

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

JPS INDUSTRIES INC  
Form 10-K  
January 26, 2001

1

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended October 28, 2000

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: 33-27038

JPS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(STATE OF OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

57-0868166  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

555 North Pleasantburg Drive, Suite 202, Greenville, SC  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

29607  
(ZIP CODE)

Registrant's telephone number, including area code: (864) 239-3900

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, Par Value \$.01 per share, 22,000,000 shares authorized;  
10,000,000 shares issued, 9,157,333 outstanding.

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:

Indicate by check mark if disclosure of delinquent filers, pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K:

As of January 11, 2001, the aggregate market value of the Registrant's Common Stock held by non-affiliates, based upon the closing price of the Common Stock on January 11, 2001, as reported by the Nasdaq National Market, was approximately \$33,626,351.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court:

As of the date hereof, 10,000,000 of the registrant's Common Stock \$.01 par value per share were issued and 9,156,833 were outstanding.

The Registrant's Definitive Proxy Statement for the Annual Meeting of

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Stockholders to be held on February 27, 2001 is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

2

JPS INDUSTRIES, INC.

Table of Contents

PART I

Item 1. BUSINESS.....

Item 2. PROPERTIES.....

Item 3. LEGAL PROCEEDINGS.....

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS.....

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.....

Item 6. SELECTED HISTORICAL FINANCIAL DATA.....

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.....

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.....

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.....

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.....

Item 11. EXECUTIVE COMPENSATION.....

Item 12. SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT.....

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K.....

INDEX TO EXHIBITS.....

SIGNATURES.....

3

PART I

ITEM 1. BUSINESS

GENERAL

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Unless the context otherwise requires, the terms "JPS" and the "Company" as used in this Form 10-K mean JPS Industries, Inc. and JPS Industries, Inc. together with its subsidiaries, respectively.

The Company is a major U.S. manufacturer of extruded urethanes, polypropylenes and mechanically formed glass substrates for specialty industrial applications. JPS specialty industrial products are used in a wide range of applications, including: printed electronic circuit boards; advanced composite materials; aerospace components; filtration and insulation products; surf boards; tarpaulins and awnings; construction substrates; high performance glass laminates for security and transportation applications; plasma display screens; athletic shoes; commercial and industrial roofing; reservoir covers; and medical, automotive and industrial components. Headquartered in Greenville, South Carolina, the Company operates manufacturing locations in Slater, South Carolina; Westfield, North Carolina; and Easthampton, Massachusetts.

JPS is a Delaware corporation incorporated in 1986 and has been publicly held since the completion of its financial restructuring in October 1997. The Company's common stock is listed in the Nasdaq National Market System under the stock symbol "JPST."

### THE 1997 RESTRUCTURING

In 1997, JPS determined that it would be unable to meet certain debt obligations on its public bonds that would become due commencing in June 1997. Accordingly, on May 15, 1997, JPS, JPS Capital Corp., a wholly-owned subsidiary of JPS ("JPS Capital") and an unofficial committee (the "Unofficial Bondholder Committee") comprised of institutions that owned, or represented owners that beneficially owned, approximately 60% of the 10.85% Senior Subordinated Discount Notes due June 1, 1999 (the "10.85% Notes"), the 10.25% Senior Subordinated Notes due June 1, 1999 (the "10.25% Notes"), and the 7% Subordinated Debentures due May 15, 2000 ("the 7% Notes") (together with the 10.85% Notes and the 10.25% Notes, the "Old Debt Securities") reached an agreement in principle on the terms of a restructuring to be accomplished under chapter 11 of the Bankruptcy Code which culminated in a Joint Plan of Reorganization (as amended, the "Plan of Reorganization") proposed by JPS and JPS Capital under chapter 11 of the Bankruptcy Code. Pursuant to a disclosure statement, dated June 25, 1997 (the "Disclosure Statement"), on June 26, 1997, JPS and JPS Capital commenced a prepetition solicitation of votes by the holders of Old Debt Securities and 390,719 shares of Series A Senior Preferred Stock (the "Old Senior Preferred Stock") to accept or reject the Plan of Reorganization. Under the Plan of Reorganization, the holders of Old Debt Securities and Old Senior Preferred Stock were the only holders of impaired claims and impaired equity interests entitled to receive a distribution, and therefore, pursuant to section 1126 of the Bankruptcy Code, were the only holders entitled to vote on the Plan of Reorganization. At the conclusion of the 32-day solicitation period, the Plan of Reorganization had been accepted by holders of more than 99% of the Old Debt Securities that voted on the Plan of Reorganization and by holders of 100% of the Old Senior Preferred Stock that voted on the Plan of Reorganization.

On August 1, 1997, JPS commenced its voluntary reorganization case under chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), and filed the Plan of Reorganization and the Disclosure Statement. None of JPS's subsidiaries, including JPS Capital which was a co-proponent of the Plan of Reorganization, commenced a case under the Bankruptcy Code. Pursuant to orders of the Bankruptcy Court entered on September 9, 1997, the Bankruptcy Court (i) approved the Disclosure Statement and the solicitation of votes on the Plan of Reorganization and (ii) confirmed the Plan of Reorganization. The

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

3

4

Plan of Reorganization became effective on October 9, 1997 (the "Effective Date") resulting in, among other things, the cancellation of the Old Senior Preferred Stock, 10,000 shares of Series B Junior Preferred Stock (the "Old Junior Preferred Stock"), 490,000 shares of Class A common stock and 510,000 shares of Class B common stock (together with Class A common stock, the "Old Common Stock"), and the issuance of 10,000,000 shares of Common Stock \$.01 par value per share (the "Common Stock").

Through the implementation of the Plan of Reorganization, as of the Effective Date, JPS's most significant financial obligations were restructured: \$240,091,318 in face amount of outstanding Old Debt Securities were exchanged for, among other things, \$14.0 million in cash, 99.25% of the shares of Common Stock and \$34.0 million in aggregate principal amount (subject to adjustment on the maturity date) of contingent payment notes issued by JPS Capital (the "Contingent Notes"); the Old Senior Preferred Stock, the Old Junior Preferred Stock and the Old Common Stock were canceled; warrants to purchase up to 5% of the common stock of JPS (the "New Warrants") with an initial purchase price of \$98.76 per share were issued in respect of the Old Senior Preferred Stock; and the obligations of JPS under its former working capital facility were satisfied and the Revolving Credit Facility was obtained. JPS's senior management received approximately 0.75% of the Common Stock in lieu of payment under their contractual retention bonus agreements. As a result of the restructuring, JPS's only significant debt obligation is its guaranty of the obligations of its operating subsidiaries under the Revolving Credit Facility. The equipment loan contracts, which are long-term obligations of the operating subsidiaries, are not guaranteed by, or otherwise obligations of, JPS. In August 1998, the Company reduced its long-term debt and related investments by repaying all of the approximately \$34.0 million in principal amount of JPS Capital's Contingent Notes.

### CURRENT YEAR DEVELOPMENTS

During the year ended October 28, 2000 ("Fiscal 2000"), the Company sold its Apparel Division and completed its exit from the textile business in order to focus on its Glass and Elastomerics industrial businesses.

With these changes, the Company's organization has been scaled down to approximately 750 employees at fiscal year-end compared with approximately 1,900 employees at the beginning of the fiscal year. See additional discussion regarding the disposition of these businesses in Item 7 of this Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company has also taken action to substantially reduce costs in its remaining businesses, including general and administrative support. JPS is now focused on improving the performance and profitability of its remaining core businesses--JPS Elastomerics and JPS Glass.

### BUSINESS SEGMENTS

The Company currently operates in two reportable business segments (each of which constitutes a separate and distinct division)--JPS Elastomerics and JPS Glass. Item 7 of this Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operation," discloses the sales, profitability and net assets of each segment. Each division has independent administrative, manufacturing and marketing capabilities for all material aspects of their operations, including product design, technical development, customer service, purchasing, and collections. JPS's corporate group is responsible for finance, strategic planning, legal, tax, and regulatory affairs

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

for its subsidiaries. Corporate costs are allocated to the divisions for segment reporting purposes. The following discussion provides general information as it relates to each division:

### JPS Elastomerics

Through its JPS Elastomerics division, the Company is a market leader in the manufacturing and marketing of scrim-reinforced, heat-weldable, single-ply roofing membrane that is sold globally through a network of roofing

4

5

distributors. The Company offers two roofing products: a Hypalon(R) (chlorosulfonated polyethylene)-based material and a polypropylene-based material. Both products, marketed under Stevens(R) Roofing Systems, are sold primarily to roofing distributors and contractors who install new and retrofitted roofs for commercial, industrial and institutional construction. The Company is a major manufacturer and marketer of polyurethane film, sheet, tubing, cord, and profile for a myriad of applications in athletic, automotive, medical, industrial, and consumer products industries, and plasma screens.

### JPS Glass

Through its JPS Glass segment, the Company manufactures and markets mechanically formed fiberglass substrates. Fiberglass substrates exhibit dimensional stability, moisture resistance, high strength, fire and chemical resistance, low dielectric properties and thermal conductivity, and as a result of these many attributes, they provide the perfect platform for the construction of printed circuit boards, substrates for exterior insulation facing systems, filtration products, surfboard substrates, composite materials for aircraft cabin interiors and cargo liners, and other numerous technical, industrial applications.

The Company is a leading producer of AstroQuartz(R) substrates formed from quartz filaments to produce sophisticated electronic circuit boards and extremely high temperature thermal insulation for the defense and civilian aerospace industries.

JPS's wholly-owned operating subsidiaries include JPS Elastomerics and JPS Converter and Industrial Corp. ("C&I"). JPS's other wholly-owned subsidiaries do not have any significant operations: JPS Capital, International Fabrics, Inc. ("Fabrics"), JPS Auto, Inc. ("Auto") and JPS Carpet Corp. ("Carpet"). JPS business units are managed in two separate divisions: Elastomerics and Glass.

## MANUFACTURING

### JPS Elastomerics

The Elastomerics division operates two facilities and employs approximately 280 employees. Construction products are produced from raw materials, where they are blended to proprietary specifications along with fire-retardant and UV stabilizers and then calendered on state-of-the-art equipment.

Polyurethane is extruded in highly automated, computer controlled, blown film and sheet-fed extrusion processes from raw urethane resins. Depending on end uses, some materials are manufactured in clean zone environments.

### JPS Glass

The Glass division operates one facility and employs approximately 470 employees. The Company purchases fiberglass and other specialty materials to

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

mechanically form substrates which have proprietary finishes applied to meet individual customer specifications. These proprietary finishes are designed to act as the bonding agent between the fiberglass substrate and the customer's value-added application. In almost every case, the customer's product would have lower or unacceptable performance without the proprietary finish. These finishes are customer specific and developed over years of trial and development. All products are manufactured to customer specification and require certification to either military specification or customer specification prior to shipment.

### RAW MATERIALS

The Company maintains good relationships with its suppliers and has, where possible, diversified its supplier base so as to avoid a disruption of supply. In most cases, the Company's raw materials are staple goods that are readily available from domestic and international fiberglass and chemical manufacturers. For several products, however, branded goods or other circumstances prevent such a diversification, and an interruption of the supply

5

6

of these raw materials could have a significant negative impact on the Company's ability to produce certain products. The construction products group has negotiated comprehensive supply agreements for all its polymer, chemical and accessory products, with multiple production sites assuring an uninterrupted supply. The urethane products group purchases under contract from all major thermoplastic polyurethane suppliers. The Company believes that its practice of purchasing such items from large, stable companies minimizes the risk of interrupting the supply of raw materials.

### MARKETING AND COMPETITION

The following is a discussion of marketing and competitive factors as they relate to each of the Company's divisions:

#### JPS Elastomerics

The commercial roofing industry is highly competitive with a number of major participants in all segments of the industry. Many of the Company's competitors are significantly larger in terms of aggregate sales. In the specialty segment of the single-ply market where the Company competes, there are more than 10 competitors, with the Company having the largest market share in this segment. Due to the success of the Company's EP product line and new product introductions in Fiscal 2000, management expects continued growth in this sector.

