

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

REUNION INDUSTRIES INC
Form 8-K
June 20, 2012

=====

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) DECEMBER 31, 2011

REUNION INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

01-15739

06-1439715

(State of Incorporation)

(Commission File No.)

(IRS Employer ID No.)

11 STANWIX STREET, SUITE 1400
PITTSBURGH, PENNSYLVANIA 15222

(Address of principal executive offices, including zip code)

(412) 281-2111

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

=====
Item 8.01 - Other Events

As previously reported, on May 20, 2010, the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division, entered a Final Decree terminating the registrant's Chapter 11 Case.

While the Company was operating as "debtor-in-possession in its Chapter 11 bankruptcy, the Company filed under Form 8-K the Monthly Operation Report that it filed with the Bankruptcy Court and the United States Trustee pursuant to Rule 2015 of the Federal Rules of Bankruptcy Procedure. Now that the Company has received its Final Decree terminating its Chapter 11 Case, it is no longer required to file such Monthly Operating Reports

The Company is unable to comply with Securities and Exchange Commission requirements for audited financial statements and thus is unable to file (i) any annual financial reports on Form 10-K for prior years or (ii) any quarterly financial statements on Form 10-Q for the current year. However, the Company is filing this Form 8-K in a good faith effort to distribute financial information to its stockholders.

The financial statements enclosed with this Form 8-K are listed on the Index page of the attached report. These financial statements reflect a new beginning reporting basis for the Company of June 1, 2010, the month beginning the closest to the date of the Final Decree noted above.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: June 20, 2012

REUNION INDUSTRIES, INC.
(Registrant)

By: /s/ John M. Froehlich

John M. Froehlich
Executive Vice President
of Finance and Chief
Financial Officer

REUNION INDUSTRIES, INC.

INDEX

	Page No. -----
Financial Statements:	
Unaudited Condensed Consolidated Balance Sheets at December 31, 2011 and 2010	4
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Year Ended December 31, 2011 and the Seven Months Ended December 31, 2010	5
Unaudited Condensed Consolidated Statements of Cash Flow for the Year Ended December 31, 2011 and the Seven Months Ended December 31, 2010	6
Notes to Unaudited Condensed Consolidated Financial Statements	7

REUNION INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
At December 31, 2011 AND 2010
(in thousands)

	2011 -----	2010 -----
ASSETS:		
Cash and cash equivalents	\$ 776	\$ 1,485
Receivables, net	4,847	4,623
Inventories, net	3,493	2,714
Other current assets	507	532
	-----	-----
Total current assets	9,623	9,354
Property, plant and equipment, net	1,681	1,785
Property, plant and equipment, held for sale	1,898	2,056
Due from related parties	449	1,416

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

Other assets, net	250	566
	-----	-----
Total assets	\$ 13,901	\$ 15,177
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current maturities of capitalized lease	\$ 27	\$ 27
Trade payables	2,116	2,027
Accrued income tax	264	413
Other current liabilities	3,099	4,156
	-----	-----
Total current liabilities	5,506	6,623
Capitalized lease	49	69
Long-term debt	1,490	800
Other liabilities	1,710	1,574
	-----	-----
Total liabilities	8,755	9,066
Minority interests	918	902
Commitments and contingent liabilities	-	-
Stockholders' equity	4,228	5,209
	-----	-----
Total liabilities and stockholders' equity	\$ 13,901	\$ 15,177
	=====	=====

- 4 -

REUNION INDUSTRIES, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 AND COMPREHENSIVE INCOME (LOSS)
 FOR THE YEAR ENDED DECEMBER 31, 2011 AND
 SEVEN MONTHS ENDED DECEMBER 31, 2010
 (in thousands)

	YEAR 2011	7 MONTHS 2010
	-----	-----
Sales	\$ 24,987	\$ 14,901
Cost of sales	21,426	12,595
	-----	-----
Gross profit	3,561	2,306
Selling, general & administrative	4,175	2,846
Other (income), net	(108)	(67)
	-----	-----
Operating loss	(722)	(473)
Interest expense, net	106	76

