FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. 0000914760-96-000263

FILER

MID WEST SPRING MANUFACTURING CO

CIK:**731895**| IRS No.: **112661683** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16677** | Film No.: **96666554**
SIC: **3490** Miscellaneous fabricated metal products

Mailing Address
1404 JOLIET RD
SUITE C
ROMEOVILLE IL 60441

Business Address
1404 JOLIET RD
SUITE C
ROMEOVILLE IL 60441
7087393800

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

Sept. 30, 1996	0-16677
(For Quarter Ended)	(Commission file number)

MID-WEST SPRING MANUFACTURING COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

11-2661683
(I.R.S. Employer Identification No.)

1404 JOLIET RD. - UNIT C, ROMEOVILLE, IL 60446
(Address of principal executive offices)

630-739-3800
(Registrants telephone number, including area code)

(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 (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 X No_________

31,000,000 shares, $.0001 par value, 9,290,594 outstanding as of November 14, 1996
(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date)

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q 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 three and nine month periods ended September 30, 1996 are not necessarily indicative of results that may be expected for the year ended December 31, 1996.

Information with respect to all periods ending September 30, 1996 and 1995 is unaudited and the balance sheet data at December 31, 1995 has been derived from audited financial statements.

MID-WEST SPRING MANUFACTURING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	<C> SEPT. 30, 1996	<C> DECEMBER 31, 1995
ASSETS		
CURRENT ASSETS:		
Cash	$ 128,000	$ 564,000
Trade Accounts Receivable, net	4,364,000	4,380,000
Inventories		
Finished Goods	5,154,000	4,913,000
Work-in-Process	1,557,000	1,609,000
Raw Materials and Parts	2,054,000	2,414,000
	8,765,000	8,936,000
Prepaid Expenses and Other	568,000	600,000
TOTAL CURRENT ASSETS	13,825,000	14,480,000
Property, Plant & Equipment, net	18,890,000	19,934,000
Purchase Cost in Excess of Assets Acquired	8,116,000	8,328,000
Other	1,429,000	1,584,000
	$42,260,000	$ 44,326,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Cash Overdraft	--	622,000
Notes Payable to Bank	4,588,000	4,121,000
Accounts Payable	3,162,000	2,872,000
Accrued Payroll & Other Expenses	2,139,000	1,698,000
Income Taxes Payable	--	32,000
Accrued Interest	826,000	--
TOTAL CURRENT LIABILITIES	10,715,000	9,345,000
Long-Term Debt	26,493,000	26,468,000
Deferred Income Taxes and Other	3,621,000	3,664,000
Preferred Stock of Mid-West Spring & Stamping Corp.	2,227,000	2,227,000
COMMON STOCKHOLDERS' EQUITY:		
Common Stock, par value $.0001; 31,000,000 shares authorized; 10,570,289 shares issued, respectively	--	--
Paid-in-Capital	6,559,000	6,559,000
Retained Earnings (Deficit)	(6,456,000)	(3,038,000)
Treasury Stock, at cost(1,279,695 shares)	(899,000)	(899,000)
TOTAL COMMON STOCKHOLDERS' EQUITY	(796,000)	2,622,000
	$42,260,000	$44,326,000

</TABLE>
See Notes

MID-WEST SPRING MANUFACTURING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended Sept. 30, 1996	Three months ended Sept. 30, 1995	Nine months ended Sept. 30, 1996	Nine months ended Sept. 30, 1995
NET SALES	$ 8,215,000	$ 9,143,000	$26,397,000	$28,898,000
Cost and expenses:				
Cost of sales	6,802,000	7,305,000	21,949,000	22,556,000
Selling and administrative	1,146,000	1,412,000	3,186,000	3,943,000
Amortization of intangibles	71,000	71,000	209,000	212,000
Special charges	(347,000)	--	1,653,000	--
	7,672,000	8,788,000	26,997,000	26,711,000
OPERATING INCOME(LOSS)	543,000	355,000	(600,000)	2,187,000
Interest expense	951,000	894,000	2,818,000	2,557,000
Income (loss) before Income taxes	(408,000)	(539,000)	(3,418,000)	(370,000)
Income taxes	--	(180,000)	--	(150,000)
NET INCOME(LOSS)	$ (408,000)	$(359,000)	$(3,418,000)	$ (220,000)
Preferred Stock of Mid-West Spring & Stamping Corp. Dividend Requirement	77,000	46,000	200,000	130,000
Income (loss) attributable to Common Shares	$ (485,000)	$(405,000)	$(3,618,000)	$ (350,000)
INCOME PER COMMON SHARE	$ (.05)	$ (.04)	$ (.39)	$ (.04)
Weighted average number of shares outstanding	9,290,594	10,069,877	9,290,594	10,069,877

