

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-04-03**  
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FILER

**HART HOLDING CO INC**

CIK: **87266** | IRS No.: **231467390** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-11427** | Film No.: **94529054**  
SIC: **2221** Broadwoven fabric mills, man made fiber & silk

Business Address  
1120 BOSTON POST RD  
DARIEN CT 06820  
2036556855

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 April 3, 1994

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 0-11427

HART HOLDING COMPANY INCORPORATED

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

Delaware

23-1467390

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

\_\_\_\_\_  
(I.R.S. Employer  
Identification Number)

1120 Boston Post Road  
Darien, Connecticut

06820

\_\_\_\_\_  
(Address of principal executive offices)

\_\_\_\_\_  
(Zip Code)

Registrant's telephone number, including area code: (203)655-6855

Common stock, par value \$.01 per share

\_\_\_\_\_  
(Title of class)

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

12,895,100 shares of \$.01 par value common stock of the Registrant were outstanding at the close of business on May 17, 1994.

HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES  
(in thousands, except share data)

|   | December 31,<br>1993 | April 3,<br>1994 |
|---|----------------------|------------------|
|   | -----                | -----            |
| ASSETS  |                      |                  |
| Current assets  |                      |                  |
| Cash and cash equivalents of \$7,222<br>and \$380                                   | \$ 12,149            | \$ 4,945         |
| Accounts receivable, less allowance for<br>doubtful accounts of \$1,467 and \$1,567 | 45,925               | 49,562           |
| Inventories (Note A)  | 33,969               | 38,531           |
| Deferred income taxes   | 5,442                | 5,442            |
| Other current assets  | 3,487                | 4,948            |
|   | -----                | -----            |
| Total current assets  | 100,972              | 103,428          |
|   | -----                | -----            |
| Property, plant and equipment, at cost<br>less accumulated depreciation             | 51,415               | 55,397           |
| Unamortized financing costs, less   |                      |                  |

|  |           |           |
|--|-----------|-----------|
| accumulated amortization of \$1,177<br>and \$1,340                 | 3,946     | 3,783     |
| Goodwill, less accumulated amortization<br>of \$9,695 and \$10,049 | 45,664    | 45,310    |
| Deferred income taxes  | 2,153     | 1,806     |
| Other assets   | 2,225     | 2,334     |
|  | -----     | -----     |
| Total assets   | \$206,375 | \$212,058 |
|  | =====     | =====     |

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES  
(in thousands, except share data)

|   | December 31,<br>1993 | April 3,<br>1994 |
|---|----------------------|------------------|
|   | -----                | -----            |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                      |                  |
| Current liabilities   |                      |                  |
| Accounts payable  | \$ 22,810            | \$ 21,212        |
| Accrued expenses and other<br>liabilities   | 25,661               | 23,737           |
|   | -----                | -----            |
| Total current liabilities   | 48,471               | 44,949           |
| Long-term debt (Note B)   | 132,677              | 138,402          |
| Deferred income taxes   | 4,254                | 4,244            |
| Other liabilities   | 564                  | 522              |
|   | -----                | -----            |
| Total liabilities   | 185,966              | 188,117          |
|   | -----                | -----            |
| Stockholders' equity (Note C)   |                      |                  |
| Common stock, \$.01 par value, 40,000,000<br>shares authorized; 15,987,495 shares<br>issued and 12,895,100 shares outstanding | 160                  | 160              |
| Capital in excess of par value  | 14,783               | 14,783           |
| Retained earnings   | 15,341               | 17,655           |
| Equity adjustments from translation   | (3,892)              | (2,674)          |
| Common stock held in treasury, at cost,<br>3,092,395 shares   | (5,983)              | (5,983)          |
|   | -----                | -----            |
| Total liabilities and<br>stockholders' equity   | 20,409               | 23,941           |
|   | -----                | -----            |
| Commitments and contingencies   |                      |                  |
|   | -----                | -----            |
| Total liabilities and<br>stockholders' equity   | \$206,375            | \$212,058        |
|   | =====                | =====            |