The Company markets its products under the Stevens(R) brand name using a push-pull strategy: pushing products through distribution to the roofing contractor and pulling products through the market by creating demand on the part of building owners, architects and specifiers.

The Company has approximately 20 field sales staff as well as a network of independent representatives, distributors and distributor-representatives as its sales force. In addition, the Company operates a sales office in the United Kingdom, has an extensive distribution network in Europe, and a strong licensing program in Asia. Marketing efforts in the roofing industry include (i) new product development to meet changing market demands, (ii) providing proprietary accessory products, (iii) implementing several contractor-specific programs, and (iv) a comprehensive marketing communications effort.

Geomembrane products are sold to a select group of fabricators and installers.

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

The Company's marketing efforts are focused exclusively on supporting those companies in a variety of ways.

The Company's urethane products are also marketed through both direct sales personnel and a nationwide network of independent representatives. None of the Company's products are sold "off the shelf," as each application has specific end-use performance requirements. As with the construction products, marketing efforts for urethane are multifaceted with new product development and engineering being critical factors to the success of these products.

### JPS Glass

The glass substrate business is highly competitive and globally influenced because of the significant capacity that exists in Europe, Asia and North America. The Company believes itself to be the third largest North American producer of glass substrates, where the majority of its products are sold. Importantly, it is very well-positioned because of the balance between its electrical components, fiberglass reinforced composites, construction, and insulation product lines. Additionally, within the electrical substrate product line (i.e., printed circuit boards) the Company's ability to commit substantially all of its capacity to light weight substrates is a market strength because they are used in a vast array of growing consumer product markets, such as cell phones, computers, pagers, as well as the electronic infrastructure for the internet.

6

7

The Company's glass products are marketed through a combination of direct sales and distributors, with the central focus being development of customer specific finishes that enhance their respective value added processes.

### CUSTOMERS

No customer accounts for more than 10% of the Company's sales. However, the loss of certain other customers could have a material adverse effect on sales.

### PRODUCT DEVELOPMENT

The following is a discussion of product development as it relates to each of the Company's divisions:

#### JPS Elastomerics

On-going product development and process improvement activities include a constant evaluation of new advanced polymers and polymer compounds, as well as the evaluation and analysis of material additives required in the manufacture of commercial roofing products, geomembranes and thermoplastic polyurethane. As appropriate, additives are required to ensure long-term UV stability, fire or chemical resistance or to ensure that a specific product can be used in contact with drinking water.

For its roofing products, the Company continues to develop advanced material products that meet fire, wind and other building code requirements on a global basis. Such building codes vary from country to country, and even regionally, presenting a challenge to the manufacturer. Geomembranes must also meet stringent code requirements of several countries, particularly when used in potable water reservoirs.

The Company offers both aliphatic and aromatic polyurethane products. Aliphatic, which is used in glass clad polycarbonate laminates for security-glazing

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

applications, is extruded in a clean zone environment to ensure maximum product cleanliness. Aromatic materials are extruded by blown film and flat sheet fed technologies. The Company spends a considerable amount of R&D effort to develop material additives that enable end products to be more fire resistant, more breathable, more permeable, etc. In addition, the Company must provide specific surface finishes and textures that may be required for end-use applications.

### JPS Glass

R&D efforts include the continued refinement of silane chemistry for high Tg resin systems in the printed circuit board industry, development of soft moldable finishes for the building products industry, high-flex finishes to extend the life of filtration substrates for the power generation industry, and new low cost materials for the mechanically needled insulation industry. The product development effort is an ongoing customer specific process that is enhanced by the involvement of the division's vendor partners with the division's highly skilled research department.

### BACKLOG

Unfilled open orders, which the Company believes are firm, were \$24.5 million at October 28, 2000 and \$21.9 million at October 30, 1999. The Company generally fills its open orders in the following fiscal year and the Company expects that all of the open orders as of October 28, 2000, will be filled in the 52-week period ending October 27, 2001 ("Fiscal 2001"). The Company believes that the amount of backlog provides some indication of the sales volume that can be expected in coming months, although changes in economic conditions may result in deferral or acceleration of orders which may affect sales volume for a period.

7

8

No significant portion of the Company's business is subject to renegotiation of profits, or termination of contracts or subcontracts at the election of the government.

### PATENTS, LICENSES AND TRADEMARKS

The following is a discussion of patent licenses and trademarks as they relate to each of the Company's divisions:

#### JPS Elastomerics

Products, such as commercial roofing, geomembranes and polyurethane, are marketed under the "Stevens" brand name. As such, the Company is in the process of securing U.S. trademarks for the following names: Stevens Roofing Systems(TM), Stevens Geomembranes(TM) and Stevens Urethane(TM). In addition, the Company currently holds U.S. trademarks on the names Hi-Tuff(R) and Hi-Tuff Plus(R). The Company also holds trademarks for the Hi-Tuff name in Canada, Mexico and certain European and Asian countries.

In terms of product licensing, the Company is currently involved with two manufacturing licensees: Tsutsunaka Plastics Industries ("TPI") of Japan and Protan A/S of Norway. The Company has licensed roofing technology to Protan for manufacturing and marketing TPO-based roofing products in the Scandinavian countries. In addition, Stevens roofing and geomembrane compound and manufacturing technologies have been licensed to TPI for the production and marketing of membranes in Japan.

### JPS Glass



## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

A total of three patents and 30 trademarks are secured or in the process of being secured by the Company for its Glass business. These include, but are not limited to: alkali resistant meshes for Exterior Insulation Facing Systems trademarked under the names of Versaflex(R), Duraflex(R), Ultraflex(R) and Standardflex(R); filtration products trademarked under the names AcidFlex(TM) and Ultraflex(R); and substrates meeting high temperature requirements trademarked under the name Tempratex(R).

### EMPLOYEES

As of October 28, 2000, the Company had approximately 750 employees of which approximately 564 were hourly and approximately 186 were salaried. None of the Company's employees are represented by unions. The Company believes its relations with its employees to be good.

### ENVIRONMENTAL AND REGULATORY MATTERS

The Company is subject to various federal, state and local government laws and regulations concerning, among other things, the discharge, storage, handling and disposal of a variety of hazardous and non-hazardous substances and wastes. The Company's plants generate small quantities of hazardous waste that are either recycled or disposed of off-site by or at licensed disposal or treatment facilities.

The Company believes that it is in substantial compliance with all existing environmental laws and regulations to which it is subject. In addition, the Company is subject to liability under environmental laws relating to the past release or disposal of hazardous materials. To date, and in management's belief for the foreseeable future, liability under and compliance with existing environmental laws has not had and will not have a material adverse effect on the Company's financial or competitive positions. No representation or assurance can be made, however, that any change in federal, state or local requirements or the discovery of unknown problems or conditions will not require substantial expenditures by the Company.

8

9

### SEASONALITY

Certain portions of the business of the Company are seasonal (principally construction products) and sales of these products tend to decline during winter months in correlation with construction activity. These declines have historically tended to result in lower sales and operating profits in the first and second quarters than in the third and fourth quarters of the Company's fiscal year.

### WORKING CAPITAL

Information regarding the Company's working capital position and practices is set forth in Item 7 of this Form 10-K under the caption "Liquidity and Capital Resources."

Financial information for the JPS Elastomerics and JPS Glass segments is set forth in Note 10 to the Consolidated Financial Statements included in Item 8 herein.

### PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in this Item 1 "Business" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" that

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

are not historical facts are forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company cautions readers of this Annual Report on Form 10-K that a number of important factors could cause the Company's actual results in Fiscal 2001 and beyond to differ materially from those expressed in any such forward-looking statements. These factors include, without limitation, the general economic and business conditions affecting the Company's industries, the Company's ability to meet its debt service obligations, the seasonality of the Company's sales, the volatility of the Company's raw material costs, and the Company's dependence on key personnel and certain large customers.

Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this report and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

### ITEM 2. PROPERTIES.

The following table sets forth certain information relating to the Company's principal facilities (segment information relates to principal use). All of the facilities are owned and are used for manufacturing.

Location	Square Footage	Location	Square Footage
JPS Elastomerics		JPS Glass	
Westfield, NC	237,000	Slater, SC	433,000
Easthampton, MA	50,000		

The Company also leases certain other warehouse facilities, various regional sales offices and its corporate headquarters. The Company believes that all of its facilities are suitable and adequate for the current and anticipated conduct of its operations.

### ITEM 3. LEGAL PROCEEDINGS.

The Company is a party to lawsuits in the normal course of its business. The Company believes that it has meritorious defenses in all lawsuits in which the Company or its subsidiaries is a defendant. Except as discussed below, management believes that none of this litigation, if determined unfavorable to the Company, would have a material adverse effect on the financial condition or results of operations of the Company.

In June 1997, Sears Roebuck and Co. ("Sears") filed a multi-count complaint, in the Circuit Court of Cook County, Illinois (Case No. 97C8586), against Elastomerics and two other defendants alleging an unspecified amount of damages in connection with the alleged premature deterioration of the Company's roofing membrane installed on approximately 140 Sears stores. The Company believes it has meritorious defenses to the claims and intends to continue to defend the lawsuit vigorously. Management cannot determine the outcome of the lawsuit or

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

estimate the range of loss, if any, that may occur and no provision for losses has been established in the Company's financial statements. An unfavorable resolution of the actions could have a material adverse effect on the business, results of operations and financial condition of the Company.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS.

No matters were submitted to a vote of securityholders during the fourth quarter of Fiscal 2000.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The common stock of the Company was approved for listing and trading on the Nasdaq National Market System under the stock symbol "JPST," effective January 30, 1998. Prior to that time, there was only sporadic trading of the common stock in the over-the-counter market. The following table presents the high and low sales prices for the common stock for each full quarterly period since the common stock became eligible for trading on Nasdaq.

FISCAL 1999 -----	HIGH -----	LOW -----
First Quarter	\$ 5 1/2	\$ 4
Second Quarter	5 5/8	2 3/4
Third Quarter	4 3/4	3
Fourth Quarter	3 1/4	2 1/4
FISCAL 2000 -----	HIGH -----	LOW -----
First Quarter	\$4	\$ 2.75
Second Quarter	3.938	2.875
Third Quarter	5.688	3.125
Fourth Quarter	5.75	3.875

As of January 16, 2001, there were approximately 14 holders of record of the Company's common stock.

The Company has never paid a dividend on its common stock. The Company presently intends to retain earnings to fund working capital and for general corporate purposes and therefore, does not intend to pay cash dividends on shares of the common stock in the foreseeable future. The payment of future cash dividends, if any, would depend on the Company's financial condition, results of operations, current and anticipated capital requirements, restrictions under the existing indebtedness (including, without limitation, indebtedness evidenced by the

Revolving Credit Facility (as later defined) and refundings and refinancings thereof) and other factors deemed relevant by JPS's Board of Directors. The Company's subsidiaries that are borrowers under certain credit agreements are restricted from paying cash dividends to JPS with respect to their capital stock

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

unless, among other things, JPS and its subsidiaries satisfy certain specified financial tests.

ITEM 6.           SELECTED HISTORICAL FINANCIAL DATA.  
                   (Dollars in Thousands Except Per Share Data)

The following table presents selected consolidated historical financial data for the Company as of the dates and for the fiscal years or periods indicated. The selected historical financial data for the year ended November 2, 1996, the period from November 3, 1996 to October 9, 1997, the period from October 10, 1997 to November 1, 1997, and the years ended October 31, 1998, October 30, 1999 and October 28, 2000 have been derived from the Consolidated Financial Statements of the Company for such periods, which have been audited. The presentation of certain previously reported amounts has been reclassified to conform to the current presentation and to reflect discontinued operations of the yarn sales business (sold on July 23, 1999), the cotton commercial products business (sold on August 27, 1999), and the Apparel Division (sold on November 17, 2000), as discussed in Note 3 to the Consolidated Financial Statements of the Company at Item 8 in this Form 10-K.

