

SECURITIES AND EXCHANGE COMMISSION

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. **0000910650-96-000020**

([HTML Version](#) on [secdatabase.com](#))

FILER

QUIPP INC

CIK: **796577** | IRS No.: **592306191** | State of Incorporation: **FL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-14870** | Film No.: **96663220**
SIC: **3559** Special industry machinery, nec

Mailing Address
4800 NW 157 STREET
MIAMI FL 33014

Business Address
4800 NW 157TH ST
MIAMI FL 33014
3056238700

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended September 30, 1996.

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 number 0-14870

QUIPP, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction
of incorporation or organization)

59-2306191

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

4800 N.W. 157th Street, Hialeah, Florida 33014
(Address of principal executive offices)

Registrant's telephone number, including area code (305) 623-8700

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 No

The number of shares of the registrant's common stock, \$.01 par value, outstanding at October 31, 1996 was 1,565,765.

QUIPP, INC.

THIRD QUARTER REPORT ON FORM 10-Q
INDEX

PART I - FINANCIAL INFORMATION	PAGE
Item 1 - Consolidated Financial Statements	
Consolidated Balance Sheets - September 30, 1996 and December 31, 1995	3
Consolidated Statements of Operations - three and nine months ended September 30, 1996 and 1995	4
Consolidated Statement of Changes in Stockholders' Equity - nine months ended September 30, 1996	5
Consolidated Statements of Cash Flows -nine months	6

Item 2 - Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations	8
---	---

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K	
---	--

PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

QUIPP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	September 30, 1996 (Unaudited)	December 31, 1995 (Summarized from audited financial statements)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 315,587	\$ 1,251,020
Securities available for sale	7,075,000	5,486,438
Accounts receivable, net of allowance for doubtful accounts of \$ 715,275 (\$846,171 at December 31, 1995)	6,730,646	6,907,402
Inventories	3,731,332	3,474,885
Prepaid expenses and other receivables	1,220,621	1,263,201
TOTAL CURRENT ASSETS	19,073,186	18,382,946
Property, plant and equipment - net	1,867,528	1,991,665
Other assets	778,382	892,517
TOTAL ASSETS	\$21,719,096	\$21,267,128
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 400,000	\$ 400,000
Accounts payable - trade	853,606	821,957
Accrued salaries and wages	290,041	499,041
Deferred revenues and customer deposits	2,135,789	3,159,502
Current tax liability	323,166	213,997
Other accrued liabilities	1,807,337	1,760,019
TOTAL CURRENT LIABILITIES	5,809,939	6,854,516
Long-term debt	1,550,000	1,550,000
TOTAL LIABILITIES	7,359,939	8,404,516
STOCKHOLDERS EQUITY:		
Common stock - par value \$.01, 8,000,000 shares authorized 1,634,465 shares issued and 1,565,765 outstanding (3,000,000 authorized at December 31, 1995)	16,345	16,345
Capital contributed in excess of par value	5,113,190	5,113,190
Retained earnings	9,525,022	8,028,477
Less treasury stock, 68,700 shares at cost	(295,400)	(295,400)
TOTAL STOCKHOLDERS EQUITY	14,359,157	12,862,612
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$21,719,096	\$21,267,128

See accompanying notes to the consolidated financial statements.

QUIPP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1996	1995	1996	1995
NET SALES	\$6,009,445	\$5,819,482	\$14,857,950	\$16,747,140
Cost of goods sold	3,838,800	3,846,689	9,410,622	11,259,344
GROSS PROFIT	2,170,645	1,972,793	5,447,328	5,487,796
Operating expenses				
Selling, general and administrative expenses	921,740	1,076,500	2,783,987	3,027,412
Research and development	144,706	63,370	498,783	126,570
	1,066,446	1,139,870	3,282,770	3,153,982
OPERATING INCOME	1,104,199	832,923	2,164,558	2,333,814
Interest income (expense):				
Interest income	92,747	112,187	248,418	269,323
Interest expense	(12,446)	(14,713)	(38,063)	(50,945)
	80,301	97,474	210,355	218,378
INCOME BEFORE INCOME TAXES	1,184,500	930,397	2,374,913	2,552,192
Provision for income taxes	437,906	400,509	878,368	951,509
NET INCOME	\$746,594	\$529,888	\$1,496,545	\$1,600,683
Net income per common share and common equivalent share				
	\$0.42	\$0.32	\$0.90	\$0.99
Weighted average number of common equivalent shares outstanding				
	1,782,293	1,631,017	1,663,993	1,624,040