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES  
(in thousands, except per share data)

| Quarter Ended     |                  |
|-------------------|------------------|
| March 28,<br>1993 | April 3,<br>1994 |
| -----             | -----            |

|  |          |          |
|--|----------|----------|
| Net sales  | \$63,780 | \$72,997 |
| Cost of sales  | 50,269   | 58,317   |
|  | -----    | -----    |
| Gross profit on sales  | 13,511   | 14,680   |
| Selling, general and<br>administrative expenses                            | 7,341    | 7,130    |
|  | -----    | -----    |
| Operating income   | 6,170    | 7,550    |
| Other income (expense)   |          |          |
| Other income, net  | 23       | 30       |
| Interest expense and amortization of<br>financing costs and debt discounts | (4,152)  | (4,085)  |
|  | -----    | -----    |
|  | (4,129)  | (4,055)  |
|  | -----    | -----    |
| Income before income taxes   | 2,041    | 3,495    |
| Income taxes   | 439      | 1,181    |
| Minority interest  | 19       |          |
|  | -----    | -----    |
| Net income   | \$ 1,583 | \$ 2,314 |
|  | =====    | =====    |

Earnings per common share (Exhibit 11)

Primary and fully diluted

|            |        |        |
|------------|--------|--------|
| Net income | \$ .11 | \$ .18 |
|            | =====  | =====  |

Weighted average number of common  
shares outstanding

|                           |        |        |
|---------------------------|--------|--------|
| Primary and fully diluted | 14,913 | 13,103 |
|                           | =====  | =====  |

See notes to condensed consolidated financial statements.

<TABLE>

<CAPTION>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES

IN STOCKHOLDERS' EQUITY

HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES

(in thousands)

|                                    | Common Stock<br>\$0.01 Par Value |        | Capital<br>in Excess<br>of<br>Par Value | Retained<br>Earnings | Equity<br>Adjustments<br>From<br>Translation | Common Stock<br>Held in<br>Treasury |            | Total    |
|------------------------------------|----------------------------------|--------|---|----------------------|--|-------------------------------------|------------|----------|
|                                    | Shares                           | Amount |   |                      |  | Shares                              | Amount     |          |
| <S>                                | <C>                              | <C>    | <C>                                     | <C>                  | <C>  | <C>                                 | <C>        | <C>      |
| Balance at<br>December 31,<br>1993 | 15,987                           | \$160  | \$14,783                                | \$15,341             | \$ (3,892)                                   | 3,092                               | \$ (5,983) | \$20,409 |
| Net income                         |                                  |        |   | 2,314                |  |                                     |            | 2,314    |
| Translation<br>adjustments         |                                  |        |   |                      | 1,218  |                                     |            | 1,218    |
|                                    | -----                            | -----  | -----                                   | -----                | -----  | -----                               | -----      | -----    |

|                                |                 |                |                   |                   |                     |                |                     |                   |
|--------------------------------|-----------------|----------------|-------------------|-------------------|---------------------|----------------|---------------------|-------------------|
| Balance at<br>April 3,<br>1994 | 15,987<br>===== | \$160<br>===== | \$14,783<br>===== | \$17,655<br>===== | \$ (2,674)<br>===== | 3,092<br>===== | \$ (5,983)<br>===== | \$23,941<br>===== |
|--------------------------------|-----------------|----------------|-------------------|-------------------|---------------------|----------------|---------------------|-------------------|

See notes to condensed consolidated financial statements.

</TABLE>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES  
(in thousands)

|   | Quarter Ended     |                   |
|---|-------------------|-------------------|
|   | March 28,<br>1993 | April 3,<br>1994  |
|   | -----             | -----             |
| OPERATING ACTIVITIES  |                   |                   |
| Net income  | \$ 1,583          | \$ 2,314          |
| Adjustments to reconcile net income<br>to net cash provided by operating<br>activities: |                   |                   |
| Depreciation and amortization   | 2,388             | 2,515             |
| Change in minority interest   | (5)               |                   |
| Changes in operating assets and<br>liabilities  | (8,038)           | (12,572)          |
| Translation adjustments   | (673)             | 327               |
|   | -----             | -----             |
| NET CASH USED BY OPERATING ACTIVITIES   | (4,745)           | (7,416)           |
|   | -----             | -----             |
| INVESTING ACTIVITIES  |                   |                   |
| Purchases of property, plant,<br>and equipment  | (2,051)           | (5,686)           |
| Other   | 892               |                   |
|   | -----             | -----             |
| NET CASH USED BY INVESTING ACTIVITIES   | (1,159)           | (5,686)           |
|   | -----             | -----             |
| FINANCING ACTIVITIES  |                   |                   |
| Net borrowings on revolving loan  | 7,300             | 5,700             |
|   | -----             | -----             |
| NET CASH PROVIDED BY FINANCING ACTIVITIES   | 7,300             | 5,700             |
|   | -----             | -----             |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH   | (175)             | 198               |
|   | -----             | -----             |
| INCREASE (DECREASE) IN CASH<br>AND CASH EQUIVALENTS                                     | 1,221             | (7,204)           |
| CASH AND CASH EQUIVALENTS AT BEGINNING<br>OF PERIOD                                     | 4,668             | 12,149            |
|   | -----             | -----             |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | \$ 5,889<br>===== | \$ 4,945<br>===== |