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

Loss from operations	-----	-----
before income taxes		
and minority interests	(828)	(549)
Provision for income taxes	67	66
	-----	-----
Loss from operations		
before minority interests	(895)	(615)
Minority interests	86	92
	-----	-----
Net and comprehensive (loss)	\$ (981)	\$ (707)
	=====	=====

- 5 -

REUNION INDUSTRIES, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
 FOR THE YEAR ENDED DECEMBER 31, 2011 AND
 SEVEN MONTHS ENDED DECEMBER 31, 2010
 (in thousands)

	YEAR	7 MONTHS
	2011	2010
	-----	-----
Cash provided by(used in) operating activities	\$ (1,228)	\$ (161)

Cash flow from investing activities:		
Capital expenditures	(151)	(29)
	-----	-----
Cash provided by(used in) investing activities	(151)	(29)
	-----	-----
Cash flow from financing activities:		
Debt borrowing	690	800
Capital lease payments	(20)	(23)

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

Cash provided by(used in) financing activities	----- 670 -----	----- 777 -----
Net increase(decrease) in cash and cash equivalents	(709)	587
Cash and cash equivalents, beginning of period	1,485	898
Cash and cash equivalents, end of period	----- \$ 776 =====	----- \$ 1,485 =====

- 6 -

REUNION INDUSTRIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. UNAUDITED CONDENSED FINANCIAL STATEMENTS

The accompanying unaudited condensed financial statements have been prepared on the basis that Reunion Industries, Inc. (the "Company") began its operations on June, 1, 2010, a date that approximates May 20, 2010, the date that the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division, entered a Final Decree terminating the Company's Chapter 11 Case. For its new beginning, the Company valued its assets and liabilities at what it determined to be the fair market value of such assets and liabilities based on its experience and knowledge.

While management has attempted to prepare these unaudited condensed financial statements in accordance with accounting principles generally accepted in the United States for interim financial information, these statements do not conform with all of the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, such statements do not include all of the information and footnotes required by such instructions and by accounting principles generally accepted in the United States for complete financial statements.

NOTE 2. ACCOUNTING POLICIES

Nature of Business

The Company's current operations include (i) an industrial manufacturing operation in the United States that designs and manufactures hydraulic and pneumatic cylinders, (ii) a 65% owned joint venture operation in China that manufactures metal bar grating and (iii) a wholly-owned subsidiary that was formerly active in the oil and gas industry and continues to operate one gas well in Oklahoma. In addition, The Company still has property from, and is responsible for certain liabilities associated with, previously owned businesses that were sold prior to the Company's emergence from bankruptcy. Such liabilities include those connected with a defined benefit plan and those

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

connected with existing and potential asbestos related claims. The accompanying unaudited condensed consolidated financial statements include all of these operations.

Accounts Receivable

Receivables are net of \$161,000 and \$164,000 in allowance for doubtful accounts at December 31, 2011 and 2010, respectively. Credit is extended after a credit review by management that is based on a customer's ability to perform its obligations. Such reviews are regularly updated. The allowance for doubtful accounts is based upon agings of customer balances and specific account reviews by management. The Company has no concentration of credit risks and generally does not require collateral or other security from its customers.

Inventories

At December 31, 2011, inventories are stated at the lower of cost or market, at costs that approximate the first in, first out method of inventory valuation. Reserves for excess, slow moving and obsolete inventories are based on reviews of inventory usage reports.

- 7 -

Property

Property is recorded at cost. As noted above, the Company valued its beginning June 1, 2010 property at fair market value. Such property consisted of (i) personal property used in the current operations of the business and (ii) real property that was associated with a former business that was sold. Such real property is being held for sale.

Minority Interest

The Company consolidates the operations of its 65% joint owned operation in China. Minority interest represents the allocated value of the 35% ownership in the profits and net assets of the subsidiary.

Revenue Recognition

Sales are recorded when shipped and title and risks of ownership transfer to the buyer.