</TABLE>

See Notes

MID-WEST SPRING MANUFACTURING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF
COMMON STOCKHOLDERS' EQUITY

<TABLE>
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<S> <C> <C> <C> <C> <C>

	COMMON STOCK Shares	Additional Paid-in-Capital	Retained (deficit)	Treasury Stock	Total
Balance, December 31, 1995	10,570,289	$ 6,559,000	($3,038,000)	($ 899,000)	$ 2,622,000
NET INCOME			(392,000)		(392,000)
Balance, March 31, 1996	10,570,289	$ 6,559,000	$(3,430,000)	($ 899,000)	$ 2,230,000
NET INCOME			(2,618,000)		(2,618,000)
Balance, June 30, 1996	10,570,289	$ 6,559,000	($6,048,000)	($ 899,000)	$ (388,000)
NET INCOME			(408,000)		(408,000)
Balance, Sept.30, 1996	10,570,289	$ 6,559,000	($6,456,000)	($ 899,000)	$ (796,000)

</TABLE>

See Notes

MID-WEST SPRING MANUFACTURING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED SUMMARY OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	Nine months ended Sept. 30 1996 <C>	1995 <C>
CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES:		
Net Income (Loss)	$(3,418,000)	$ (220,000)
Adjustments to reconcile net income/loss to net cash from operating activities:		
Depreciation and amortization	1,567,000	1,537,000
Deferred income taxes	--	--
Changes in net operating assets and liabilities, net of effects from 1993 acquisitions	2,093,000	(1,798,000)
	242,000	(481,000)
CASH FLOWS FROM (USED) IN INVESTING ACTIVITIES:		
Purchase of equipment	(297,000)	(2,409,000)
	(297,000)	(2,409,000)
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES:		
Proceeds from revolving line of credit, net	467,000	3,518,000
Principal payments on long-term debt, net	--	--
Cash overdraft	(622,000)	--
Other	(226,000)	(1,000,000)
	(381,000)	2,518,000
NET INCREASE IN CASH	($ 436,000)	($ 372,000)
Cash, Beginning	$ 564,000	$ 408,000

Cash, End	$ 128,000	$ 36,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$1,859,000	$1,848,000
Income taxes	65,000	67,000
Noncash investing activities:		
Reverse purchase of Pathe	--	--
Noncash financing activities:		
Common Stock issued	--	--
Redeemable Preferred Stock of Mid-West Spring and Stamping Corp. dividend requirement	--	--

</TABLE>

See Notes

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PREFERRED STOCK

At September 30, 1996, there were $892,000 of accumulated and undeclared dividends in respect to Preferred Stock of Mid-West Spring and Stamping Corporation.

2. TAXES

A reconciliation between the Company's effective tax rate and the US statutory rate (34%) at September 30, is as follows:

	1996	1995
Statutory tax expense	($1,162,000)	$(126,000)
Nondeductible amortization of cost in excess of net assets acquired	207,000	75,000
Other, various items	955,000	(99,000)
	$ 0	$(150,000)

At September 30, 1996, the Company has net operating loss carryforwards of $6.4 million for income tax purposes that expire in the years 2000 through 2010. The timing of utilization of these carryforwards may be subject to annual limitations. $2.0 million of these carryforwards resulted from the Company's 1993 reverse purchase of Pathe. For financial reporting purposes, a valuation allowance of $424,000 has been recognized to offset the deferred tax assets related to those carryforwards.