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES

APRIL 3, 1994

GENERAL

Hart Holding Company Incorporated ("Hart Holding") is a holding company whose principal asset is 100% of the outstanding common stock of its wholly-owned subsidiary, Reeves Industries, Inc. ("Reeves"). Hart Holding acquired Reeves on May 6, 1986. Reeves is a holding company whose principal asset is the common stock of its wholly-owned subsidiary, Reeves Brothers, Inc. ("Reeves Brothers"). Reeves Brothers is a diversified industrial company engaged in two business segments: industrial coated fabrics, conducted through its Industrial Coated Fabrics Group ("ICF"), and apparel textiles, conducted through its Apparel Textile Group ("ATG").

Effective September 30, 1991, the Company formed Hart Investment Properties Corporation ("HIPC"), a wholly-owned subsidiary. HIPC was incorporated for the purpose of investing in real estate properties. In addition, during 1992 Hart Holding formed Hart Capital Corporation, a wholly-owned subsidiary whose primary business will be the investment of its own equity and that of outside investors in buy-outs, build-ups, leveraged minority positions and restructurings. Hart Capital Corporation had no activity during 1993 or the first quarter of 1994.

On March 9, 1994, Hart Holding organized Reeves Holdings, Inc. as a wholly-owned subsidiary (the "Issuer") through a capital contribution of \$1,000. The Issuer was formed for the purpose of holding all of the outstanding common stock of Reeves. On March 31, 1994, the Issuer filed a Registration Statement on Form S-1 under the Securities Act of 1933, as amended, for the purpose of offering Senior Discount Debentures due 2006 anticipated to yield proceeds of approximately \$100,000,000. As of May 17, 1994, Reeves' common stock has not been contributed to the Issuer.

The accompanying unaudited condensed consolidated financial statements of Hart Holding have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 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. For such information, refer to the consolidated financial statements and footnotes thereto included in Hart Holding's annual report on Form 10-K for the year ended December 31, 1993, as filed with the Securities and Exchange Commission on March 31, 1994. The condensed consolidated financial statements so presented are, in the opinion of management, inclusive of all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of financial position as of April 3, 1994, and the results of operations and cash flows for the quarters ended March 28, 1993 and April 3, 1994.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES

APRIL 3, 1994

NOTE A - INVENTORIES

Inventories at December 31, 1993 and April 3, 1994, were comprised of the following (in thousands):

| December 31, | April 3, |
|--------------|----------|
| 1993         | 1994     |
| -----        | -----    |

|                                 |          |          |
|---------------------------------|----------|----------|
| Raw materials                   | \$ 6,815 | \$ 7,833 |
| Work in process                 | 8,792    | 11,925   |
| Manufactured and finished goods | 18,362   | 18,773   |
|                                 | -----    | -----    |
|                                 | \$33,969 | \$38,531 |
|                                 | =====    | =====    |

Approximately 27% and 25% of Hart Holding's inventories at December 31, 1993 and April 3, 1994, are valued using the last-in, first-out ("LIFO") method. Interim LIFO determinations, including those as of April 3, 1994, are based on management's estimates of expected year end inventory levels and costs.