Income Taxes

The Company provides deferred income taxes for all temporary differences between financial and income tax reporting using the liability method. Deferred taxes are determined on the estimated future tax effect of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. A valuation allowance is recorded for net deferred tax assets if it is more likely than not that such asset will not be realized. The Company has significant net operating loss carryforwards for tax purposes, all of which have been fully reserved.

Note 3. Long-term Debt

In August of 2010, the Company entered into a loan agreement with one of the members of its Board of Directors. Under the agreement, the Company

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

borrowed \$800,000 for two years with the loan bearing interest at 10% per annum. During 2011, the Company borrowed an additional \$600,000 under the loan agreement and the loan was amended to provide that all unpaid interest as of September 30, 2011 be added to the principal amount of the loan. Additionally, the two year term of the note was eliminated. Payments on the loan may be made at any time without penalty and the loan is secured by the real property of the Company.

Note 4. Stockholders' Equity

The following represents a reconciliation of the change in stockholders' equity for the year ended December 31, 2011 (in thousands):

	Par Value of Common Stock	Capital in Excess of Par Value	Accum- ulated Deficit	Accum- ulated Other Compre- hensive Loss	Total
	-----	-----	-----	-----	-----
At January 1, 2011	\$166	\$28,139	\$(20,954)	\$ (2,142)	\$ 5,209
Net loss	-	-	(981)		(981)
	----	-----	-----	-----	-----
At December 31, 2011	\$166	\$28,139	\$(21,935)	\$ (2,142)	\$ 4,228
	====	=====	=====	=====	=====

- 8 -

The Company acquired no shares of its common stock during the period. As previously reported, in accord with an authorization by the Company's Board of Directors, 438,048 shares of common stock have been acquired in prior years by the Company in open market transactions, at an average price per share acquired of \$0.23.

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has been named in thousands of separate asbestos suits filed since January 2001 by various plaintiffs' law firms in Michigan, Pennsylvania, W. Virginia, Ohio, Illinois, Maryland and Alabama. The claims are primarily directed against over 100 defendants, including Reunion, and allege that cranes from the Company's former crane manufacturing division, located in Alliance, Ohio, contained asbestos to which plaintiffs were exposed over an extended period. The Company denies that it manufactured any products containing asbestos or otherwise knew or should have known that any component part other manufacturers provided contained any dangerous or toxic materials. Counsel for the Company has filed an answer to each complaint denying liability by the Company and asserting all alternative defenses permitted under the various Courts' Case Management Orders. Although all such law suits were stayed during the Company's bankruptcy proceeding, the liability issues with respect to these suits were not resolved. Upon the Company's exit from its Chapter 11 proceeding, the previously stayed law suits have become active again and, in addition, the Company has been served with new complaints. The Company's insurance carriers cover the significant majority of the legal fees, expenses and settlements involved with these claims.

In July, 2007, the Company, as successor to Buttes Gas & Oil Company (BGO), received a request from the U.S. Environmental Protection Agency (EPA)

Edgar Filing: REUNION INDUSTRIES INC - Form 8-K

for payment of \$490,400.67 related to costs incurred by the EPA at the Gambonini Mercury Mine Site in Petaluma, California, from 2004 to 2007. (BGO leased the site for mining from 1965 to 1970, after which operations were terminated.) Previously, in March 2003, the Company and the EPA reached an agreement whereby the Company paid the EPA \$100,000 to settle the then existing claim for payment of environmental restoration efforts expended by the EPA prior to that date. This July 2007 request for payment was not resolved in the Company's bankruptcy proceeding. During 2011, the Company and the EPA entered into a Settlement Agreement whereby the Company will pay the EPA \$150,000 plus interest, payable in twelve quarterly installments beginning April 2012. The total scheduled principal payment for 2012 is \$15,000. The long-term portion of such settlement is included in Other Liabilities on the Balance Sheet.

As noted above, the Company maintains a defined benefit pension plan that was a liability of a former division that was sold. As of December 31, 2011, the actuarial value of the vested benefits of this plan exceeded the fair market value of the assets of the plan by approximately \$1.4 million.