The financial statements for the period from October 10, 1997 to November 1, 1997 and for the years ended October 31, 1998, October 30, 1999 and October 28, 2000 reflect the Company's emergence from chapter 11 and were prepared utilizing the principles of fresh start accounting contained in the American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." As a result of the implementation of fresh start accounting, certain of the selected financial data for the period from October 10, 1997 to November 1, 1997 and for the years ended October 31, 1998, October 30, 1999 and October 28, 2000 are not comparable to the selected financial data of prior periods. Therefore, selected financial data for the "Reorganized Company" has been separately identified from that of the "Predecessor Company." The following information should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto, and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" presented elsewhere herein.

11

12

	Predecessor Company			R
	Fiscal Year Ended November 2, 1996 (53 Weeks)	Period from November 3, 1996 to October 9, 1997	Period from October 10, 1997 to November 1, 1997	Fiscal Y Ended October 1998 (52 Week
<b>INCOME STATEMENT DATA:</b>				
Net sales	\$ 169,631	\$ 146,926	\$ 14,724	\$ 155,9
Cost of sales	131,930	109,760	10,602	119,7
Gross profit	37,701	37,166	4,122	36,2
Selling, general and administrative expenses	26,093	23,094	1,744	25,1
Other expense (income), net	485	302	(1)	(
Charges for plant closing, loss on sale of certain operations, write- down of certain long-lived assets and restructuring costs	8,847	--	--	

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Operating profit	2,276	13,770	2,379	11,1
Valuation allowance on Gulistan securities	(4,242)	(5,070)	--	
Interest income	2,856	2,744	94	1,0
Interest expense	(37,437)	(29,425)	(507)	(4,0
Income (loss) before reorganization items, income taxes, discontinued operations and extraordinary items	(36,547)	(17,981)	1,966	8,1
Reorganization items:				
Fair-value adjustments	--	(4,651)	--	
Professional fees and expenses	(2,255)	(8,420)	--	
Income (loss) before income taxes, discontinued operations and extraordinary items	(38,802)	(31,052)	1,966	8,1
Income taxes (benefit)	(300)	(8,821)	1,177	3,4
Income (loss) from continuing operations	(38,502)	(22,231)	789	4,7
Discontinued operations (net of taxes):				
Income (loss) from discontinued operations	(27,434)	(1,726)	1,928	(15,3
Loss on disposal of discontinued operations	(1,500)	--	--	
Income (loss) before extraordinary items	(67,436)	(23,957)	2,717	(10,6
Extraordinary gain on early extinguishment of debt	--	100,235	--	
Net income (loss)	\$ (67,436)	\$ 76,278	\$ 2,717	\$ (10,6
Income (loss) applicable to common stock	\$ (71,941)	\$ 72,451	\$ 2,717	\$ (10,6
Weighted average number of shares outstanding (1)	1,000,000	1,000,000	10,000,000	10,000,0

12

13

	Predecessor Company			R
Fiscal Year Ended November 2, 1996 (53 Weeks)	Period from November 3, 1996 to October 9, 1997	Period from October 10, 1997 to November 1, 1997	Fiscal Y Ended October 1998 (52 Week	
INCOME STATEMENT DATA:				

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Basic income (loss) per common share:				
Income (loss) from continuing operations	\$ (43.00)	\$ (26.06)	\$0.08	\$ 0.47
Discontinued operations (net of taxes):				
Income (loss) from discontinued operations	(27.44)	(1.73)	0.19	(1.54)
Loss on disposal of discontinued operations	(1.50)	--	--	--
Extraordinary gain	--	100.24	--	--
	-----	-----	-----	-----
Net income (loss)	\$ (71.94)	\$ 72.45	\$0.27	\$ (1.07)
	=====	=====	=====	=====

BALANCE SHEET DATA:	November 2, 1996	November 1, 1997	October 31, 1998	October 31, 1999
	-----	-----	-----	-----
Working capital (deficiency), excluding net assets held for sale	\$ (257,866) (1)	\$ 27,281	\$ 29,606	\$ 29,606
Total assets	335,927	300,051	255,284	255,284
Total long-term debt, less current portion	4,226 (1)	94,891	98,693	98,693
Senior redeemable preferred stock	32,676	--	--	--
Shareholders' equity (deficit)	(108,986)	126,047	109,528	109,528

(1) All of the Company's senior credit facility revolving line of credit and all of the Company's subordinated notes and debentures are classified as current liabilities as of November 2, 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company and the Notes thereto included in Item 8 herein. The presentation of certain previously reported amounts has been reclassified to conform to the current presentation and to reflect discontinued operations of the yarn sales business (sold on July 23, 1999), the cotton commercial products business (sold on August 27, 1999), and the Apparel Division (sold on November 17, 2000).

	Fiscal Year Ended October 31, 1998	Fiscal Year Ended October 30, 1999	Fiscal Year Ended October 28, 2000
	-----	-----	-----
NET SALES			
Elastomerics	\$ 83,708	\$ 80,035	\$ 86,595
Glass	79,323	83,453	87,319
	-----	-----	-----
	163,031	163,488	173,914
Less intersegment sales (1)	(7,087)	(6,621)	(5,936)
	-----	-----	-----
Net sales	\$ 155,944	\$ 156,867	\$ 167,978

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

=====

(Table continued on next page)

13

14

(Table continued from previous page)

	Fiscal Year Ended October 31, 1998	Fiscal Year Ended October 30, 1999	Fiscal Year Ended October 28, 2000
	-----	-----	-----
OPERATING PROFIT (2)			
Elastomerics	\$ 6,290	\$ 4,889	\$ 7,458
Glass	4,860	1,758	6,790
Operating profit	11,150	6,647	14,248
Interest expense, net	(2,975)	(3,511)	(3,442)
Income before income taxes and discontinued operations	\$ 8,175	\$ 3,136	\$ 10,806
	=====	=====	=====
OTHER DATA			
EBITDA (3)			
Elastomerics	\$ 8,692	\$ 8,786	\$ 10,369
Glass	7,146	5,934	10,036
Total EBITDA	\$ 15,838	\$ 14,720	\$ 20,405
	=====	=====	=====

- (1) Intersegment sales consist primarily of the transfer of certain scrim products manufactured by the Glass segment to the Elastomerics segment. All intersegment revenues and profits are eliminated in the accompanying condensed consolidated financial statements.
- (2) The operating profit (loss) of each business segment includes a proportionate share of indirect corporate expenses. The Company's corporate group is responsible for finance, strategic planning, legal, tax and regulatory affairs for the business segments. Such expense consists primarily of salaries and employee benefits, professional fees and amortization of reorganization costs in excess of amounts allocable to identifiable assets.
- (3) EBITDA represents operating income plus depreciation and amortization and certain other charges. EBITDA as determined by the Company may not be comparable to the EBITDA measure as reported by other companies. This presentation of EBITDA is not intended to represent cash flow from operations as defined by GAAP and should not be considered as an indicator of operating performance or an alternative to cash flow or operating income (as measured by GAAP) or as a measure of liquidity. In

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

addition, this measure does not represent funds available for discretionary use. It is included herein to provide additional information with respect to ability of the Company to meet its future debt service, capital expenditures and working capital requirements. The other charges added back to operating income represent severance and restructuring charges of \$1.7 million in Fiscal 1999.

### RESULTS OF OPERATIONS

#### INTRODUCTION

The Company has repositioned itself from being largely textile oriented to a diversified manufacturing and marketing company that is focused on a broad array of industrial applications. This has been accomplished by successfully exiting the apparel fabric business and two other textile businesses, while intensifying its focus on the two businesses with growth potential, JPS Glass and JPS Elastomerics. On November 17, 2000, the Company sold its Apparel Division, thereby exiting the apparel fabrics business. On March 2, 1999, the

14

15

Company sold its Boger City manufacturing plant, thereby exiting the home fashions woven fabrics business. The Company closed its Angle manufacturing facility in the third quarter of 1999 and sold the remaining plant on September 3, 1999, thereby streamlining the apparel business. On July 23, 1999, the Company sold its Stanley manufacturing plant, thereby exiting its yarn sales segment. On August 27, 1999, the Company sold its Borden manufacturing plant, thereby exiting its cotton commercial products segment. The apparel, yarn sales and cotton commercial products segments are reported in the accompanying condensed consolidated financial statements as discontinued operations. Additionally, Company-wide cost reduction measures were implemented at the beginning of Fiscal 1999, which included the elimination of certain jobs at estimated annualized savings of approximately \$1.3 million. The Company is now focusing solely on improving the performance and profitability of its remaining core businesses: JPS Elastomerics and JPS Glass.

#### FISCAL 2000 COMPARED WITH FISCAL 1999

Consolidated net sales increased \$11.1 million, or 7.1%, from \$156.9 million in Fiscal 1999 to \$168.0 million in Fiscal 2000. Consolidated operating income increased \$7.6 million from \$6.6 million in Fiscal 1999 to \$14.2 million in Fiscal 2000. Total selling, general and administrative expenses decreased from 17.2% of sales in Fiscal 1999 to 16.3% of sales in Fiscal 2000. Fiscal 2000 included \$2.5 million of incentive payments while Fiscal 1999 included \$1.7 million of severance and restructuring costs. The percentage decrease results primarily from cost reduction efforts and a higher revenue base.

#### JPS Elastomerics

Net sales in Fiscal 2000 in the Elastomerics segment, which includes single-ply roofing and extruded urethane products, increased \$6.6 million, or 8.3%, from \$80.0 million in Fiscal 1999 to \$86.6 million in Fiscal 2000. The domestic roofing market continues to be characterized by intense competition driven by aggressive entrants into this market. The Company has addressed this challenge by instituting aggressive pricing strategies, development of new products, strengthening sales management in key territories, and taking actions to reduce operating costs. Sales of urethane products increased due to higher demand for certain of the Company's extruded sheet products used in security glass and athletic footwear.



## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Operating profit in Fiscal 2000 for the Elastomerics segment increased \$2.6 million from \$4.9 million in Fiscal 1999 to \$7.5 million in Fiscal 2000. The increase resulted principally from increased sales and improved margins on urethane products, implementation of cost reduction measures, and improved inventory management.

### JPS Glass

Net sales in the Glass segment, which includes substrates constructed of synthetics and fiberglass for lamination, insulation and filtration applications, increased \$3.8 million, or 4.6%, from \$83.5 million in Fiscal 1999 to \$87.3 million in Fiscal 2000. The electronics industry represents the largest customer base for the Company's fiberglass products. Strong worldwide demand resulted in favorable market conditions for the Company's electronic substrates. Further, strong demand for the Company's patented filtration products boosted sales along with increased orders for high quality quartz fabrics and certain other products. The Company has also taken actions to reduce costs, improve manufacturing productivity and improve the quality of its products and services which have offset raw material price increases.

Operating profit in Fiscal 2000 for the Glass segment increased \$5.0 million from \$1.8 million in Fiscal 1999 to \$6.8 million in Fiscal 2000 resulting from improved margins, higher manufacturing efficiencies and cost reduction efforts.

15

16

### Other

Interest expense in Fiscal 2000 is consistent with the Fiscal 1999 amounts. Long-term debt was reduced by approximately \$28.3 million in Fiscal 2000 as a result of operating performance and significant working capital improvements.

On November 17, 2000 the Company sold the assets of its greige apparel fabric business which included three manufacturing facilities in South Boston, Virginia; Greenville, South Carolina; and Laurens, South Carolina; and administrative offices in Greenville, South Carolina, New York and Los Angeles, thereby exiting its apparel business. The business accounted for sales of \$182.2 million, \$137.6 million, and \$125.4 million in Fiscal 1998, 1999 and 2000, respectively. The consideration for the sale consisted of approximately \$27.1 million in cash and future consideration in the form of an earn-out based on earnings before interest, depreciation and amortization, as defined, for the 24-month period following the transaction plus certain assumed liabilities. The Company has accounted for the results of the apparel fabric business as a discontinued operation and a charge for loss on disposal of discontinued operations of \$47.4 million was recorded in Fiscal 2000 related primarily to the writedown of disposed plant assets and related reorganization value in excess of amounts allocable to identifiable assets, and other exit costs. The net proceeds from the sale of \$26.2 million were used to reduce the Company's outstanding indebtedness on its Revolving Credit Facility (as defined below) which was amended in connection with the transaction to reflect the Company's lower borrowing requirements.