NOTE B - LONG-TERM DEBT

Long-term debt at December 31, 1993 and April 3, 1994, consisted of the following (in thousands):

|   | December 31,<br>1993 | April 3,<br>1994 |
|---|----------------------|------------------|
|   | -----                | -----            |
| 11% Senior Notes due July 15, 2002,<br>net of unamortized discount of<br>\$747 and \$725            | \$121,753            | \$121,775        |
| 13 3/4% Subordinated Debentures due<br>May 1, 2000, net of unamortized<br>discount of \$76 and \$73 | 10,924               | 10,927           |
| Revolving loan payable to bank  |                      | 5,700            |
|   | -----                | -----            |
|   | \$132,677            | \$138,402        |
|   | =====                | =====            |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES

APRIL 3, 1994

In June 1992, Reeves completed a public offering of \$122,500,000 of 11% Senior Notes due 2002 (the "Senior Notes"). Proceeds of the offering were used to redeem all of Reeves' then outstanding 12 1/2% Senior Notes and 13% Senior Subordinated Debentures and to pay and terminate the revolving loan outstanding under a prior loan agreement.

Reeves is required to make sinking fund payments with respect to the remaining 13 3/4% Subordinated Debentures of \$6,000,000 on May 1, 1999 and \$5,000,000 on May 1, 2000.

On August 7, 1992, Reeves and Reeves Brothers entered into a credit agreement with a group of banks, which was amended in 1993, and which provides Reeves and Reeves Brothers with an aggregate \$35,000,000 revolving line of credit (the "Revolving Loan") and letter of credit facility. The Revolving Loan bears interest at the Alternative Base Rate (defined below) plus 1 1/2% or Eurodollar Rate plus 2 1/2%, at the election of the borrower. The Alternative Base Rate is defined as the higher of the Prime Rate (6 1/4 % at April 3, 1994), Base CD Rate plus 1%, or the Federal Funds Effective Rate plus 1/2%. The applicable rates above the Alternative Base Rate and Eurodollar Rate decline based on a ratio of earnings to fixed



charges, as defined. The Revolving Loan is due December 31, 1995. The Revolving Loan is secured by Reeves Brothers' accounts receivable and inventories. As of April 3, 1994, Reeves had available borrowings, net of \$1,389,000 of outstanding letters of credit, of \$27,911,000. A commitment fee of 1/2% per annum is required on the unused portion of the Revolving Loan.

The Senior Notes, Revolving Loan, and 13 3/4% Subordinated Debentures contain certain restrictive covenants with respect to Reeves and Reeves Brothers including, among other things, maintenance of working capital, limitations on the payment of dividends, the incurrence of additional indebtedness and certain liens, restrictions on capital expenditures, mergers or acquisitions, investments and transactions with affiliates, and compliance with certain financial tests and limitations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES

APRIL 3, 1994

Refer to Hart Holding's Annual Report on Form 10-K for the year ended December 31, 1993, as filed with the Securities and Exchange Commission on March 31, 1994, for a more complete description of the Senior Notes, the Revolving Loan and the 13 3/4% Subordinated Debentures.

NOTE C - STOCKHOLDERS' EQUITY

On January 26, 1994, the Board of Directors of Reeves approved a non-qualified stock option agreement between Reeves and the Chairman of the Board of Directors. The agreement grants an option to purchase up to 3,800,000 shares of common stock of Reeves, par value \$.01 per share, and has an expiration date of December 31, 2023. Reeves is a wholly-owned subsidiary of Hart Holding; shares subject to the option, if exercised, would represent approximately 10% of the outstanding shares of Reeves. The option is exercisable at \$.56 per share for 1,400,000 shares (exercisable immediately), \$.75 per share for 1,400,000 shares (exercisable one year from grant date) and \$1.00 per share for 1,000,000 shares (exercisable two years from grant date).

