants in the Plan.

5. OTHER:

The results of operations for the six month periods ended May 31, 1995 and May 31, 1994 are not necessarily indicative of the results to be expected for the full year.

LANE PLYWOOD, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATION

LIQUIDITY AND CAPITAL RESOURCES:

The Company's working capital (defined as current assets less current liabilities) decreased \$889,570 during the six months ending May 31, 1995, compared to a decrease of \$65,328 during the six months ending May 31, 1994. Lower cash, higher book overdraft, and lower accounts payable, offset by higher inventories and higher income tax refund were the primary contributors to this decrease in working capital. The decrease in cash and the increase in book overdraft were primarily the result of the Company using cash and its book overdraft to fully fund the benefit liabilities of the Company's defined benefit pension plan (see #4, Notes to Financial Statements) and to make capital expenditures. The lower level of receivables reflect lower veneer and plywood sales during May, 1995. The lower level of accounts payable are indicative of a reduction in veneer prices. Increased inventories, particularly veneer inventories, are the result of a slightly higher level of veneer buying by the Company before prices started to rise again.

Capital expenditures of \$116,600 during the six months ending May 31, 1995, include \$75,400 for the conversion of the fuel source of the #4 dryer from wood to natural gas, \$19,300 for press platens, \$8,300 for replacing the telephone system wiring, and \$13,000 for venting the #2 dryer. All capital expenditures in the six months ending May 31, 1995, were paid through the Company's cash account.

As of May 31, 1995, money market investment funds at Fidelity Investments, Franklin Templeton Funds, and the Benham Group had been in place for over a year; from January, 1992, to April, 1995, these accounts had a cumulative average balance of approximately \$600,000. Additionally, the Company maintained a short-term investment account at Bank of America for investment of excess funds; this account allowed the Company to readily transfer funds back into the regular checking account as needed. All of the funds held in these investment accounts were used in April, 1995, to make the payment to fully fund the Company's defined benefit pension plan.

On April 20, 1995, an additional \$400,000 was added to the line of credit at Bank of America. Of the \$2,000,000 line of credit, \$236,122 was in use at May 31, 1995. The Company is in the process of renewing its line of credit at Bank of America which currently is scheduled to expire on June 30, 1995. The Company

expects to renew the line of credit through April 30, 1996, at a comparable level of borrowing with similar terms. Additionally, the Company is negotiating a \$1,000,000 short-term finance package with Bank of America to increase the Company's cash reserve, which was significantly depleted upon the funding of the defined benefit pension plan. This short-term finance package will be repaid from the harvest of some of the Company's timber assets.

RESULTS OF OPERATION:

Operating results for the six month period ended May 31, 1995 reflect a loss before taxes of \$1,279,338 compared to a loss before taxes of \$301,336 for the six month period ended May 31, 1994. This change in operations is primarily due to the expense of terminating the defined benefit pension plan in April, 1995, and relatively soft market for plywood and LVL veneer products during May, 1995.

For the six month period ending May 31, 1995, plywood sales volume, measured in 3/8 footage, increased 17%, compared to plywood sales, 3/8 footage, for the six months ending May 31, 1994; this increase is primarily due to an increased production schedule. Comparing the same six month periods, the average selling price of plywood, per thousand 3/8 footage, increased by 7%. Comparing the six month period ending May 31, 1995, to the six months ending May 31, 1994, the margin of average plywood sales prices compared to the average cost of veneer used increased 29%. The primary factor contributing to this increase is an increase in plywood prices and a decrease in veneer prices.

Comparing the six months ending May 31, 1995, with the same period one year earlier, veneer average cost decreased 5%; however, the Company increased the volume of veneer, measured in 3/8 footage, purchased by 13%. Veneer prices began rising in May, 1995, the last month of this reporting period. The primary contributor to the rise in veneer prices is the lack of availability of face veneer. Dry veneer sales volume, measured in 3/8 footage, for the six month period ending May 31, 1995, decreased 12% compared to dry veneer sales, measured in 3/8 footage, during the same period one year earlier, and the average selling price per thousand 3/8 footage decreased 2%. This reduction is due to the slower LVL market.

Timber supply in the industry continues to be a problem for the Company; lower availability of logs continues to cause increased prices for veneer that the Company purchases from outside sources. The Company maintains a wide-range purchasing program from numerous vendors to keep veneer sources available. The Company is currently expanding the sources and volume of purchases of foreign veneer to use as face material.

LANE PLYWOOD, INC.

PART II

Item 4. Submission of Matters to a Vote of Security Holders. The annual meeting of shareholders was held on April 22, 1995, in Junction City, Oregon. Elections of directors were submitted to shareholders as described in the Company's Proxy Statement dated April 10, 1995, and were voted upon at the meeting. Following is a tabulation with respect to each nominee for director.

Director, Position 1:	Paul F. Ehinger	135,157
	Keith Wright	32,127
	Janis M. Johnson	886
Director, Position 2:	Gary R. Jensen	137,604
	Wayne Gregory	30,975

Mr. Ehinger and Mr. Jensen were both reelected as directors at the meeting. In addition to Mr. Ehinger and Mr. Jensen, the following are the names of each other director whose term of office continued after the meeting:

James E. Gent
Francis D. Bales
John W. Revell
Paul W. Jensen
Carl M. Jensen

Item 9. Exhibits and Reports on Form 8-K

a. Reports on Form 8-K

No reports on Form 8-K were filed during the quarter for which this report is filed.

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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.

Date _____

LANE PLYWOOD, INC.

Janis M. Johnson, Secretary-Treasurer
(principal accounting financial officer)

Carl R. Wiley, President
(principal executive officer)

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