Significant components of the Company's deferred tax liabilities and assets as of January 1, 1996 are as follows:

Deferred tax liabilities:	
Tax over book depreciation and bases differences on property, plant, equip.	$4,997,000
Inventories	414,000
Other	9,000
Total deferred tax liabilities	5,420,000
Deferred tax assets:	
Net operating loss carryforwards	2,437,000

Provision for 1993 special charges	--
Other - net	393,000
Total deferred tax assets	2,830,000
Valuation allowance for deferred tax assets	(424,000)
Net deferred tax asset	2,406,000
Net deferred tax liabilities	$3,014,000

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

RESULTS OF OPERATIONS

OVERVIEW

The Company's net sales for the nine months and third quarter ended September 30, 1996, decreased 8.7% and 10.1% to $26,397,0000 and $8,215,000, respectively, attributable to lower than expected sales from Spring and Stamping. Operating income for the same periods decreased $2,787,000 (127.4%) and increased $188,000 (53.0%) to ($600,000) and $543,000, respectively. The decrease in operating income for the year was attributable to operating losses from the Advanced Pressure Casting division and to a special charge in the second quarter relating to the closing of that division. The increase in operating income for the third quarter was a result of closing the die cast division as well as increased sales from Pathe Advanced Composites. The spring plants have continued to make productivity improvements that have lowered direct labor as a percent of sales by 2.8% for the year.

NET SALES

The Company's net sales for the three and nine months ended September 30, 1996, were $8,215,000 and $26,397,000 respectively, down 10.1% and 8.7% from the $9,143,000 and $28,898,000 recorded in the 1995 comparable period. Spring operations decreased $1,281,000 and $3,082,000 in net sales for the three and nine month periods ended September 30, 1996, due to the closing of the die cast division as well as lower sales from the spring plants over the 1995 comparable period. The spring plants experienced lower than expected sales (down $1.6 million for the year and down $.5 million for the quarter) due to competitive pressures and customer service problems dating back to 1995 operations. Spring's die casting operation closed its doors as of August 31, 1996 which contributed to the year-to-date decrease in sales. Pathe Advanced Composites contributed a $353,000 sales increase for the 1995 comparable period. Booked orders from Spring and Stamping (including blanket orders) at September 1996 were $6.5 million, this compares to a backlog of $9.1 million at September 1995.

OPERATING INCOME

Operating income for the three and nine months ended September 30, 1996, increased $188,000 and decreased $2,787,000 to $543,000 and ($600,000) compared to $355,000 and $2,187,000 for the comparable period. The decrease in operating income was attributable to operating losses at APC ($1,425,000 loss for the year, in addition there was a $1,653,000 special charge for the plant closing). The spring plants showed an increase in operating income of $31,000 and $156,000 for the three and nine month periods ended September 30, 1996, over the 1995 comparable period. This was attributable to lower direct labor costs and higher operating efficiencies through out the company, and is especially impressive when you consider the $.5 million and $1.6 million dollar decrease in sales for the three and nine month periods ended September 30, 1996.

Cost of Sales, as a percentage of sales, for the three and nine months ended September 30, 1996, increased 2.9% and 5.0% to 82.8% and 83.1% due to the operating inefficiencies at Advance Pressure Castings during the year. The spring plants showed significant improvement in direct labor (down 2.8% from last year) which was offset by the decreases in sales volume and related effects on fixed costs.

Selling and Administrative expenses decreased $266,000 and $757,000 to $1,146,000 (14.0% of sales) and $3,186,000 (19.2% of sales) for the three and nine months ended September 30, 1996 compared to $1,412,000 and $3,943,000 for the prior year periods. Selling expenses decreased in travel and entertainment ($30k) and commissions ($45k). These decreases are attributed to cost cutting measures and lower sales volume during 1996. Administrative expenses decreased across the board due to cost cutting measures. Administrative salaries decreased as the company reassigned personnel to catalog sales in an effort to develop that market.

