

SPECTRUM CONTROL INC  
Form 10-Q  
March 30, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the Period Ended February 28, 2009

Commission File Number 0-8796

## Spectrum Control, Inc.

Exact name of registrant as specified in its charter

Pennsylvania

25-1196447

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

8031 Avonia Road; Fairview, Pennsylvania

16415

(Address)

(Zip Code)

Registrant's telephone number, including area code:

(814) 474-2207

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 the filing requirements for at least 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. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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 Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

<b>Class</b>	<b>Number of Shares Outstanding as of March 16, 2009</b>
Common, no par value	12,571,293
	1

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**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

( Dollar Amounts in Thousands )	February 28, 2009	November 30, 2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,497	\$ 5,397
Accounts receivable, less allowances of \$ 939 in 2009 and \$ 933 in 2008	24,158	24,043
Inventories, net	32,027	30,638
Deferred income taxes	1,684	1,684
Prepaid expenses and other current assets	1,781	2,307
Total current assets	63,147	64,069
Property, plant and equipment, net	26,375	27,250
Other assets		
Goodwill	36,811	36,811
Other noncurrent assets	6,474	6,654
Total other assets	43,285	43,465
Total assets	\$ 132,807	\$ 134,784
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Short-term debt	\$ 7,000	\$ 10,000
Accounts payable	6,001	6,541
Income taxes payable	10	36
Accrued liabilities	3,772	4,415
Current portion of long-term debt	487	487
Total current liabilities	17,270	21,479
Long-term debt	475	545
Other liabilities	953	978
Deferred income taxes	8,624	8,491
Stockholders' Equity		
Common stock, no par value, authorized 25,000,000 shares, issued 14,248,772	47,934	47,830

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shares in 2009 and 2008		
Retained earnings	68,757	66,604
Treasury stock, 1,677,479 shares in 2009 and 2008, at cost	(11,788)	(11,788)
Accumulated other comprehensive income	582	645
Total stockholders' equity	105,485	103,291
Total liabilities and stockholders' equity	\$ 132,807	\$ 134,784

The accompanying notes are an integral part of the financial statements.

Table of Contents**SPECTRUM CONTROL, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

( Amounts in Thousands Except Per Share Data )

	For the Three Months Ended	
	February 28, 2009	February 29, 2008
Net sales	\$ 33,117	\$ 31,154
Cost of products sold	24,859	24,303
Gross margin	8,258	6,851
Selling, general and administrative expense	4,867	4,211
Income from operations	3,391	2,640
Other income ( expense ) :		
Interest expense	(97)	(42)
Other income and expense, net	29	241
	(68)	199
Income before provision for income taxes	3,323	2,839
Provision for income taxes	1,170	1,050
Net income	\$ 2,153	\$ 1,789
Earnings per common share :		
Basic	\$ 0.17	\$ 0.13
Diluted	\$ 0.17	\$ 0.13
Average number of common shares outstanding :		
Basic	12,571	13,363
Diluted	12,594	13,642

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Dividends per common share	\$ -	\$ -
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The accompanying notes are an integral part of the financial statements.

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**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

( Dollar Amounts in Thousands )

For the Three Months Ended

February 28,  
2009February 29,  
2008

## Cash Flows From Operating Activities :

Net income	\$ 2,153	\$ 1,789
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	1,388	1,105
Amortization	202	180
Deferred income taxes	133	114
Equity-based compensation	104	54
Non-cash insurance recoveries	(25)	(252)
Changes in assets and liabilities		
Accounts receivable	(131)	3,482
Inventories	(1,394)	(679)
Prepaid expenses and other assets	487	(119)
Accounts payable and accrued expenses	(1,166)	(2,171)
Net cash provided by operating activities	1,751	3,503

## Cash Flows From Investing Activities :

Purchase of property, plant and equipment	(1,021)	(895)
Insurance proceeds related to property, plant and equipment	500	-
Net cash used in investing activities	(521)	(895)

## Cash Flows From Financing Activities :

Net repayment of short-term borrowings	(3,000)	-
Repayment of long-term debt	(70)	(69)
Net proceeds from issuance of common stock	-	157
Purchase of common stock	-	(2,376)
Net cash used in financing activities	(3,070)	(2,288)

Effect of exchange rate changes on cash (60) 92

Net increase (decrease) in cash and cash equivalents (1,900) 412

Cash and cash equivalents, beginning of period 5,397 5,183