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

The following table and the discussion which follows presents Hart Holding's sales and operating income by segment for the quarters ended March 28, 1993 and April 3, 1994 (in thousands):

|                                 | Quarter Ended     |                  |
|---------------------------------|-------------------|------------------|
|                                 | March 28,<br>1993 | April 3,<br>1994 |
|                                 | -----             | -----            |
| Net Sales:                      |                   |                  |
| Industrial Coated Fabrics Group | \$31,066          | \$37,264         |
| Apparel Textile Group           | 32,714            | 35,733           |

|   |                            |                            |
|---|----------------------------|----------------------------|
| Total Net Sales                               | -----<br>\$63,780<br>===== | -----<br>\$72,997<br>===== |
| Operating Income:                             |                            |                            |
| Industrial Coated Fabrics Group               | \$ 6,641                   | \$ 6,651                   |
| Apparel Textile Group                         | 1,841                      | 3,004                      |
| Corporate Expenses                            | (2,312)                    | (2,105)                    |
|   | -----                      | -----                      |
| Total Operating Income                        | \$ 6,170<br>=====          | \$ 7,550<br>=====          |
| Operating Income as a Percent<br>of Net Sales | 9.7%<br>=====              | 10.3%<br>=====             |

THREE MONTHS ENDED MARCH 28, 1993 COMPARED WITH  
THREE MONTHS ENDED APRIL 3, 1994

NET SALES  
- - - - -

Hart Holding's total net sales increased 14.5% for the first quarter of 1994 compared to the first quarter of 1993. ICF's net sales represented 51.0% of Hart Holding's total net sales for the first quarter of 1994 compared to 48.7% for the comparable period in 1993. ATG net sales represented 49.0% of Reeves' total net sales for the first quarter of 1994 compared to 51.3% for the comparable period in 1993.

ICF's net sales increased 20.0% during the first quarter of 1994 compared to the first quarter of 1993. ICF's net sales increased primarily due to higher unit volume in the coated automotive airbag material product line. This increase was offset by a decrease in other coated fabric product lines, primarily less military business.

ATG's net sales increased 9.2% during the first quarter of 1994 compared to the first quarter of 1993. ATG's net sales increase reflects growth in unit volume in the finished goods division.

OPERATING INCOME  
- - - - -

Operating income for the first quarter of 1994 was \$7.6 million compared to \$6.2 million for the first quarter of 1993. As a percentage of net sales, operating income increased to 10.3% of net sales for the first quarter of 1994 compared to 9.7% in the same period of 1993.

ICF's operating income for the first quarter of 1994 was above the operating income for the first quarter of 1993. Increases in operating income generated by the coated automotive airbag material product line were offset by: (i) lower volume in the other coated fabrics product lines, (ii) foreign currency exchange losses resulting from the strengthening of the Italian Lira against most other currencies, and (iii) start-up costs associated with the introduction of a new generation of printing blankets and new coated fabrics product lines.

ATG's operating income for the first quarter of 1994 increased by 63.2% as compared to the first quarter of 1993, primarily as a result of increased sales volume in the finished goods division and manufacturing cost reductions. The manufacturing cost reductions resulted principally from prior capital investments.

Corporate expenses decreased 9.0% during the first quarter of 1994 compared to the first quarter of 1993. The decrease resulted primarily from a gain related to the settlement of a pension obligation of a previously discontinued operation.

#### LIQUIDITY AND CAPITAL RESOURCES

-----

In June 1992, Reeves completed a public offering of \$122,500,000 of 11% Senior Notes due 2002 (the "Senior Notes"). Proceeds of the offering were used to redeem all of Reeves' then outstanding 12 1/2% Senior Notes and 13% Senior Subordinated Debentures and to pay and terminate the revolving loan outstanding under a prior loan agreement.

Reeves is required to make sinking fund payments with respect to the remaining 13 3/4% Subordinated Debentures of \$6,000,000 on May 1, 1999 and \$5,000,000 on May 1, 2000.

On August 7, 1992, Reeves and Reeves Brothers entered into a credit agreement with a group of banks, which was amended in 1993, and which provides Reeves and Reeves Brothers with an aggregate \$35,000,000 revolving line of credit (the "Revolving Loan") and letter of credit facility. The Revolving Loan bears interest at the Alternative Base Rate (defined below) plus 1 1/2% or Eurodollar Rate plus 2 1/2%, at the election of the borrower. The Alternative Base Rate is defined as the higher of the Prime Rate (6 1/4% at April 3, 1994), Base CD Rate plus 1%, or the Federal Funds Effective Rate plus 1/2%. The applicable rates above the Alternative Base Rate and Eurodollar Rate decline based on a ratio of earnings to fixed charges, as defined. The Revolving Loan is due December 31, 1995. The Revolving Loan is secured by Reeves Brothers' accounts receivable and inventories. As of April 3, 1994, Reeves had available borrowings, net of \$1,389,000 of outstanding letters of credit, of \$27,911,000. A commitment fee of 1/2% per annum is required on the unused portion of the Revolving Loan.