### FISCAL 1999 COMPARED WITH FISCAL 1998

Consolidated net sales increased \$0.9 million, or 0.6% from \$156.0 million in Fiscal 1998 to \$156.9 million in Fiscal 1999. Operating profit decreased \$4.5 million from \$11.1 million in Fiscal 1998 to \$6.6 million in Fiscal 1999. Total selling, general and administrative expenses increased from 16.1% of sales in Fiscal 1998 to 17.2% of sales in Fiscal 1999 primarily as a result of \$1.7 million of severance and restructuring costs incurred in Fiscal 1999.

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

### JPS Elastomerics

Net sales in the Elastomerics segment decreased \$3.7 million, or 4.4%, from \$83.7 million in Fiscal 1998 to \$80.0 million in Fiscal 1999. The domestic roofing market was again characterized by intense competition and market consolidation as growth rates receded from the double-digit levels of the mid 1990's. The Company also experienced a decline in demand for certain of the Company's products used in the manufacture of athletic footwear. The athletic footwear industry was depressed in Fiscal 1998 as a result of shifting consumer preference in casual footwear. Liner membrane sales decreased due to declining unit volume and unit selling prices.

Operating profit in Fiscal 1999 for the Elastomerics segment decreased \$1.4 million from \$6.3 million in Fiscal 1998 to \$4.9 million in Fiscal 1999. This decrease was attributable to pricing pressures in the domestic roofing segment and the overall decline in sales volume.

### JPS Glass

Net sales in the Glass segment increased \$4.1 million, or 5.2%, from \$79.3 million in Fiscal 1998 to \$83.4 million in Fiscal 1999. The Company benefited from increased global consumer demand for electronic products in 1999 as compared with slower demand for certain fiberglass products used in the manufacture of circuit boards as a result of the Asian economic weaknesses in 1998.

16

17

Operating profit in Fiscal 1999 for the Glass segment decreased \$3.1 million from \$4.9 million in Fiscal 1998 to \$1.8 million in Fiscal 1999. This decrease is directly attributable to the decline in unit sales volume and lower unit prices.

### Other

In 1999, JPS sold substantially all of the assets of its Boger City Plant which was engaged primarily in the manufacture and sale of home fashion textiles. This business accounted for sales of \$30.9 million, \$22.8 million and \$7.3 million in Fiscal 1997, 1998 and 1999, respectively. The consideration for the sale consisted of approximately \$7.9 million cash. The cash proceeds were used by the Company to reduce outstanding borrowings under its Revolving Credit Facility and an equipment loan. In accordance with SFAS No. 121, the results of operations for Fiscal 1998 included a charge for writedowns of certain long-lived assets of approximately \$12.5 million for the excess of the carrying value of the plant over its fair value and related reorganization value in excess of amounts allocable to identifiable assets.

In Fiscal 1999, the Company implemented a plan to exit its cotton commercial products and yarn sales segments. Accordingly, a charge for loss on disposal of discontinued operations of approximately \$18.1 million was recorded in Fiscal 1999. This charge consists primarily of the writedown of disposed plant assets to net realizable value, the writedown of related reorganization value in excess of amounts allocable to identifiable assets, employee severance costs and other exit costs. On July 23, 1999, the Company completed the sale of its Stanley plant, thereby exiting the yarn sales segment. This business accounted for sales of \$20.3 million, \$19.0 million and \$11.0 million in Fiscal 1997, 1998 and 1999, respectively. On August 27, 1999, the Company completed the sale of its Borden plant, thereby exiting its cotton commercial products segment. This business accounted for sales of \$34.1 million, \$33.7 million and \$18.4 million in Fiscal

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

1997, 1998 and 1999, respectively. The proceeds from these sales of \$5.2 million were used to reduce the Company's outstanding indebtedness under its Revolving Credit Facility and an equipment loan.

Additionally, in Fiscal 1998 and Fiscal 1999, the Company implemented cost reduction measures which included, among other things, personnel reductions and the idling of certain manufacturing equipment. The results of operations for Fiscal 1998 and Fiscal 1999 include restructuring charges of approximately \$2.4 million and \$2.0 million, respectively. These amounts are now in discontinued operations except for \$1.7 million of severance and restructuring costs in Fiscal 1999. Interest expense in Fiscal 1999 is consistent with the Fiscal 1998 amounts.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity for operations and expansion are funds generated internally and borrowings under its Revolving Credit Facility (as defined below). On October 9, 1997, JPS Elastomerics and C&I (the "Borrowing Subsidiaries") and JPS entered into the Credit Facility Agreement (the "Credit Agreement"), as amended, by and among the financial institutions party thereto, Citibank, as agent, and Bank of America, as co-agent. As amended, on November 17, 2000, the Credit Agreement provides for a revolving credit loan facility and letters of credit (the "Revolving Credit Facility") in a maximum principal amount equal to the lesser of (a) \$45 million and (b) a specified borrowing base (the "Borrowing Base"), which is based upon eligible receivables, eligible inventory, and a specified dollar amount (currently \$14,000,000 (subject to reduction) based on fixed assets of the Borrowing Subsidiaries), except that (i) no Borrowing Subsidiary may borrow an amount greater than the Borrowing Base attributable to it (less any reserves as specified in the Credit Agreement) and (ii) letters of credit may not exceed \$20 million in the aggregate. The Credit Agreement contains restrictions on investments, acquisitions and dividends unless, among other things, the Company satisfies a specified pro forma fixed charge coverage ratio and maintains a specified minimum availability under the Revolving Credit Facility for a stated period of time, and no default exists under the Credit Agreement. The Credit Agreement contains

17

18

financial covenants relating to minimum levels of EBITDA, minimum interest coverage ratio, minimum fixed charge coverage ratio, and maximum capital expenditures. The maturity date of the Revolving Credit Facility is November 12, 2001. Subsequent to October 9, 1997, the Credit Agreement has been amended to, among other things (i) modify the financial covenants relating to minimum levels of EBITDA, minimum interest coverage ratio, minimum fixed charge coverage ratio, and maximum capital expenditures, (ii) modify the interest rate margin and unused commitment fees, (iii) provide additional reduction of the fixed asset portion of the Borrowing Base and (iv) allow the Company to repurchase its common stock under certain circumstances. As of October 28, 2000, the Company was in compliance with these restrictions and all financial covenants, as amended. All loans outstanding under the Revolving Credit Facility, as amended, bear interest at either the Eurodollar Rate (as defined in the Credit Agreement) or the Base Rate (as defined in the Credit Agreement) plus an applicable margin (the "Applicable Margin") based upon the Company's fixed charge coverage ratio (which margin will not exceed 2.50% for Eurodollar Rate borrowings and 1.00% for Base Rate borrowings). At October 28, 2000, the Company had approximately \$17.0 million available for borrowing under the Revolving Credit Facility.

Net cash provided by continuing operations increased by approximately \$12.0 million in Fiscal 2000 compared with Fiscal 1999 primarily due to enhanced profitability. Working capital, excluding assets held for sale, at October 28,

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

2000 was approximately \$28.7 million compared with \$29.1 million at October 30, 1999. Fiscal 2000 reflects continued reductions in inventory offset by a slight increase in receivables as a result of sales increases. Accounts payable and accrued expenses increased approximately \$4.0 million in Fiscal 2000 principally due to timing differences. The discontinued apparel business generated \$17.7 million of net cash provided by operations.

The principal non-operating uses of cash in Fiscal 2000 were for property, plant and equipment expenditures of \$2.6 million for upgrade of the Company's manufacturing operations and the repayment of long-term debt of approximately \$28.3 million. The Company also used \$1.3 million to repurchase outstanding shares of its common stock. On November 17, 2000, the Company received approximately \$27.1 million in proceeds from the sale of its Apparel division as discussed under the caption "Fiscal 2000 Compared With Fiscal 1999." Such funds were used to further reduce the Company's outstanding indebtedness under its Revolving Credit Facility and certain equipment loans. As of October 28, 2000, the Company had commitments of \$0.3 million for capital expenditures. The Company anticipates making capital expenditures in Fiscal 2001 of approximately \$5.0 to \$6.0 million and expects such amounts to be funded by cash from operations, bank and other equipment financing sources.

In Fiscal 1998, the Company entered into a seven-year lease agreement (classified as capital lease) for certain machinery and equipment. The total cost of assets under lease at October 28, 2000 was approximately \$5.0 million. The lease provides for an early buyout option at the end of six years and includes purchase and renewal options at fair market value at the end of the lease term.

Based upon the Company's ability to generate working capital through its operations and its Revolving Credit Facility, the Company believes that it has the financial resources necessary to pay its capital obligations and implement its business plan for at least Fiscal 2001.

### INFLATION AND TAX MATTERS

The Company is subject to the effects of changing prices. It has generally been able to pass along inflationary increases in its costs by increasing the prices for its products or by increasing manufacturing efficiencies; however, market conditions sometimes preclude raising prices.

18

19

For Fiscal 2000, the Company recorded a tax expense from continuing operations of \$4.5 million, a 42% effective rate, and a tax benefit on sale of discontinued operations of \$4.2 million. The Company also reduced the valuation allowance applicable to net operating losses arising prior to the Plan of Reorganization by \$11.4 million and, under applicable accounting guidelines, reduced excess reorganization value by this amount. The Company had net operating loss carryovers of approximately \$55 million as of October 28, 2000. A portion of these losses are subject to limitations on usage as a result of the ownership change that occurred under the Plan of Reorganization. Additional limitations on usage could occur on net operating losses or other deferred tax assets should the Company undergo another ownership change, as determined under the Internal Revenue Code of 1996, as amended. See Note 7 to the consolidated financial statements for additional information. The effective tax rates for Fiscal 1999 and 1998 were, 64% and 42%, respectively. The effective rates for all years are higher than the combined federal and state statutory rate due primarily to the impact of nondeductible excess reorganization costs.

### RECENT ACCOUNTING PRONOUNCEMENTS

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

On October 29, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. The Company did not have any derivatives which were required to be recorded on the balance sheet.

On May 12, 1999, the Company repriced certain stock options which, under Financial Accounting Standards Board Interpretation Number 44 ("FIN 44"), requires them to be accounted for under variable plan accounting. The application of FIN 44, which was effective July 1, 2000, can result in the recognition of non-cash compensation expense. Although there was no compensation expense in Fiscal Year 2000 as a result of applying FIN 44, FIN 44 could result in significant future non-cash compensation expense. Any expense will be added back to operating income to determine the Company's EBITDA, as previously defined.

19

20

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk. The Company has exposure to interest rate changes primarily relating to interest rate changes under its Revolving Credit Facility. The Company's Revolving Credit Facility bears interest at rates which vary with changes in (i) the London Interbank Offered Rate (LIBOR) or (ii) a rate of interest announced publicly by Citibank in New York, New York. The Company does not speculate on the future direction of interest rates. As of October 28, 2000, approximately \$48.0 million of the Company's debt bore interest at variable rates. The Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations or cash flows would not be significant.

Raw material price risk. A portion of the Company's raw materials are commodities and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties, and other factors which are outside the control of the Company. In most cases, essential raw materials are available from several sources. For several raw materials, however, branded goods or other circumstances may prevent such diversification and an interruption of the supply of these raw materials could have a significant impact on the Company's ability to produce certain products. The Company has established long-term relationships with key suppliers and may enter into purchase contracts or commitments of one year or less for certain raw materials. Such agreements generally include a pricing schedule for the period covered by the contract or commitment. The Company believes that any changes in raw material pricing, which cannot be adjusted for by changes in its product pricing or other strategies, would not be significant.

General Economic Conditions. Demand for the Company's products is affected by a variety of economic factors including, but not limited to, the cyclical nature of the construction industry, demand for electronic and aerospace products which ultimately utilize components manufactured by the Company, and general consumer demand. Adverse economic developments could affect the financial performance of the Company.

20

21

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

# Edgar Filing: JPS INDUSTRIES INC - Form 10-K

## INDEPENDENT AUDITORS' REPORT

JPS Industries, Inc.

