

MATERIAL SCIENCES CORP
Form 10-Q/A
July 02, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended November 30, 2007

Commission File Number 1-8803

MATERIAL SCIENCES CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-2673173
(IRS employer
identification number)

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2200 East Pratt Boulevard

Elk Grove Village, Illinois
(Address of principal executive offices)

60007
(Zip code)

Registrant's telephone number, including area code: (847) 439-2210

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of January 4, 2008, there were 14,271,242 outstanding shares of common stock, \$.02 par value.

EXPLANATORY NOTE

The primary purpose of this Amendment No. 1 on Form 10-Q/A is to restate the condensed consolidated financial statements for the fiscal quarter ended November 30, 2007, presented in our Quarterly Report on Form 10-Q initially filed with the Securities and Exchange Commission (SEC) on January 9, 2008 (the Original Filing).

As previously reported, subsequent to the issuance of our interim financial statements on Form 10-Q for the third quarter ended November 30, 2007, management discovered financial statement errors that related to the interim period ended November 30, 2007, that caused an understatement of the previously reported net income for the third quarter ended November 30, 2007, by \$454,000 (\$949,000 before the effect of income taxes), or \$0.03 per common share. For the nine-month period ended November 30, 2007, the previously reported net loss was overstated by \$780,000 (\$1,143,000 before the effect of income taxes). These errors primarily related to errors in the accounting for inventory costing and accounts payable transactions, errors in the accounting for certain previously unrecorded investment assets and errors in the accounting for foreign currency transactions. As a result of these errors, Total Other Income for the third quarter was understated by \$949,000 related to previously unrecorded dividend income from the investment assets and for the effect of the foreign currency transaction gain on the intercompany debt with our German subsidiary. Cost of sales for the nine months ended November 30, 2007 was understated by \$462,000 related to the inventory and accounts payable errors, and Total Other Income for the nine months ended November 30, 2007 was understated by \$1,605,000 related to previously unrecorded dividend income from the investment assets for the effect of the foreign currency transaction gain on the intercompany debt with our German subsidiary. See Note 20 to the Notes to the Condensed Consolidated Interim Financial Statements for more details on these errors and the related financial statement effect.

For the convenience of the reader, this Form 10-Q/A sets forth the Original Filing in its entirety. No attempt has been made in this Form 10-Q/A to modify or update the disclosures in the Original Filing except as required to reflect the effects of the restatement included in Note 20 to the Notes to the Condensed Consolidated Interim Financial Statements. Except as otherwise noted herein, this Form 10-Q/A continues to describe conditions as of the date of the Original Filing, and the disclosures contained herein have not been updated to reflect events, results or developments that occurred after the Original Filing, or to modify or update those disclosures affected by subsequent events. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that occurred or facts that became known to us after the date of the Original Filing, other than the restatement, and such forward-looking statements should be read in conjunction with our filings with the SEC subsequent to the filing of the Original Filing.

Part I Item 1 (Financial Information), and Part I Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations), have been amended from the Original Filing as a result of the restatement. In addition, Part II Item 6 (Exhibits) has been amended to include new certifications executed as of the date of this Form 10-Q/A by our Chief Executive Officer and Chief Financial Officer.

MATERIAL SCIENCES CORPORATION

FORM 10-Q/A

For the Quarter Ended November 30, 2007

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

- (a) Financial statements of Material Sciences Corporation and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands, except per share data)	Three Months Ended November 30, As Restated (See Note 20)		Nine Months Ended November 30, As Restated (See Note 20)	
	2007	2006	2007	2006
Net Sales	\$ 65,074	\$ 60,653	\$ 181,905	\$ 203,730
Cost of Sales	56,054	53,170	158,738	169,855
Gross Profit	9,020	7,483	23,167	33,875
Selling, General and Administrative Expenses	8,361	8,547	27,277	25,745
Restructuring Expenses				592
Income (Loss) from Operations	659	(1,064)	(4,110)	7,538
Other (Income) and Expense:				
Interest (Income) Expense, Net	(117)	(115)	(307)	(509)
Equity in Results of Joint Venture	(132)	(37)	(257)	(93)
Other, Net	(995)	(36)	(1,728)	(99)
Total Other Income, Net	(1,244)	(188)	(2,292)	(701)
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes	1,903	(876)	(1,818)	8,239
Provision (Benefit) for Income Taxes	766	(699)	(732)	3,442
Income (Loss) from Continuing Operations	1,137	(177)	(1,086)	4,797
Net Income (Loss)	\$ 1,137	\$ (177)	\$ (1,086)	\$ 4,797
Basic Net Income (Loss) Per Share	\$ 0.08	\$ (0.01)	\$ (0.08)	\$ 0.33
Diluted Net Income (Loss) Per Share	\$ 0.08	\$ (0.01)	\$ (0.08)	\$ 0.33
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income (Loss) Per Share	14,251	14,525	14,419	14,641
Dilutive Shares				26
Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares	14,251	14,525	14,419	14,667
Outstanding Common Stock Options Having No Dilutive Effect	170	227	170	227