See accompanying notes to the consolidated financial statements

<TABLE>

QUIPP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996
(UNAUDITED)

<CAPTION>

	COMMON STOCK		PAID-IN CAPITAL	ADDITIONAL RETAINED EARNINGS	TREASURY STOCK, AT COST		
	SHARES ISSUED	AMOUNT			SHARES	AMOUNT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	1,634,465	\$16,345	\$ 5,113,190	\$ 8,028,477	68,700	(\$295,400)	\$12,862,612
Net income				1,496,545			1,496,545
BALANCE, SEPTEMBER 30, 1996	1,634,465	\$16,345	\$ 5,113,190	\$ 9,525,022	68,700	(\$295,400)	\$14,359,157

</TABLE>

QUIPP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(UNAUDITED)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	1996	1995
CASH PROVIDED BY OPERATIONS:		
Net income	\$ 1,496,545	\$ 1,600,683
Reconciliation of net income to net cash provided by (used in) operations:		
Add back noncash (income) expense items		
Depreciation and amortization	249,683	190,645
Bad debt recovery	(133,000)	-
	1,613,228	1,791,328
Changes in operational assets and liabilities:		
Decrease (increase) in accounts receivable	314,246	(3,474,050)
(Increase) in inventories	(256,447)	(1,295,264)
Decrease in other assets and prepaid expenses and other receivables	42,580	572,403
(Decrease) increase in accounts payable-trade	31,649	(477,910)
(Decrease) in deferred revenues and customer deposits	(1,023,713)	(1,202,215)
(Decrease) increase in current tax liability	109,169	(420,090)
(Decrease) increase in accrued salaries and wages	(209,000)	(421,042)
(Decrease) in other accrued liabilities	47,409	112,434
	(944,107)	(6,830,602)
Net cash provided by (used in) operations	669,030	(5,039,274)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in securities available for sale	(1,588,562)	3,537,854
Capital expenditures	(15,901)	(55,850)
Acquisition of business	-	(280,000)
Net cash (used in) provided by investing activities	(1,604,463)	3,202,004
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance (repayment) of debt	-	-
Repurchase of stock	-	-
Conversion of stock options	-	175,000
Net cash provided by financing activities	-	175,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(935,433)	137,730
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,251,020	744,770
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 315,587	\$ 882,500
Supplemental disclosure of cash payments made for:		
Interest	\$ 38,062	\$ 50,945
Income taxes	\$ 718,000	\$ 1,298,600

See accompanying notes to the consolidated financial statements
QUIPP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - GENERAL

Quipp, Inc. through its subsidiary, Quipp Systems, Inc., is engaged primarily in the manufacture of material handling equipment for the newspaper industry.

The financial information included herein, which includes the accounts of Quipp,

Inc. and Quipp Systems, Inc. (a wholly-owned subsidiary) is unaudited. All significant intercompany transactions have been eliminated in consolidation. The accompanying consolidated financial statements have been prepared on a basis consistent with that used as of and for the year ended December 31, 1995, in conformity with generally accepted accounting principles, (GAAP) and, in the opinion of management, reflect all adjustments (principally consisting of normal recurring accruals) necessary to present fairly the financial position of Quipp, Inc. as of September 30, 1996 and the results of its operations for the three and nine months ended September 30, 1996 and 1995, and changes in its stockholders equity for the nine months ended September 30, 1996 and cash flows for the nine months ended September 30, 1996 and 1995. Operating results for the three and nine months ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year ending December 31, 1996.

NOTE 2 - INVENTORIES

Inventories at September 30, 1996 have been recorded at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. The composition of inventories at September 30, 1996 and December 31, 1995 was as follows:

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
RAW MATERIALS	\$1,787,723	\$2,945,575
WORK IN PROCESS	1,729,578	247,572
FINISHED GOODS	214,031	281,738
	\$3,731,332	\$3,474,885

QUIPP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 1996 VS 1995

Net sales for the nine months ended September 30, 1996 were \$14,857,950 as compared to \$16,747,140 for the corresponding period in 1995. Although revenues for the current nine months are lower than the comparable period in 1995, the gross profit and its corresponding percentage of net sales for the nine months ended September 30, 1996 was \$5,447,328 or 37% of net sales, as compared to \$5,487,796 or 33% of net sales in 1995. Management believes that the decrease in net sales for the nine months ended September 30, 1996 as compared to the same period in 1995 was mainly attributable to reduced newspaper industry demand resulting from increased newsprint costs in the earlier part of 1996. The increase in the gross profit and its percentage of net sales is attributable to an improved product mix, combined with the implementation of cost improvement projects, that yielded higher gross profit margins on products sold in the nine months ended September 30, 1996.