We have audited the accompanying consolidated balance sheets of JPS Industries, Inc. and subsidiaries (the "Company") as of October 28, 2000 and October 30, 1999, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended October 28, 2000. Our audits also included the financial statement schedule listed in the index at page S-1. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 28, 2000 and October 30, 1999, and the results of its operations and its cash flows for each of the three years in the period ended October 28, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Greenville, South Carolina  
November 29, 2000

21

22

JPS INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS  
(Dollars In Thousands)

	October 30, 1999	October 28, 2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash	\$ 427	\$ 2,216
Accounts receivable, less allowance of \$659 in 1999 and \$1,024 in 2000	26,951	27,640

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Inventories	20,452	18,583
Prepaid expenses and other	4,033	6,993
Net assets of discontinued operations	91,857	27,539
	-----	-----
Total current assets	143,720	82,971
PROPERTY, PLANT AND EQUIPMENT, net	45,743	43,439
REORGANIZATION VALUE IN EXCESS OF AMOUNTS ALLOCABLE TO IDENTIFIABLE ASSETS, less accumulated amortization of \$3,566 in 1999 and \$5,286 in 2000	15,192	2,971
OTHER ASSETS	11,661	18,861
	-----	-----
Total assets	\$216,316	\$148,242
	=====	=====

See notes to consolidated financial statements.

22

23

	October 30, 1999	Oct
	-----	---
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,545	\$
Accrued interest	865	
Accrued salaries, benefits and withholdings	3,092	
Other accrued expenses	6,238	
Current portion of long-term debt	975	
	-----	
Total current liabilities	22,715	
LONG-TERM DEBT	79,806	
OTHER LONG-TERM LIABILITIES	19,142	
	-----	
Total liabilities	121,663	
	-----	
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, \$.01 par value; authorized - 22,000,000 shares; issued - 10,000,000 shares; outstanding - 10,000,000 shares in 1999 and 9,732,500 shares in 2000	100	
Additional paid-in capital	123,942	
Treasury stock (at cost) - 267,500 shares	--	

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Accumulated deficit	(29,389)	
	-----	
Total shareholders' equity	94,653	
	-----	
Total liabilities and shareholders' equity	\$ 216,316	\$
	=====	=====

See notes to consolidated financial statements.

23

24

JPS INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in Thousands Except Per Share Data)

	Fiscal Year Ended October 31, 1998	Fiscal Year Ended October 31, 1999
	-----	-----
Net sales	\$ 155,944	\$ 156,8
Cost of sales	119,727	121,5
	-----	-----
Gross profit	36,217	35,2
Selling, general and administrative expenses	25,134	26,9
Other expense (income), net	(67)	1,6
	-----	-----
Operating profit	11,150	6,6
Interest expense, net	(2,975)	(3,5)
	-----	-----
Income before income taxes and discontinued operations	8,175	3,1
Provision for income taxes	3,462	1,9
	-----	-----
Income from continuing operations	4,713	1,1
Discontinued operations (net of taxes):		
Loss from discontinued operations	(15,377)	(4,4)
Loss on disposal of discontinued operations	--	(18,0)
	-----	-----
Net loss	(10,664)	(21,4)
Other comprehensive income (net of tax):		
Minimum pension liability adjustments	(5,855)	5,8
	-----	-----
Comprehensive loss	\$ (16,519)	\$ (15,5)
	=====	=====
Weighted average number of common shares outstanding:		
Basic	10,000,000	10,000,0
	=====	=====
Diluted	10,000,000	10,000,0
	=====	=====
Basic income (loss) per common share:		
Income from continuing operations	\$ 0.47	\$ 0.



Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Discontinued operations (net of taxes):		
Loss from discontinued operations	(1.54)	(0.00)
Loss on disposal of discontinued operations	--	(1.00)
	-----	-----
Net loss	\$ (1.07)	\$ (2.00)
	=====	=====
Diluted income (loss) per common share:		
Income from continuing operations	\$ 0.47	\$ 0.00
Discontinued operations (net of taxes):		
Loss from discontinued operations	(1.54)	(0.00)
Loss on disposal of discontinued operations	--	(1.00)
	-----	-----
Net loss	\$ (1.07)	\$ (2.00)
	=====	=====

See notes to consolidated financial statements.

24

25

JPS INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(Dollars In Thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulat Other Comprehens Loss
	-----	-----	-----	-----
Balance - November 1, 1997	\$ 100	\$123,230	\$ --	\$ --
Additional minimum pension liability adjustment				(5,855)
Net loss	-----	-----	-----	-----
Balance - October 31, 1998	100	123,230	--	(5,855)
Stock compensation expense		712		
Additional minimum pension liability adjustment				5,855
Net loss	-----	-----	-----	-----
Balance - October 30, 1999	100	123,942	--	--
Stock compensation expense		248		
Shares reacquired and held in treasury			(1,263)	
Net loss	-----	-----	-----	-----
Balance - October 28, 2000	\$ 100	\$124,190	\$ (1,263)	\$ --
	=====	=====	=====	=====

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

See notes to consolidated financial statements.

26

25

JPS INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars In Thousands)

	Fiscal Year Ended October 31, 1998	Fiscal Year Ended October 3 1999
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (10,664)	\$ (21,442)
	-----	-----
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss from discontinued operations	15,377	4,485
Loss on disposal of discontinued operations	--	18,096
Depreciation and amortization	4,688	6,382
Amortization of deferred financing costs	329	414
Deferred income tax provision (benefit)	2,853	(1,753)
Other, net	(3,771)	(1,793)
Changes in assets and liabilities:		
Accounts receivable	1,600	752
Inventories	(4,442)	3,571
Prepaid expenses and other assets	(1,782)	(156)
Accounts payable	2,700	(1,872)
Accrued expenses and other liabilities	(1,799)	(2,062)
	-----	-----
Total adjustments	15,753	26,064
	-----	-----
Net cash provided by continuing operating activities	5,089	4,622
Net cash from discontinued operations	4,668	5,694
	-----	-----
Net cash provided by operating activities	9,757	10,316
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment additions	(15,453)	(4,071)
Proceeds from disposal of discontinued operations, net	--	4,658
Proceeds from disposal of certain other operations	--	8,491
Proceeds from sale of long-term investments	35,382	--
	-----	-----
Net cash provided by (used in) investing activities	19,929	9,078
	-----	-----

(Table continued on next page)

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

26

27

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued from previous page) (Dollars In Thousands)

	Fiscal Year Ended October 31, 1998	Fiscal Year Ended October 30, 1999
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs incurred	(146)	(732)
Purchase of treasury stock	--	--
Revolving credit facility borrowings (repayments), net	1,452	(18,628)
Repayment of other long-term debt	(32,679)	(332)
	-----	-----
Net cash used in financing activities	(31,373)	(19,692)
	-----	-----
NET INCREASE (DECREASE) IN CASH	(1,687)	(298)
CASH AT BEGINNING OF YEAR	2,412	725
	-----	-----
CASH AT END OF YEAR	\$ 725	\$ 427
	=====	=====
SUPPLEMENTAL INFORMATION ON CASH		
FLOWS FROM CONTINUING OPERATIONS:		
Interest paid	\$ 7,629	\$ 7,323
Income taxes paid, net	1,044	570
Non-cash financing activities:		
Capital lease obligation	3,519	1,307

See notes to consolidated financial statements.

27

28

JPS INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include JPS Industries, Inc. and its direct subsidiaries, all of which are wholly owned. Significant intercompany transactions and accounts have been eliminated. Unless the context otherwise requires, the terms "JPS" and the "Company" as used in these Consolidated Financial Statements mean JPS Industries, Inc. and JPS Industries, Inc. together with its subsidiaries, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

reported amounts of revenues and expenses during the reporting period. The Company's most significant financial statement estimates include the estimate of the allowance for doubtful accounts, reserve for self-insurance liabilities, and the reserve for roofing products sold under warranties. Management determines its estimate of the allowance for doubtful accounts considering a number of factors, including historical experience, aging of the accounts and the current creditworthiness of its customers. Management determines its estimate of the reserve for self-insurance considering a number of factors, including historical experience, third party claims administrator and actuarial assessments and insurance coverages. Management determines its estimate of the reserve for roofing products sold under warranties by reviewing factors such as expected future claims by geographic region and roofing compound applied; and the expected costs to repair and replace such roofing products. Management believes that its estimates provided in the financial statements are reasonable and adequate. However, actual results could differ from those estimates.

**Inventories** - Inventories are stated at the lower of cost or market. Cost, which includes labor, material and factory overhead, is determined on the first-in, first-out basis.

**Property, Plant and Equipment** - Property, plant and equipment is recorded at cost and depreciation is recorded using the straight-line method for financial reporting purposes. The estimated useful lives used in the computation of depreciation are as follows:

Land improvements	10 to 45 years
Buildings and improvements	25 to 45 years
Machinery and equipment	3 to 15 years
Furniture, fixtures and other	5 to 10 years

The Company assesses its long-lived assets for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. If required, an impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets. Assets under capital leases are amortized in accordance with the Company's normal depreciation policy and the charge to earnings is included in depreciation expense in the accompanying consolidated financial statements.

**Reorganization Value in Excess of Amounts Allocable to Identifiable Assets** - ("Reorganization Value") in excess of amounts allocable to identifiable assets resulted from the application of "fresh start" reporting in 1997 and is being amortized over a 20-year period. In Fiscal 1998, 1999, and 2000, the Reorganization Value was decreased by approximately \$6.9 million, \$3.7 million and \$15.0 million, respectively, in relation to the discontinued operations, plant sales and plant closure discussed in Notes 2 and 3.

**Debt Issuance Costs** - Costs incurred in securing and issuing long-term debt are deferred and amortized over the terms of the related debt in amounts which approximate the interest method of amortization.

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Product Warranties - On certain of its products, the Company provides a warranty against defects in materials and workmanship under separately priced extended warranty contracts generally for a period of 10 years. Revenue from such extended warranty contracts is deferred and recognized as income on a straight-line basis over the contract period. The cost of servicing such product warranties is charged to expense as incurred.

Fair Value of Financial Instruments - The carrying amounts of all financial instruments approximate their estimated fair values in the accompanying Balance Sheets. The carrying amounts of cash, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these items. The carrying value of financial instruments such as debt and notes receivable approximates fair value because interest rates on these instruments change with market rates.

Revenue Recognition - The Company recognizes revenue from product sales when it has shipped the goods or ownership has been transferred by contract to the customer for goods to be held for future shipment at the customer's request.

Advertising Costs - The Company defers advertising related costs until the advertising is first run in magazines or other publications or in the case of brochures, until the brochures are printed and available for distribution. Advertising costs expensed were approximately \$1,554,000 in Fiscal 1998, \$1,940,000 in Fiscal 1999, and \$1,498,000 in Fiscal 2000.

Income Taxes - The Company accounts for income taxes using the principles of SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes result primarily from temporary differences between financial and tax reporting. Deferred tax assets and liabilities are determined based on the difference between the financial statement bases and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is recorded to reduce a deferred tax asset to that portion that is expected to more likely than not be realized.

Earnings Per Share - Potentially dilutive common shares consist primarily of stock options. In the years ended October 31, 1998 and October 30, 1999, the inclusion of additional shares assuming the exercise of stock options and warrants are antidilutive. Therefore, basic and diluted earnings per share are the same for those periods.

Fiscal Year - The Company's operations are based on a 52 or 53-week fiscal year ending on the Saturday closest to October 31. Each of fiscal years 1998, 1999, and 2000 had 52 weeks.

Reclassifications - Certain Fiscal 1998 and 1999 amounts have been reclassified to conform to the Fiscal 2000 presentation.

Effects of Recent Accounting Pronouncements - On October 29, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. The Company did not have any derivatives which were required to be recorded on the balance sheet.

### 2. SALE OF DISCONTINUED OPERATIONS

Yarn Sales Business - On July 23, 1999, the Company sold its Stanley manufacturing plant, thereby exiting its yarn sales business. This

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

business accounted for sales of \$20.3 million, \$19.0 million and \$11.0 million in Fiscal 1997, 1998 and 1999, respectively. The consideration for the Stanley sale

29

30

consisted of approximately \$2.0 million in cash. A charge for loss on disposal of discontinued operations of approximately \$9.2 million was recorded in Fiscal 1999 related primarily to the writedown of disposed plant assets and related Reorganization Value to net realizable value, employee severance costs, and other exit costs. The net proceeds from the sale were used to reduce the Company's outstanding indebtedness on its Revolving Credit Facility and an equipment loan.

