

SOUTHWALL TECHNOLOGIES INC /DE/  
Form 10-Q  
August 20, 2010

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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 June 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

Commission File Number: 0-15930

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SOUTHWALL TECHNOLOGIES INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

94-2551470  
(I.R.S. Employer Identification Number)

3788 Fabian Way, Palo Alto, California  
(Address of principal executive offices)

94303  
(Zip Code)

Registrant's telephone number, including area code: (650) 798-1200

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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 Regulation 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, or a non-accelerated filer. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One).

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

As of August 2, 2010, there were 28,831,089 shares of the registrant's Common Stock outstanding.

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## SOUTHWALL TECHNOLOGIES INC.

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## PART I. FINANCIAL INFORMATION

## Item 1--Financial Statements:

SOUTHWALL TECHNOLOGIES INC.  
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands, except per share data)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$13,130	\$ 12,454
Accounts receivable, net of allowance for doubtful accounts of \$216 at June 30, 2010 and \$115 at December 31, 2009	8,372	5,907
Inventories	3,725	4,522
Other current assets	1,227	1,479
<b>Total current assets</b>	<b>26,454</b>	<b>24,362</b>
Property, plant and equipment, net	12,526	14,393
Goodwill	1,488	-
Intangibles and other assets	892	156
<b>Total assets</b>	<b>\$41,360</b>	<b>\$ 38,911</b>
<b>LIABILITIES, PREFERRED STOCK AND EQUITY</b>		
Current liabilities:		
Current portion of long term debt and capital lease obligations	\$700	\$ 808
Accounts payable	1,554	1,258
Accrued compensation	1,056	1,395
Other accrued liabilities	4,906	4,881
<b>Total current liabilities</b>	<b>8,216</b>	<b>8,342</b>
Term debt and capital lease obligations	2,948	3,358
Other long term liabilities	-	58
<b>Total liabilities</b>	<b>11,164</b>	<b>11,758</b>
Commitments and contingencies (Note 6)		
Series A 10% cumulative convertible preferred stock, \$0.001 par value; \$1.00 stated value; 5,000 shares authorized, 4,893 shares outstanding at June 30, 2010 and December 31, 2009 respectively (Liquidation preference: \$7,501 and \$7,255 at June 30, 2010 and December 31, 2009, respectively)	4,810	4,810
Southwall stockholders' equity:		
Common stock, \$0.001 par value per share; 50,000 shares authorized, 28,831 shares outstanding at June 30, 2010 and 28,791 shares outstanding at December 31, 2009	29	29
Capital in excess of par value	78,352	78,291
Accumulated other comprehensive income	2,674	4,382
Accumulated deficit	(55,985 )	(60,359 )

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Total Southwall stockholders' equity	25,070	22,343
Noncontrolling interest	316	-
Total equity	25,386	22,343
Total liabilities, preferred stock and equity	\$41,360	\$ 38,911

See accompanying notes to unaudited condensed consolidated financial statements.

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SOUTHWALL TECHNOLOGIES INC.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share data)

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net revenues	\$ 11,790	\$ 8,334	\$ 22,271	\$ 14,830
Cost of revenues	5,891	4,636	11,659	8,687