Selling, general and administrative expenses for the nine months ended September 30, 1996 decreased 8% to \$2,783,987 as compared to \$3,027,412 for the corresponding period in 1995. The decrease is principally due to a decreased sales volume. As a percentage of net sales, selling, general and administrative expenses were 18% for both the current and prior period.

Research and development expenses for the nine months ended September 30, 1996 increased to \$498,783 as compared to \$126,570 for the same period in the prior year. This increase is a result of the Company's increased emphasis on product development and product improvement. Management anticipates that the Company's higher level of research and development expenditures will continue. R&D is impacted from quarter to quarter by the level of the Company's backlog and the related engineering efforts required to customize and expedite shipments within each quarter. The costs associated with the customization are charged to cost of goods sold as incurred.

THREE MONTHS ENDED SEPTEMBER 30, 1996 VS 1995

Net sales for the three months ended September 30, 1996 were \$6,009,445 as compared to \$5,819,482 for the corresponding period in 1995. The increase of \$189,963 or 3% was mainly attributable to increased order activity which management believes is caused by a recent decrease in newsprint costs to the publishing industry. Gross profit for the three months ended September 30, 1996 was \$2,170,645 or 36% of net sales as compared to \$1,972,793 or 34% of net sales in the same period of 1995. The increase is a result of the increased sales for the quarter, in addition to cost efficiencies achieved in production and purchasing.

Selling, general and administrative expenses for the three months ended September 30, 1996 decreased 14% to \$921,740 as compared to \$1,076,500 in the same period of 1995. The decrease in expenses is mainly a result of the Company incurring one-time costs for professional services related to the upgrade of its computer software systems in 1995.

Research and development expenses for the three months ended September 30, 1996 increased to \$144,706 from \$63,370 for the corresponding period in 1995. Several R&D projects were completed during the third quarter of 1996. The Company expects to complete its current R&D projects, as well as develop new projects for the future.

GENERAL

The Company's backlog as of September 30, 1996 was approximately \$9,305,629 compared to \$8,616,651 at September 30, 1995. The Company expects to ship all backlog within the next twelve months.

LIQUIDITY

Net income, as adjusted for non-cash income and expense items, generated \$1,613,228 of operating cash flow for the nine months ended September 30, 1996. Net changes in operational assets and liabilities used operating cash of \$944,107, resulting in cash provided by operations of \$669,030. The changes in Operational assets and liabilities were principally a result of the decrease in customer deposits and deferred revenues of \$1,023,713 when compared to December 31, 1995. A record level of shipments in the fourth quarter of 1995 with related deposits from customers collected in the first quarter of 1996 caused the decrease in customer deposits and deferred revenues. The Company also increased its investments in securities available for sale during the period by \$1,588,562, which should positively impact interest income in future periods.

Net income, as adjusted for non-cash income and expense items, generated \$1,791,328 of operating cash flow for the nine months ended September 30, 1995. Net changes in operational assets and liabilities used operating cash of \$6,830,602 resulting in cash used by operations of \$5,039,274. The acquisition of certain assets of Hall Processing Systems and higher volume in 1995 resulted in increases in operational assets as required to support these higher levels of business. Additionally, the conversion of stock options during the nine months ended September 30, 1995 generated \$175,000 in cash from financing activities.

The Company believes that its cash and securities available for sale of 7,390,587 at September 30, 1996 are adequate to support the Company's operations at its current level.

PART II - OTHER INFORMATION

Items 1-5 Not applicable

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit number

10 Agreement, dated as of July 16, 1996 between the registrant, Quipp Systems, Inc., and Ralph M. Branca

(b) Financial Data Schedule

27 No reports on Form 8-K were filed by the registrant during the quarter for which this report is being filed

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.

QUIPP, INC.

Date: November 13, 1996

By: s\Ralph M. Branca

Ralph M. Branca
President and Chief Executive
Officer

By: s\Jeffrey S. Barocas

Jeffrey S. Barocas
Chief Financial Officer

QUIPP, INC.
FORM 10-Q
EXHIBIT INDEX

Exhibit 10 Agreement dated as of July 16, 1996 between the registrant, Quipp Systems, Inc. and Ralph M. Branca

27 Financial Data Schedule

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from Quipp, Inc. 10-Q and is qualified in its entirety by reference to such 10-Q filing.