Cotton Commercial Products Business - On August 27, 1999, the Company sold its Borden manufacturing plant, thereby exiting its cotton commercial products business. This business generated sales of \$34.1 million, \$33.7 million and \$18.4 million in Fiscal 1997, 1998 and 1999, respectively. The consideration for the Borden sale consisted of approximately \$3.2 million in cash and a \$2.0 million subordinated promissory note which was recorded at its estimated fair value. A charge for loss on disposal of discontinued operations of approximately \$8.9 million was recorded in Fiscal 1999 related primarily to the writedown of disposed plant assets and related Reorganization Value to net realizable value, employee severance costs, and other exit costs. The net proceeds from the sale were used to reduce the Company's outstanding indebtedness on its Revolving Credit Facility.

Apparel Fabric Business - On November 17, 2000 the Company sold the assets of its greige apparel fabric business which included three manufacturing facilities in South Boston, Virginia; Greenville, South Carolina; and Laurens, South Carolina; and administrative offices in Greenville, South Carolina, New York and Los Angeles, thereby exiting its apparel business. The business accounted for sales of \$182.2 million, \$137.6 million, and \$125.4 million in Fiscal 1998, 1999 and 2000, respectively. The consideration for the sale consisted of approximately \$27.1 million in cash and future consideration in the form of an earn-out based on earnings before interest, depreciation and amortization, as defined, for the 24-month period following the transaction plus certain assumed liabilities. The Company has accounted for the results of the Apparel Fabric Business as a discontinued operation and a charge for loss on disposal of discontinued operations of \$47.4 million was recorded in Fiscal 2000 related primarily to the writedown of disposed plant assets and related Reorganization Value to realizable value and other exit costs. The net proceeds from the sale of \$26.2 million were used to reduce the Company's outstanding indebtedness on its Revolving Credit Facility which was amended in connection with the transaction to reflect the Company's lower borrowing requirements.

### 3. SALE OF CERTAIN OPERATIONS, PLANT CLOSING, WRITEDOWN OF CERTAIN LONG-LIVED ASSETS AND RESTRUCTURING COSTS

On March 2, 1999, the Company completed the sale of its Boger City manufacturing plant, thereby exiting the home fashions woven fabrics business. This business accounted for sales of \$30.9 million, \$22.8 million and \$7.3 million in Fiscal 1997, 1998 and 1999, respectively. The consideration for the sale consisted of approximately \$7.9 million in cash. A charge of approximately \$12.5 million related principally to

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

the loss on impairment of long-lived assets, including related Reorganization Value, is now included in the loss from discontinued operations in Fiscal 1998. The net proceeds from the sale were used to reduce the Company's outstanding indebtedness on its Revolving Credit Facility and an equipment loan.

The Company closed its Angle manufacturing facility in the Fiscal 1999 third quarter and sold the plant on September 3, 1999, thereby streamlining the apparel business. The determination to close the Angle plant resulted in a charge in Fiscal 1998 of approximately \$4.3 million related principally to a loss on impairment of the long-lived assets including related Reorganization Value. The plant closing also resulted in an additional charge in Fiscal 1999 of approximately \$0.9 million related principally to employee severance costs, all of which is now included in the loss from discontinued operations in Fiscal 1999. The proceeds from the sale of the plant facility of approximately \$0.2 million were used to reduce the Company's outstanding indebtedness under its Revolving Credit Facility.

30

31

Additionally, in Fiscal 1998 and 1999, the Company implemented cost reduction measures which included, among other things, personnel reductions and the idling of certain manufacturing equipment. The results of operations for Fiscal 1998 includes a "charge for writedown of certain long-lived assets" of approximately \$1.7 million for the impairment of idled equipment and a "charge for restructuring costs" of approximately \$0.7 million related to employee severance costs. The results of operations for Fiscal 1999 include a "charge for writedown of certain long-lived assets" of approximately \$1.5 million for the impairment of idled equipment and a "charge for restructuring costs" of approximately \$1.7 million related primarily to employee severance costs. Except for the \$1.7 million of restructuring costs incurred in Fiscal 1999, all such costs are now reflected in discontinued operations.

#### 4. BALANCE SHEET COMPONENTS

The components of certain balance sheet accounts are (in thousands):

	October 30, 1999 -----
Inventories:	
Raw materials and supplies	\$ 4,929
Work-in-process	5,207
Finished goods	10,316
	-----
	\$ 20,452
	=====
Prepaid expenses and other:	
Deferred current tax	\$ 1,509
Prepaid insurance	527
Other	1,997
	-----
	\$ 4,033

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

	=====
Property, plant and equipment, net:	
Land and improvements	\$ 927
Buildings and improvements	5,332
Machinery and equipment	45,967
Furniture, fixtures and other	888
	-----
	53,114
Less accumulated depreciation	(8,542)
	-----
	44,572
Construction in progress	1,171
	-----
	\$ 45,743
	=====
Other noncurrent assets:	
Deferred financing fees	\$ 1,573
Prepaid pension costs	8,486
Deferred income tax	1,602
Other	--
	-----
	\$ 11,661
	=====
Other accrued expenses:	
Roofing product liability costs	\$ 643
Taxes payable other than income taxes	307
Income taxes	2,487
Other	2,801
	-----
	\$ 6,238
	=====
Other long-term liabilities:	
Roofing product liability costs and deferred warranty income	\$ 15,691
Accrued postretirement and postemployment benefit plan liability	3,451
	-----
	\$ 19,142
	=====

31

32

5. LONG-TERM DEBT

Long-term debt consists of (in thousands):

	October 30, 1999
	-----
Senior credit facility, revolving line of credit	\$ 75,394
Equipment financing	1,125
Capital lease obligation	4,262
	-----
Total	80,781
Less current portion	(975)
	-----



## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Long-term portion

\$ 79,806

=====

Senior Credit Facility - On October 9, 1997, JPS Elastomerics and Converter & Industrial Corp. ("C&I") (the "Borrowing Subsidiaries") and JPS entered into the Credit Facility Agreement (the "Credit Agreement"), as amended, by and among the financial institutions party thereto, Citibank, as agent, and Bank of America, as co-agent. Subsequent to the sale of the Apparel Division on November 17, 2000, (which yielded cash proceeds of \$26.2 million) and the resulting amendment, the Credit Agreement provides for a revolving credit loan facility and letters of credit (the "Revolving Credit Facility") in a maximum principal amount equal to the lesser of (a) \$45 million and (b) a specified borrowing base (the "Borrowing Base"). The Borrowing Base is based upon eligible receivables, eligible inventory, and a specified dollar amount (currently \$14,000,000 subject to reduction based on fixed assets of the Borrowing Subsidiaries), except that (i) no Borrowing Subsidiary may borrow an amount greater than the Borrowing Base attributable to it (less any reserves as specified in the Credit Agreement) and (ii) letters of credit may not exceed \$20 million in the aggregate. The Credit Agreement contains restrictions on investments, acquisitions and dividends unless, among other things, the Company satisfies a specified pro forma fixed charge coverage ratio and maintains a specified minimum availability under the Revolving Credit Facility for a stated period of time, and no default exists under the Credit Agreement. The Credit Agreement also restricts, among other things, indebtedness, liens, affiliate transactions, operating leases, fundamental changes, and asset sales other than the sale of up to \$35 million of fixed assets, subject to the satisfaction of certain conditions. The Credit Agreement contains financial covenants relating to minimum levels of EBITDA, minimum interest coverage ratio, minimum fixed charge coverage ratio, and maximum capital expenditures.

The maturity date of the Revolving Credit Facility is November 12, 2001. As of October 28, 2000, the Company was in compliance with these restrictions and all financial covenants, as amended.

All loans outstanding under the Revolving Credit Facility, as amended, bear interest at either the Eurodollar Rate (as defined in the Credit Agreement) or the Base Rate (as defined in the Credit Agreement) plus an applicable margin (the "Applicable Margin") based upon the Company's fixed charge coverage ratio (which margin will not exceed 2.50% for Eurodollar Rate borrowings and 1.00% for Base Rate borrowings). The weighted average interest rate at October 28, 2000 is approximately 8.9%. The Company pays an unused commitment fee of .25% per annum and a letter of credit fee equal to the Applicable Margin for Eurodollar Rate borrowings.

As of October 28, 2000, unused and outstanding letters of credit totaled \$1.1 million. The outstanding letters of credit reduce the funds available under the Revolving Credit Facility. At October 28, 2000, the Company had approximately \$17.0 million available for borrowing under the Revolving Credit Facility.

Capital Lease Obligation - In Fiscal 1998, the Company entered into a seven-year lease agreement (classified as a capital lease) for certain

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

machinery and equipment. The total costs of assets under lease at October 28, 2000 was approximately \$4.8 million. The lease provides for an early buyout option at the end of six years and includes purchase and renewal options at the end of the lease term. The lease has an implied interest rate of approximately 7.4%. See Note 8 for obligations under capital leases.

Other - The loans and extensions of credit to the Borrowing Subsidiaries under the Credit Agreement are guaranteed by JPS and its other existing subsidiaries other than JPS Capital, and are secured by the assets of JPS (excluding the stock of JPS Capital) and its existing subsidiaries other than JPS Capital. Substantially all of the Company's assets are pledged as collateral for the Credit Agreement and the equipment financing lease.

Interest expense includes \$329,000 in Fiscal 1998, \$414,000 in Fiscal 1999, and \$521,000 in Fiscal 2000 representing amortization of debt issuance expenses. Interest expense allocated to discontinued operations was \$2.9 million in Fiscal 2000, \$3.9 million in Fiscal 1999 and \$4.3 million in Fiscal 1998 based upon the ratio of identifiable net assets.

Maturities - Aggregate principal maturities of all long-term debt, exclusive of the capital lease obligation, are as follows (in thousands):

Fiscal Year Ending	
-----	
2001	\$ 361
2002	48,375
	-----
	\$ 48,736
	=====

### 6. EQUITY SECURITIES

The Company has one class of stock issued and outstanding.

#### Share Repurchase Program

In 2000, the Board of Directors authorized the expenditure of up to \$8 million for the repurchase of the Company's common stock. In November, 2000, this authorization was increased to \$10 million. As of October 28, 2000, the Company had repurchased 267,500 shares at an aggregate cost of \$1.3 million (See Note 12). Management intends to make purchases of its common stock from time to time in the open market or in negotiated transactions, but there is no assurance that future repurchases will be made and the repurchase program may be discontinued at any time. There is no time limit on stock repurchases. The Company may use the stock to meet its obligations under its employee stock option program. There were no reissuances of treasury stock in 2000.

#### 1997 Incentive and Capital Accumulation Plan

The 1997 Incentive and Capital Accumulation Plan (the "Incentive Plan") provides certain key employees and non-employee directors of the Company the right to acquire shares of Common Stock or monetary payments based on the value of such shares. Pursuant to the Incentive

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Plan, approximately 853,000 shares of Common Stock were initially reserved for issuance to the participants. On April 7, 1999, the Shareholders increased the number of shares reserved for issuance from 853,485 to 1,353,485. These options included a combination of time vesting options which vest solely on the lapse of time and performance options which vest upon achievement of specified corporate performance goals and the lapse of time.

33

34

On May 12, 1999 the Compensation Committee of the Board of Directors approved a plan to reprice stock options held by certain employees and Directors. Effective on that date, 349,150 options with an exercise price of \$12.33 per share were reissued at an exercise price of \$4.375 per share, the fair market value per share on the date of repricing. All repriced options were changed from a combination of performance and time vested options to solely time-vested options. The repriced options are shown as a separate cancellation and reissuance in the chart below. Under the provisions of Financial Accounting Standards Board Interpretation 44 (FIN 44), the Company is required to record compensation expense on the repriced options if the stock price exceeds certain threshold amounts. The provisions of FIN 44 will continue to apply until the repriced options are exercised, expire or are cancelled. In Fiscal 1999 and 2000, no compensation expense resulted from the repriced options.

