

NORTECH SYSTEMS INC
Form 10-Q
November 12, 2010
[Table of Contents](#)

**UNITED STATES
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, 2010

OR

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

For the transition period from _____ to _____

NORTECH SYSTEMS INCORPORATED

Edgar Filing: NORTECH SYSTEMS INC - Form 10-Q

Commission file number **0-13257**

State of Incorporation: **Minnesota**

IRS Employer Identification No. **41-1681094**

Executive Offices: **1120 Wayzata Blvd E., Suite 201, Wayzata, MN 55391**

Telephone number: **(952) 345-2244**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of \$.01 par value common stock outstanding at November 1, 2010 - 2,742,992

(The remainder of this page was intentionally left blank.)

Table of Contents

TABLE OF CONTENTS

	PAGE
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1 - Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	3 - 4
<u>Consolidated Statements of Income</u>	5 - 6
<u>Consolidated Statements of Cash Flows</u>	7
<u>Condensed Notes to Consolidated Financial Statements</u>	8-13
<u>Item 2 - Management's Discussion and Analysis of Financial Condition And Results of Operations</u>	13-18
<u>Item 4 - Controls and Procedures</u>	18
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1 - Legal Proceedings</u>	19
<u>Item 6 - Exhibits</u>	19
<u>SIGNATURES</u>	20
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32	

Table of Contents**PART 1****ITEM 1. FINANCIAL STATEMENTS****NORTECH SYSTEMS INCORPORATED AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

ASSETS	SEPTEMBER 30 2010 (Unaudited)	DECEMBER 31 2009
Current Assets		
Cash and Cash Equivalents	\$	\$ 245,381
Accounts Receivable, Less Allowance for Uncollectible Accounts	14,817,398	12,021,378
Inventories	18,350,712	15,806,669
Prepaid Expenses	604,510	542,643
Income Taxes Receivable	323,994	2,515,906
Deferred Income Taxes	719,000	753,000
Total Current Assets	34,815,614	31,884,977
Property and Equipment, Net	7,607,188	8,239,161
Finite Life Intangible Assets, Net of Accumulated Amortization	237,301	343,549
Deferred Income Taxes	114,000	348,000
Other Assets	313,518	313,518
Total Assets	\$ 43,087,621	\$ 41,129,205

See Accompanying Condensed Notes to Consolidated Financial Statements

Table of Contents

NORTECH SYSTEMS INCORPORATED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS EQUITY	SEPTEMBER 30 2010 (Unaudited)	DECEMBER 31 2009
Current Liabilities		
Line of Credit	\$ 6,258,635	\$ 5,490,607
Current Maturities of Long-Term Debt	1,079,239	1,013,920
Accounts Payable	10,481,318	9,050,684
Accrued Payroll and Commissions	3,141,317	1,449,528
Accrued Health and Dental Claims	220,000	310,000
Other Accrued Liabilities	812,614	1,354,438
Total Current Liabilities	21,993,123	18,669,177
Long-Term Liabilities		
Long-Term Debt, Net of Current Maturities	1,831,398	3,572,264
Other Long-Term Liabilities	129,170	160,912
Total Long-Term Liabilities	1,960,568	3,733,176
Total Liabilities	23,953,691	22,402,353
Shareholders Equity		
Preferred Stock, \$1 par value; 1,000,000 Shares Authorized: 250,000 Shares Issued and Outstanding	250,000	250,000
Common Stock - \$0.01 par value; 9,000,000 Shares Authorized: 2,742,992 and 2,738,992 Shares Issued and Outstanding at September 30, 2010 and December 31, 2009, respectively	27,430	27,390
Additional Paid-In Capital	15,690,416	15,654,160
Accumulated Other Comprehensive Loss	(72,841)	(73,909)
Retained Earnings	3,238,925	2,869,211
Total Shareholders Equity	19,133,930	18,726,852
Total Liabilities and Shareholders Equity	\$ 43,087,621	\$ 41,129,205

See Accompanying Condensed Notes to Consolidated Financial Statements

Table of Contents

NORTECH SYSTEMS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30	
	2010	2009
Net Sales	\$ 25,957,327	\$ 18,650,684
Cost of Goods Sold	23,064,208	17,027,206
Gross Profit	2,893,119	1,623,478
Operating Expenses:		
Selling Expenses	784,283	1,024,824
General and Administrative Expenses	1,942,646	1,395,327
Restructuring and Impairment Charges		352,578
Total Operating Expenses	2,726,929	2,772,729
Income (Loss) From Operations	166,190	(1,149,251)
Other Income (Expense)		
Interest Expense	(99,434)	(150,026)
Miscellaneous Income (Expense), net	153,562	(77,417)
Total Other Income (Expense)	54,128	(227,443)
Income (Loss) Before Income Taxes	220,318	(1,376,694)
Income Tax Expense (Benefit)	93,000	(523,000)
Net Income (Loss)	\$ 127,318	\$ (853,694)
Earnings (Loss) Per Common Share:		
Basic and Diluted	\$ 0.05	\$ (0.31)
Weighted Average Number of Common Shares Outstanding Used for Basic and Diluted Earnings (Loss) Per Common Share	2,742,992	2,738,989

See Accompanying Condensed Notes to Consolidated Financial Statements

Table of Contents

NORTECH SYSTEMS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009
Net Sales	\$ 72,393,274	\$ 60,092,430
Cost of Goods Sold	63,749,870	56,537,733
Gross Profit	8,643,404	3,554,697
Operating Expenses:		
Selling Expenses	2,305,207	3,563,159
General and Administrative Expenses	5,361,255	4,486,283
Restructuring and Impairment Charges		997,696
Total Operating Expenses	7,666,462	9,047,138
Income (Loss) From Operations	976,942	(5,492,441)
Other Income (Expense)		
Interest Expense	(325,375)	(385,048)
Miscellaneous Income (Expense), net	116,147	(121,205)
Total Other Expense	(209,228)	(506,253)
Income (Loss) Before Income Taxes	767,714	(5,998,694)
Income Tax Expense (Benefit)	398,000	(2,309,000)
Net Income (Loss)	\$ 369,714	\$ (3,689,694)
Earnings (Loss) Per Common Share:		
Basic and Diluted	\$ 0.13	\$ (1.35)
Weighted Average Number of Common Shares Outstanding Used for Basic and Diluted Earnings (Loss) Per Common Share	2,742,186	2,738,972

See Accompanying Condensed Notes to Consolidated Financial Statements

Table of Contents

NORTECH SYSTEMS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009
Cash Flows From Operating Activities		
Net Income (Loss)	\$ 369,714	\$ (3,689,694)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,181,745	1,365,267
Amortization	106,248	112,591
Stock-Based Compensation	23,796	93,888
Interest on Swap Valuation	(19,492)	(12,504)
Restructuring Charges		451,953
Property and Equipment Impairment Charges		545,743
Deferred Income Taxes	268,000	163,000
Loss on Disposal of Property and Equipment	901	5,587
Foreign Currency (Gain) Loss	(240)	2,607
Changes in Current Operating Items, Net of Effects of Business Acquisition		