</LEGEND>

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-END>	SEP-30-1996
<CASH>	315,587
<SECURITIES>	7,075,000
<RECEIVABLES>	6,730,646
<ALLOWANCES>	715,275
<INVENTORY>	3,731,332
<CURRENT-ASSETS>	19,073,186
<PP&E>	1,867,528
<DEPRECIATION>	0
<TOTAL-ASSETS>	21,719,096
<CURRENT-LIABILITIES>	5,809,939
<BONDS>	1,150,000
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	16,345
<OTHER-SE>	0
<TOTAL-LIABILITY-AND-EQUITY>	21,179,096
<SALES>	14,857,950
<TOTAL-REVENUES>	14,857,950
<CGS>	9,410,622
<TOTAL-COSTS>	9,410,622
<OTHER-EXPENSES>	3,282,770
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	38,063
<INCOME-PRETAX>	2,374,913
<INCOME-TAX>	878,368
<INCOME-CONTINUING>	1,496,545
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,496,545
<EPS-PRIMARY>	.90
<EPS-DILUTED>	.90

</TABLE>

AGREEMENT

This Agreement made and entered into as of the 16th day of July, 1996, by and between QUIPP, INC., a Florida corporation hereinafter called "COMPANY," which term shall include its successors or assigns, QUIPP SYSTEMS, INC., a Florida corporation, hereinafter called "QUIPP SYSTEMS," which term shall include its successors and assigns, and RALPH M. BRANCA, hereinafter called "EMPLOYEE."

W I T N E S S E T H :

WHEREAS, COMPANY wholly-owns QUIPP SYSTEMS, which is engaged in the design and manufacture of material handling equipment for the newspaper and commercial printing industries; and

WHEREAS, EMPLOYEE has served as President of the COMPANY since May 14, 1995; and

WHEREAS, in consideration of EMPLOYEE'S past services and continued services to COMPANY, and in recognition of the value of such services both to COMPANY and QUIPP SYSTEMS, COMPANY, QUIPP SYSTEMS and EMPLOYEE wish to state

their understanding regarding the continuation of the availability of health insurance for EMPLOYEE under certain circumstances:

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed between the parties as follows:

1. A. For purposes of this Agreement, the following terms shall have the following meanings unless the context clearly otherwise requires:

(I) "Base Salary" means the annualized amount of the aggregate cash remuneration being paid to EMPLOYEE by the COMPANY, exclusive of any cash payments made to EMPLOYEE under any bonus or similar plan or any contributions made for EMPLOYEE'S benefit to any pension or profit sharing plan or other type of executive retirement plan.

(ii) "Change of Control" means an event (the "Acquisition Event") following which any person, together with all of such person's "affiliates" and "associates," as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any group within the meaning of Section 13(d)(3) or Rule 13d-5(b)(1) under the Exchange Act, shall become the beneficial owner, directly or indirectly, of an aggregate of twenty percent (20%) or more of the common stock of COMPANY then outstanding, unless the Board of Directors of COMPANY (the "Board of Directors"), within thirty (30) days after having been advised that such ownership level has been reached, determines, in its sole discretion, that the Acquisition Event should not be considered as a Change of Control for purposes of this Section 1; provided,

that at such time as the Board of Directors makes such determination, the Board of Directors is comprised of the same persons as those on the Board of Directors immediately prior to the Acquisition Event or (ii) if during any 24-month period, individuals who at the beginning of such period constituted the Board of Directors cease for any reason to constitute a majority thereof, unless the election, or the nomination for election by COMPANY shareholders, of the directors who were not directors at the beginning of such period was approved by a vote of at least a majority of the directors in office at the time of such election or nomination who were directors at the beginning of such period.

(iii) "Termination of Employment" means the termination of all of EMPLOYEE'S actual employment relationships with COMPANY.

(iv) "Termination upon a Change of Control" means a Termination of Employment after a Change of Control either:

(a) initiated by COMPANY or any successor corporation for any reason other than the EMPLOYEE'S fraud, or EMPLOYEE'S conviction of a crime involving moral turpitude, or EMPLOYEE'S willful misconduct or gross negligence in the performance of his duties or responsibilities for the COMPANY; or

(b) initiated by EMPLOYEE upon one or more of the following occurrences:

(1) a significant reduction in the authority, duties or responsibilities held by EMPLOYEE immediately prior to the Change of Control,

default by COMPANY, following the Change of Control, in payment of any compensation due to EMPLOYEE, or any removal of EMPLOYEE from or any failure to re-elect EMPLOYEE to the positions held by EMPLOYEE immediately prior to the Change of Control, except in connection with promotions to higher office;

(2) a reduction in EMPLOYEE'S Base Salary as in effect immediately prior to the Change of Control; or

(3) a significant increase, following the Change of Control, in the time commitment required by EMPLOYEE in the performance of his duties to COMPANY.