Options grants totaling 206,500 shares were made in Fiscal 2000. There were no exercises of options. There were cancellations of 135,831 options during Fiscal 2000 as a result of employees voluntarily terminating employment with the Company or lapses in options following terminations where an exercise period was allowed. Options for 25,000 shares at \$12.33 per share granted to Mr. Fulbright in October, 1997 for service as a non-employee director (prior to his appointment as President and CEO), were voluntarily cancelled by Mr. Fulbright. As of October 28, 2000 option prices ranged from \$2.94 to \$4.38 per share.

A summary of the activity in the Company's stock options for the years ended October 31, 1998, October 30, 1999 and October 28, 2000 is presented below:

	Number of Shares
Outstanding at November 1, 1997	668,990
Options canceled	(94,009)
	-----
Outstanding at October 31, 1998	574,981
Options granted	595,000
Options canceled	(171,665)
Options canceled - repriced	(349,150)
Options granted - repriced	349,150
	-----
Outstanding at October 30, 1999	998,316
Options granted	206,500
Options cancelled	(160,831)
	-----

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Outstanding at October 28, 2000	1,043,985
	=====
Exercisable at October 28, 2000	644,320
	=====
Exercisable at October 30, 1999	436,996
	=====
Exercisable at October 31, 1998	139,009
	=====
Weighted average remaining contractual life (years) at October 28, 2000	8
	=====

The Company applies the principles of APB Opinion 25 in accounting for employee stock option plans. The time vesting options are fixed as to the number of shares that may be acquired and the amount to be paid by the employee. Under APB Opinion 25, the Company generally recognizes no compensation expense with respect to such awards because the quoted market price and the amount to be paid by the employee are the same on the date of grant. The Company's Chief Executive Officer was granted 500,000 options on February 28, 1999; however, the measurement date was April 7, 1999, the date the shareholders approved an amendment to the Incentive Plan increasing the number of shares that could be offered. As such, compensation expense was measured as the difference in the market value of the

34

35

Company's stock between the grant date and the measurement date and the expense is being recognized over the two-year vesting period. The Company recognized compensation expense of approximately \$0.7 million in Fiscal 1999 and \$0.2 million in Fiscal 2000 relating to these options.

The fair value of options granted has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	Stock Option ----- Fiscal 1999 -----
Option life (in years)	4.1
Risk-free interest rate	5.2%
Stock price volatility	.50
Dividend yield	--
Proforma weighted average value using formula	\$ 1.66
Actual weighted average exercise price	\$ 3.29

Had the Company determined compensation expense based on the fair value at the grant date for its options under SFAS No. 123, the Company's net loss and net loss per share would have been increased to the amounts indicated below (in thousands):

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

	Fiscal 1998 -----	Fiscal 1999 -----	Fiscal 2000 -----
Net loss			
As reported	\$ (10,664)	\$ (21,442)	\$ (41,230)
Pro forma	\$ (11,242)	\$ (22,626)	\$ (41,330)
Net loss per share			
As reported	\$ (1.07)	\$ (2.14)	\$ (4.15)
Pro forma	\$ (1.12)	\$ (2.26)	\$ (4.16)

7. INCOME TAXES

The provision for income taxes on continuing operations included in the consolidated statements of operations consists of the following (in thousands):

	Fiscal 1998 -----	Fiscal 1999 -----	Fiscal 2000 -----
Current federal provision	--	--	\$ 10
Current state provision	\$ 139	\$ 285	303
Deferred federal provision	3,188	1,503	4,150
Deferred state provision	135	209	54
Provision for income taxes	\$ 3,462 =====	\$ 1,997 =====	\$ 4,517 =====

35

36

A reconciliation between income taxes at the 35% statutory Federal income tax rate and the provision (benefit) for income taxes for Fiscal 1998, Fiscal 1999 and Fiscal 2000 is as follows (in thousands):

	Fiscal 1998 -----	Fiscal 1999 -----
Income tax provision at Federal statutory rate	\$ 2,861	\$ 1,098
Increase in income taxes arising from effect of:		
State and local income taxes	274	494
Amortization of excess reorganization value	257	329
Other	70	76
Provision for income taxes	\$ 3,462 =====	\$ 1,997 =====

37

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Presented below are the elements which comprise deferred tax assets and liabilities (in thousands):

	October 30, 1999
	-----
Gross deferred assets:	
Estimated allowance for doubtful accounts	\$ 820
Excess of tax over financial statement basis of inventory	683
Accruals deductible for tax purposes when paid	456
Deferred compensation deductible for tax purposes when paid	456
Postretirement benefits deductible for tax purposes when paid	1,536
Miscellaneous	28
Alternative minimum tax credit carryforward available	1,773
Deferred financial statement income recognized for tax purposes when received	5,297
Excess of tax over financial statement carrying value of investment in discontinued operation	5,444
Excess of tax basis of intangibles over financial statement basis	4,553
Net operating loss carryforward	21,815
Less valuation allowance	(30,470)
	-----
Gross deferred assets	12,391
	-----
Gross deferred liabilities:	
Pension asset recognized for book purposes	\$ (3,225)
Excess of financial statement over tax basis of property, plant, and equipment	(6,055)
	-----
Gross deferred liabilities	(9,280)
	-----
Net deferred tax asset	\$ 3,111
	=====
Recognized in the accompanying consolidated balance sheets as follows:	
Prepaid expenses and other	\$ 1,509
Other non-current assets	1,602
	-----
	\$ 3,111
	=====

For Fiscal 2000, the Company recorded a tax expense on continuing operations of \$4.5 million. In conjunction with the sale of the Apparel Division, the Company evaluated the valuation allowance on its deferred tax asset. Based on historical and expected income of the continuing operations, a determination was made that the valuation allowances established in fresh start accounting should be reversed. Accordingly, the Company reduced Reorganization Value by \$11.4

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

million. The Company also recorded a tax benefit of \$4.2 million on the loss on sale of discontinued operations. A valuation allowance was recorded on the remainder of this loss. The Company recorded tax expense on continuing operations of approximately \$3.5 in Fiscal 1998 and \$2.0 million in Fiscal 1999.

At October 28, 2000, the Company had regular federal net operating loss carryforwards for tax purposes of approximately \$55 million. The net operating loss carryforwards expire in years 2003 through 2019. The Company also has federal alternative minimum tax net operating loss carryforwards of approximately \$65 million which expire in 2004 through 2019. Alternative minimum tax credits can be carried forward indefinitely and used as a credit against regular federal taxes, subject to limitation.

The Company's future ability to utilize a portion of its net operating loss carryforwards is limited under the income tax laws as a result of the change in the ownership of the Company's stock occurring as a part of the reorganization. The effect of such an ownership change is to limit the annual utilization of the net operating loss carryforwards to an amount equal to the value of the Company immediately after the time of the change (subject to certain adjustments) multiplied by the Federal long-term tax exempt rate. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions and future operating income levels may, however, affect the ultimate realization of all or some portion of these deferred income tax assets. In addition, a future change in ownership could result in additional limitations on the ability of the Company to utilize its net operating loss carryforwards.

### 8. COMMITMENTS AND CONTINGENCIES

Leases - The Company leases office facilities, machinery and computer equipment under noncancellable operating leases and capital leases. Rent expense from continuing operations was approximately \$2,077,000 in Fiscal 1998, \$2,066,000 in Fiscal 1999, and \$2,141,000 in Fiscal 2000.

Future minimum payments, by year and in the aggregate, under the noncancellable capital and operating leases with terms of one year or more consist of the following at October 28, 2000 (in thousands):

Fiscal Year Ending	Capital Lease
2001	\$ 840
2002	840
2003	840
2004	1,587
2005	380
Total future minimum lease payments	4,487
Less: amount representing interest	(758)
Present value of net minimum lease payments (included in long-term debt - see Note 6)	\$ 3,729

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Litigation - The Company is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business including certain asbestos based claims. Except as discussed below, management believes that none of this litigation, if determined unfavorable to the Company, would have a material adverse effect on the financial condition or results of operations of the Company.

37

38

In June 1997, Sears Roebuck and Co. ("Sears") filed a multi-count complaint against Elastomerics and two other defendants alleging an unspecified amount of damages in connection with the alleged premature deterioration of the Company's roofing membrane installed on approximately 140 Sears stores. No trial date has been established. The Company believes it has meritorious defenses to the claims and intends to defend the lawsuit vigorously. Management, however, cannot determine the outcome of the lawsuit or estimate the range of loss, if any, that may occur. Accordingly, no provision has been made for any loss which may result. An unfavorable resolution of the actions could have a material adverse effect on the business, results of operations or financial condition of the Company.

9. RETIREMENT PLANS

Defined Benefit Pension Plan - Substantially all of the Company's employees are covered by a Company-sponsored defined benefit pension plan. The plan also provides benefits to individuals employed by the businesses which were sold or plants which were closed by the Company. The benefits of these former employees were "frozen" at the respective dates of sale of the businesses or closure of the plants. Accordingly, these former employees will retain benefits earned through the respective disposal dates; however, they will not accrue additional benefits. The plan provides pension benefits that are based on the employees' compensation during the last 10 years of employment. The Company's policy is to fund the annual contribution required by applicable regulations.

Assets of the pension plan are invested in a bond portfolio covering specific liabilities and in common and preferred stocks, government and corporate bonds, and various short-term investments. During Fiscal 1999, the pension plan also purchased approximately 1.9 million shares of the Company's common stock in open market and negotiated transactions. This common stock accounts for less than 10% of the pension plan's total assets.

Components of net periodic pension cost include the following (in thousands):

	Fiscal 1998	Fiscal 1999	Fiscal 2000
	-----	-----	-----
Components of net periodic pension cost:			
Service cost-benefits earned during the period	\$ 2,239	\$ 2,268	\$ 1,678
Interest cost on projected			



## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

benefit obligation	7,505	7,321	7,455
Return on plan assets	(8,543)	(9,198)	(9,264)
Recognized actuarial loss	--	195	--
	-----	-----	-----
Net periodic pension cost (income)	\$ 1,201	\$ 586	\$ (131)
	=====	=====	=====

The weighted-average rates used in determining pension cost for the plan are as follows:

Discount rate	6.75%	7.50%	7.75%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%
Rate of compensation increase	Age-related	Age-related	Age-related

38

39

A reconciliation of the plan's projected benefit obligation, fair value of plan assets, funding status, and other applicable information is as follows (in thousands):

	October 30, 1999
	-----
Change in benefit obligation:	
Benefit obligation at beginning of year	\$ 111,622
Service cost	2,269
Interest cost	7,322
Benefits paid	(8,957)
Actuarial gain	(6,141)
	-----
Benefit obligation at end of year	106,115
	-----
Change in plan assets:	
Fair value of plan assets at beginning of year	103,855
Actual return on plan assets	4,636
Employer contributions	5,254
Benefits paid	(8,957)
	-----
Fair value of plan assets at end of year	104,788
	-----
Reconciliation of funded status:	
Funded status	\$ (1,327)
Unrecognized actuarial loss	9,813
	-----
Prepaid benefit cost, included in Other Assets	\$ 8,486
	=====

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

401(k) Savings Plan - The Company also has a savings, investment and profit sharing plan available to employees meeting eligibility requirements. The plan is a tax qualified plan under Section 401(k) of the Internal Revenue Code. The Company makes a matching contribution of 25% of each participant's contribution with a maximum matching contribution of 1-1/2% of the participant's base compensation. Company contributions, excluding the Apparel Division, were approximately \$180,000 in Fiscal 1998, \$188,000 in Fiscal 1999, and \$199,000 in Fiscal 2000.