The Senior Notes, Revolving Loan, and 13 3/4% Subordinated Debentures contain certain restrictive covenants with respect to Reeves and Reeves Brothers including, among other things, maintenance of working capital, limitations on the payment of dividends, the incurrence of additional indebtedness and certain liens, restrictions on capital expenditures, mergers or acquisitions, investments and transactions with affiliates, and compliance with certain financial tests and limitations.

Hart Holding believes that its cash flow from operations and funds available under the Revolving Loan will be sufficient to fund working capital needs, capital expenditure requirements, and debt service obligations in future years.

#### PART II. OTHER INFORMATION

##### Item 1. Legal Proceedings

On April 15, 1994, the Court of Chancery, Wilmington, Delaware approved the settlement of two class action lawsuits

entitled *Clare Lois Spark Loeb v. James W. Hart, et al.*, C.A. 12830, and *Rochelle Brooks v. James W. Hart, et al.*, C.A. 12831. The lawsuits challenged the proposed 300 to one reverse stock split of Hart Holding's common stock which was announced on December 18, 1992. The settlement terms approved by the Court provide for increasing the consideration to be paid for fractional shares to \$2.25 per share and effecting the reverse split at a ratio of 600 to one. Stockholders will be given the opportunity (i) to purchase at a price of \$2.25 per pre-split share such number of additional shares (on a first come - first served basis, limited to the total number of fractional shares which would otherwise be redeemed) as is necessary to make such holder's stock position divisible by 600, in order to permit such holder to remain as a stockholder of Hart Holding; or (ii) if such holder would continue to hold whole shares after the reverse split is effected, and such stockholder does not wish to continue as a stockholder of Hart Holding, to receive \$2.25 for each pre-split share. Upon completion of the reverse stock split, holders of less than 600 shares who do not elect or who are unable to purchase additional shares would be redeemed at a purchase price of \$2.25 for each pre-split share.

The majority stockholder of Hart Holding has indicated that he intends to execute a consent in favor of the reverse stock split. Hart Holding anticipates consummating the reverse stock split promptly. The transaction will result in Hart Holding's becoming a private company which will no longer file periodic reports with the Securities and Exchange Commission. Accordingly, information concerning Hart Holding will cease to be readily available to stockholders.

Except as noted above, Hart Holding believes that there are no legal proceedings, other than ordinary routine litigation incidental to the business of Hart Holding, to which Hart Holding or any of its subsidiaries is a party. Management is of the opinion that the ultimate outcome of existing legal proceedings would not have a material adverse effect on Hart Holding's consolidated financial position or results of operations.

Item 6. Exhibits and Reports on Form 8-K

| (a) | Exhibits   | Description                                 | Page |
|-----|------------|---|------|
|     | -----      | -----                                       | ---- |
|     | Exhibit 11 | Computation of Earnings<br>Per Common Share | 18   |

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the three months ended April 3, 1994.

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.

HART HOLDING COMPANY INCORPORATED

DATE: May 17, 1994

By: \s\ James W. Hart

\_\_\_\_\_  
James W. Hart

Chairman of the Board,  
President, Chief Executive  
Officer, Chief Operating  
Officer, and Chief Financial  
Officer

EXHIBIT 11.

CALCULATION OF PRIMARY AND FULLY DILUTED  
 EARNINGS PER COMMON SHARE  
 HART HOLDING COMPANY INCORPORATED AND SUBSIDIARIES  
 (in thousands, except per share data)

|   | Quarter Ended     |                   |
|---|-------------------|-------------------|
|   | March 28,<br>1993 | April 3,<br>1994  |
|   | -----             | -----             |
| Net income  | \$ 1,583<br>===== | \$ 2,314<br>===== |
| Earnings per common share                               |                   |                   |
| Primary and fully diluted:                              |                   |                   |
| Net income  | \$ .11<br>=====   | \$ .18<br>=====   |
| Weighted average number of common<br>shares outstanding |                   |                   |
| Primary and fully diluted                               | 14,913<br>=====   | 13,103<br>=====   |