B. In the event of EMPLOYEE'S Termination upon a Change of Control, COMPANY or, if QUIPP SYSTEMS was providing such insurance for EMPLOYEE prior to the Change of Control, QUIPP SYSTEMS shall continue EMPLOYEE'S health insurance until EMPLOYEE'S sixty-eighth (68th) birthday, provided EMPLOYEE pays one hundred percent (100%) of the cost of such insurance, as determined pursuant to subsection 1.C below; provided, however, that EMPLOYEE shall not be obligated to pay more than the cost of such insurance with respect to a similarly situated full-time employee. During the time of continuation of said insurance, insurance provided by COMPANY or QUIPP SYSTEMS shall be subordinate to any other health insurance (including Medicare or any other governmentally provided coverage) for which EMPLOYEE is eligible; provided, that COMPANY shall reimburse EMPLOYEE for any Medicare, Part B premiums paid by EMPLOYEE during such time.

C. For purposes of this Agreement, the cost of EMPLOYEE'S health insurance shall be the actual premium paid to the insurance company and, if the

party (COMPANY or QUIPP SYSTEMS) providing such insurance is partially self-insured, the cost per participant for each year or portion thereof relating to such self-insurance. EMPLOYEE shall pay such amounts at the beginning of the relevant year or portion thereof for which EMPLOYEE is entitled to receive health insurance pursuant to subsection 1.B, based on the estimated average cost per participant for equivalent coverage, and an appropriate adjustment shall be made at the end of such period, based on the actual cost per participant for equivalent coverage.

D. (I) In the event that COMPANY and QUIPP SYSTEMS shall fail or refuse to make available to EMPLOYEE health insurance as provided under subsection 1.B, COMPANY shall reimburse EMPLOYEE for any payments made by EMPLOYEE to obtain similar insurance that are in excess of payments EMPLOYEE would otherwise have to make pursuant to subsection 1.B (the "Excess Payments"), plus interest, compounded quarterly, on any Excess Payments made by EMPLOYEE from the latter of the date (1) EMPLOYEE notifies COMPANY that such Excess Payments are being made or (2) the date EMPLOYEE makes the Excess Payments, until the date COMPANY reimburses EMPLOYEE for such Excess Payments and all accrued interest. In the event that COMPANY reimburses only a portion of EMPLOYEE'S Excess Payments and accrued interest, interest will continue to accrue on the unpaid portion. Interest payable pursuant to this subsection 1.D(I) shall be payable at the rate from time to time announced by NationsBank, N.A. as its "prime rate" plus 3%, each change in such rate to take effect on the effective date of the change in such prime rate.

(ii) In addition to the payments required under subsection 1.D(I), COMPANY shall pay to EMPLOYEE, on demand, the amount necessary to reimburse EMPLOYEE in full for all expenses (including all attorneys' fees and expenses) incurred by EMPLOYEE in enforcing any of the obligations of COMPANY and QUIPP SYSTEMS under subsection 1.B.

2. The invalidity of unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

3. This Agreement shall inure to and be binding on the parties hereto and their respective heirs, successors and assigns.

4. This document shall be construed for all purposes as a Florida document and shall be interpreted and enforced in accordance with the laws of the State of Florida.

5. This Agreement contains the entire understanding among the parties hereof, and supersedes all prior agreements and understandings relating to the provision of health insurance to EMPLOYEE in the event of EMPLOYEE'S "Termination upon a Change of Control." The Agreement is not otherwise intended to supersede any provision for health insurance coverage that may be available to EMPLOYEE by virtue of resolutions of the Board of Directors of COMPANY or QUIPP SYSTEMS, or otherwise. This Agreement may be amended by a written agreement between COMPANY and EMPLOYEE.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the day and year first

above written.

QUIPP INC.

BY:/s/ Jack D. Finley

Jack D. Finley

Chairman of the Board

QUIPP SYSTEMS, INC.

BY: /s/Louis D. Kipp

Louis D. Kipp

President

/s/Ralph Branca

Ralph Branca