Interest expense for the nine months and three months September 30, 1996 increased $261,000 to $2,818,000 and $57,000 to $951,000 for the respective periods. The increases were due to higher debt balances and effective rate on borrowings.

SPECIAL CHARGES

The Company had booked a $2,000,000 reserve towards the closing cost of Advance Pressure Casting. In that amount was a write down of inventory ($347,000) which should have been charged to cost of sales. The adjustment is reflected in the third quarter report. The special charge assumes a 50% liquidation value on equipment. There are also lease obligations that run through December of 1999 included in this accrual. The plant ceased all operations on August 31, 1996.

INCOME TAX

The provision for income taxes for the periods presented was based on the estimated effective tax rate for the year.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996, the Company's current assets ($13.8 million) exceed current liabilities ($10.7 million) by $3.1 million which compares to the $5.2 million excess of current assets over current liabilities at December 31, 1995. Included in current liabilities at September 30, 1996 and December 31, 1995 is $4.6 million and $4.1 million, respectively, borrowed under its revolving credit agreement which expires in December, 1996. The Company has successfully, in each of the past five years, been able to "roll-over" its revolving credit agreement.

Before the changes in net operating assets and liabilities of $2.1 million and ($1.8) million for the nine months ended September 30, 1996 and 1995, cash flow from operating activities were ($1.9) million and $1.3 million, respectively. Included in cash flows from operations is $2,818,000 and $2,557,000 in interest expense for 1996 and 1995, respectively.

Short term debt at September 30, 1996 includes $4.6 million borrowed under the Company's $5 million revolving credit line which was renewed in June 1996 and will expire in December of 1996. The Company expects, as it has successfully done in the past, to renew or refinance its revolving credit line prior to expiration.

The Company was in violation of certain restrictive covenants as of September 30,1996. The Company fully expects to receive waivers for the third quarter.

In December 1994, the Company completed an important objective toward improving its total capitalization and long-term liquidity and reducing its exposure to fluctuating interest rates with a $27.0 million 11.25% fixed rate, long-term debt financing including $.5 million of detachable warrants, and $.5 million private equity offering. The net proceeds (after expenses) were used to repay; 1) all variable interest rate short-term and medium-term borrowings; 2) all the 14% subordinated and junior subordinated notes; 3) $4.6 million in redeemable preferred and preferred stock of Mid-West Spring and; 4) repurchase 1,256,150 shares of the Company's Common Stock. The new long-term debt facility permits the Company to maintain up to $5 million revolving line of credit. The new debt facilities, as amended in December 1995, require the Company, among other things, to maintain a current ratio of 1:1 or greater; tangible net worth, as defined, greater than $1.5 million; fixed charges coverage ratio of 1:1 or greater. In addition, the debt facility provides that the prepayment of principal may, under certain circumstances, result in additional interest charges of up to approximately 8.75%. Due to the Company breaking several covenants, in December of 1995, under the long-term financing agreement, the lender increased the interest rate by 1/2% to amend the covenants.

Cash flows from operations, revolving line of credit and long-term debt refinancing at increased amounts, have been the Company's main source of capital to fund its operating and investing activities. Increased cash flow from operations and/or additional equity capital will most likely be required if the Company is to increase or accelerate its capital spending or acquisition programs.

In the fourth quarter of 1996 and for the full year of 1997, the Company plans capital expenditures of approximately $300,000 and $1,000,000 in order to continue to expand its existing products and markets. Future capital expenditures are expected to be funded by cash from operations. The Company believes it has a sufficient operating cash flow and working capital base to meet all of its obligations for the foreseeable future.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS

(a) Exhibits:
  27 - Financial Data Schedule

(b) Reports on 8-k: None

SIGNATURE

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.

MID-WEST SPRING MANUFACTURING COMPANY

By /s/ Michael B. Curran

Michael B. Curran
Chief Financial Officer

November 14, 1996

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