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

Condensed Consolidated Balance Sheets (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands)	As Restated (See Note 20) November 30, 2007	February 28, 2007
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 3,921	\$ 11,667
Short Term Investment	7,187	953
Receivables, Less Reserves of \$3,558 and \$4,020, Respectively	37,610	48,121
Income Taxes Receivable	3,082	1,665
Prepaid Expenses	1,160	1,168
Inventories	42,778	42,269
Deferred Income Taxes	4,524	2,204
Assets Held For Sale	3,921	
Other Assets	213	198
Total Current Assets	104,396	108,245
Property, Plant and Equipment	211,550	245,570
Accumulated Depreciation and Amortization	(143,855)	(170,666)
Net Property, Plant and Equipment	67,695	74,904
Other Assets:		
Investment in Joint Venture	3,059	2,363
Goodwill	1,319	1,319
Deferred Income Taxes	1,842	1,415
Other	228	192
Total Other Assets	6,448	5,289
Total Assets	\$ 178,539	\$ 188,438
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 31,682	\$ 39,093
Accrued Payroll Related Expenses	4,738	5,414
Accrued Expenses	10,777	7,468
Current Liabilities of Discontinued Operation Pinole Point Steel	45	66
Total Current Liabilities	47,242	52,041
Long-Term Liabilities:		
Other	8,278	9,191
Total Long-Term Liabilities	8,278	9,191
Commitments and Contingencies		
Shareowners' Equity:		
Preferred Stock		
Common Stock	381	381

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Additional Paid-In Capital	79,399	79,171
Treasury Stock at Cost	(52,055)	(48,757)
Retained Earnings	93,648	94,828
Accumulated Other Comprehensive Income	1,646	1,583
Total Shareowners' Equity	123,019	127,206
Total Liabilities and Shareowners' Equity	\$ 178,539	\$ 188,438

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

Condensed Consolidated Statements of Cash Flow (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands)	Nine Months Ended November 30,	
	As Restated (See Note 20)	
	2007	2006
Cash Flows From:		
Operating Activities:		
Net Income (Loss)	\$ (1,086)	\$ 4,797
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,759	8,040
Provision for Deferred Income Taxes	(556)	485
Compensatory Effect of Stock Plans	88	202
Loss on Disposal of Asset	33	50
Foreign Currency Transaction Gain	(1,532)	
Other, Net	(257)	(93)
Changes in Assets and Liabilities:		
Receivables	10,802	(3,705)
Income Taxes Receivable	(1,704)	860
Prepaid Expenses	18	(653)
Inventories	(235)	(15,360)
Accounts Payable	(7,640)	14,085
Accrued Expenses	418	(196)
Other, Net	(927)	(337)
Net Cash Provided by Continuing Operations	6,181	8,175
Net Cash Provided by (Used in) Discontinued Operations	(21)	(614)
Net Cash Provided by Operating Activities	6,160	7,561
Investing Activities:		
Capital Expenditures	(4,804)	(10,579)
Acquisition, Net of Cash Acquired		
Proceeds from Sale of Asset		
Investment in Joint Ventures		
Proceeds from Sale of Marketable Securities		
Proceeds from Restricted Cash and Cancellation of Letters of Credit		
Purchases of Short-term investment	(66,325)	
Proceeds from Short-term investment sold	60,325	
Other		
Net Cash Used in Investing Activities	(10,804)	(10,579)
Financing Activities:		
Payments of Long-Term Debt		
Proceeds Under Line of Credit		
Purchases of Treasury Stock	(3,298)	(2,229)
Issuance of Common Stock	140	317
Net Cash Used in Financing Activities	(3,158)	(1,912)
Effect of Exchange Rate Changes on Cash	56	(21)
Net Decrease in Cash	(7,746)	(4,951)

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Cash and Cash Equivalents at Beginning of Period	11,667	13,600
Cash and Cash Equivalents at End of Period	\$ 3,921	