Postretirement Benefits - The Company has several unfunded postretirement plans that provide certain health care and life insurance benefits to eligible retirees. The plans are contributory, with retiree contributions adjusted periodically, and contain cost-sharing features such as deductibles and coinsurance. The Company's life insurance plan provides benefits to both active employees and retirees. Active employee contributions in excess of the cost of providing active employee benefits are applied to reduce the cost of retirees' life insurance benefits. The following table sets forth the status of the Company's postretirement plans as recorded in the accompanying Consolidated Financial Statements:

Net periodic postretirement benefit expense included the following components (in thousands):

	Fiscal 1998	Fiscal 1999	Fiscal 2000
	-----	-----	-----
Service cost for benefits earned	\$ 107	\$ 143	\$ 143
Interest cost on APBO	267	294	294
Recognized actuarial loss	--	124	124
	-----	-----	-----
Net periodic postretirement cost	\$ 374	\$ 561	\$ 561
	=====	=====	=====

39

40

The weighted-average rates used in determining postretirement medical and life insurance costs are as follows:

Discount rate	6.75%	7.50%	7.75%
---------------	-------	-------	-------

A reconciliation of the postretirement medical and life insurance plan's projected benefit obligation and funding status is as follows (in thousands):

October 30,  
1999

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

	-----
Change in benefit obligation:	
Benefit obligation at beginning of year	\$ 3,723
Service cost	143
Interest cost	294
Net benefits paid	(456)
Actuarial (gain) or loss	(442)
	-----
Benefit obligation at end of year	\$ 3,262
	=====
Reconciliation of funded status:	
Funded status	\$ (3,262)
Unrecognized actuarial (gain) or loss	(68)
	-----
Net amount recognized at year-end	\$ (3,330)
	=====

Since the Company has capped its annual liability per person and all future cost increases will be passed on to retirees, the annual rate of increase in health care costs does not affect the postretirement benefit obligation.

Postemployment Benefits - The Company provides certain benefits to former or inactive employees after employment but before retirement. In accordance with SFAS No. 112, these benefits are recognized on the accrual basis of accounting. The liability for postemployment benefits at October 30, 1999 and October 28, 2000 is included in other long-term liabilities in the accompanying consolidated financial statements.

10. BUSINESS SEGMENTS

The Company's reportable segments are JPS Elastomerics and JPS Glass. The reportable segments were determined using the Company's method of internal reporting, which divides and analyzes the business by the nature of the products manufactured and sold, the customer base, manufacturing process, and method of distribution. The Elastomerics segment principally manufactures and markets extruded products including high performance roofing products, environmental geomembranes, and various polyurethane products. The Glass segment produces and markets specialty substrates mechanically formed from fiberglass and other specialty materials for a variety of applications such as printed circuit boards, filtration, advanced composites, building products, defense, and aerospace.

The Company previously identified three other segments which met its criteria as reportable segments (the cotton commercial products, yarn sales and apparel segments), all of which have been exited.

The Company evaluates the performance of its reportable segments and allocates resources principally based on the segment's operating profit, defined as earnings before interest and taxes. Indirect corporate

expenses allocated to each business segment are based on management's

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

analysis of the costs attributable to each segment. The following table presents certain information regarding the business segments:

Industry segment information (in thousands):

	Fiscal Year Ended October 31, 1998 -----	Fiscal Year Ended October 30, 1999 -----	Fiscal Year Ended October 28, 2000 -----
Net sales:			
Elastomerics	\$ 83,708	\$ 80,035	\$ 86,595
Glass	79,323	83,453	87,319
	-----	-----	-----
	163,031	163,488	173,914
Less intersegment sales(1)	(7,087)	(6,621)	(5,936)
	-----	-----	-----
Net sales	\$ 155,944	\$ 156,867	\$ 167,978
	=====	=====	=====
Operating profit(2)			
Elastomerics	\$ 6,290	\$ 4,889	\$ 7,458
Glass	4,860	1,758	6,790
	-----	-----	-----
Operating profit	11,150	6,647	14,248
Interest expense, net	(2,975)	(3,511)	(3,442)
	-----	-----	-----
Income before income taxes and discontinued operations	\$ 8,175	\$ 3,136	\$ 10,806
	=====	=====	=====
Depreciation and amortization expense:			
Elastomerics	\$ 2,402	\$ 3,007	\$ 2,911
Glass	2,286	3,375	3,246
	-----	-----	-----
	\$ 4,688	\$ 6,382	\$ 6,157
	=====	=====	=====
Capital expenditures:			
Elastomerics	\$ 5,445	\$ 2,281	\$ 1,593
Glass	10,008	1,790	1,016
	-----	-----	-----
	\$ 15,453	\$ 4,071	\$ 2,609
	=====	=====	=====
Identifiable assets:			
Elastomerics	\$ 127,128	\$ 108,365	\$ 74,801
Glass	129,059	108,823	74,569
Eliminations	(903)	(872)	(1,128)
	-----	-----	-----
	\$ 255,284	\$ 216,316	\$ 148,242
	=====	=====	=====

(1) Intersegment sales consist primarily of the transfer of certain scrim products manufactured by the Glass segment to the Elastomerics segment. All intersegment revenues and profits are eliminated in the accompanying condensed consolidated financial statements.

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

- (2) The operating profit of each business segment includes a proportionate share of indirect corporate expenses. The Company's corporate group is responsible for finance, strategic planning, legal, tax, and regulatory affairs for the business segments. Such expense consists primarily of salaries and employee benefits, professional fees, and amortization of Reorganization Value.

41

42

11. UNAUDITED INTERIM FINANCIAL DATA (in thousands except per share amounts)

The results for each quarter include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for interim periods. The consolidated financial results on an interim basis are not necessarily indicative of future financial results on either an interim or annual basis. Selected consolidated financial data for each quarter within Fiscal 1999 and Fiscal 2000 are as follows:

	First Quarter -----	Second Quarter -----	
Year Ended October 30, 1999:			
Net sales	\$ 35,398	\$ 40,403	\$
Cost of sales	27,205	32,044	
	-----	-----	
Gross profit	8,193	8,359	
Selling, general and administrative expenses	6,421	7,626	
Other expense (income), net	(3)	1,348	
	-----	-----	
Operating profit (loss)	1,775	(615)	
Interest expense	(867)	(877)	
	-----	-----	
Income (loss) before income taxes and discontinued operations	908	(1,492)	
Provision (benefit) for income taxes	578	(950)	
	-----	-----	
Income (loss) from continuing operations	330	(542)	
Discontinued operations	(473)	(25,743)	
	-----	-----	
Net income (loss)	\$ (143)	\$ (26,285)	\$
	=====	=====	=
	-----	-----	
Net income (loss) per common share	\$ (0.01)	\$ (2.63)	\$
	=====	=====	=
Year Ended October 28, 2000:			
Net sales	\$ 35,137	\$ 41,039	\$
Cost of sales	26,767	30,288	
	-----	-----	
Gross profit	8,370	10,751	
Selling, general and administrative expenses	6,167	6,889	
Other income, net	(3)	(3)	
	-----	-----	
Operating profit	2,206	3,865	

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

Interest expense	(853)	(845)
	-----	-----
Income before income taxes and discontinued operations	1,353	3,020
Provision for income taxes	498	1,524
	-----	-----
Income from continuing operations	855	1,496
Discontinued operations	(143)	87
	-----	-----
Net income (loss)	\$ 712	\$ 1,583
	=====	=====
Net income (loss) per common share	\$ 0.07	\$ 0.16
	=====	=====

12. SUBSEQUENT EVENT (Unaudited)

On December 19, 2000, the Company repurchased 575,617 shares of its common stock at a cost of \$2.1 million.

42

43

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by Item 10 of Form 10-K with respect to identification of directors and executive officers is incorporated by reference from the information contained in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held February 27, 2001 (the "Proxy Statement"), a copy of which will be filed with the Securities and Exchange Commission before the meeting date.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 11 of Form 10-K is incorporated by reference from the information contained in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT.

The information required by Item 12 of Form 10-K is incorporated by reference from the information contained in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K.

(a) (1) The following financial statements are included in Item 8:

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

- (i) Independent Auditors' Report.
- (ii) Consolidated Balance Sheets as of October 28, 2000 and October 30, 1999.
- (iii) Consolidated Statements of Operations for the fiscal years ended October 28, 2000, October 30, 1999 and October 31, 1998.
- (iv) Consolidated Statements of Shareholders' Equity for the fiscal years ended October 28, 2000, October 30, 1999 and October 31, 1998.
- (v) Consolidated Statements of Cash Flows for the fiscal years ended October 28, 2000, October 30, 1999 and October 31, 1998.
- (vi) Notes to Consolidated Financial Statements.

The registrant is primarily a holding company and all direct subsidiaries are wholly owned.

- (2) The financial statement schedule required by Item 8 is listed on Index to Financial Statement Schedule, starting at page S-1 of this report.

43

44

The exhibits required by Item 601 of Regulation S-K are listed in the accompanying Index to Exhibits. Registrant will furnish to any securityholder, upon written request; any exhibit listed in the accompanying Index to Exhibits upon payment by such securityholder of registrant's reasonable expenses in furnishing any such exhibit.

- (b) No reports on Form 8-K were filed during the quarter ended October 28, 2000.
- (c) Reference is made to Item 14(a) (3) above.
- (d) Reference is made to Item 14(a) (2) above.

44

45

INDEX TO EXHIBITS

The following is a complete list of Exhibits filed as part of this report, which are incorporated herein:

Exhibit Number -----	Description -----
2.1(i)	Joint Plan of Reorganization for JPS Textile Group, Inc., a Delaware corporation ("JPS"), proposed by JPS and JPS Capital Corp., a Delaware corporation, pursuant to chapter 11 of title 11 United States Code (the "Bankruptcy Code"), dated August 1, 1997 (as amended, the "Plan").(K)

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

- 2.1(ii) Revised Technical and Conforming Amendment to the Plan, dated September 4, 1997. (L)
- 3.1 Amended and Restated By-laws of JPS. (P)
- 3.2 Certificate of Incorporation of JPS Industries, Inc. (T)
- 10.4 Agreement of Lease, dated as of June 1, 1988, by and between 1185 Avenue of the Americas Associates ("1185 Associates") and JCIC. (A)
- 10.5 Lease Modification and Extension Agreement, dated as of April 2, 1991, by and between 1185 Associates and JCIC. (A)
- 10.7 Trademark License Agreement, dated as of May 9, 1988, by and between J.P. Stevens and JPS Acquisition Corp. (predecessor to the Company.) (B)
- 10.8 Omnibus Real Estate Closing Agreement, dated as of May 9, 1988, by and among J.P. Stevens, JPS Acquisition Corp., JPS Acquisition Automotive Products Corp., JPS Acquisition Carpet Corp., JPS Acquisition Industrial Fabrics Corp., JPS Acquisition Converter and Yarn Corp. and JPS Acquisition Elastomerics Corp. (B)
- 10.9 Purchase Agreement, dated as of April 24, 1988, by and among JPS Holding Corp., the Company, Odyssey Partners, West Point-Pepperell, Inc., STN Holdings Inc., Magnolia Partners, L.P. and J.P. Stevens. (B)
- 10.10 Asset Purchase Agreement, dated as of May 25, 1994, by and among the Company, JAPC, JCIC, JPS Auto Inc., a Delaware corporation, and Foamex International Inc., a Delaware corporation. (C)
- 10.15 Lease Modification and Extension Agreement, dated as of April 30, 1993, by and between 1185 Associates and JCIC. (E)
- 10.18 Lease Modification and Extension Agreement, dated as of November 17, 1994, by and between 1185 Associates and JCIC. (G)

45

46

Exhibit Number -----	Description -----
10.19	Asset Transfer Agreement, dated as of November 16, 1995, by and among the Company, JPS Carpet Corp., a Delaware corporation, Gulistan Holdings Inc. ("GHI"), a Delaware corporation and Gulistan Carpet Inc., a Delaware Corporation and wholly-owned subsidiary of GHI. (H)
10.25	Employment Agreement dated October 9, 1997, between the Company and David H. Taylor. (P)
10.26	Employment Agreement dated October 9, 1997, between the Company



## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

and Monnie L. Broome.(P)

- 10.27 Employment Agreement, dated May 1, 1993 and amended September 11, 1995 between the Company and Carl Rosen.(J)
- 10.28 Employment Agreement, dated December 23, 1991 and amended August 20, 1996 and December 23, 1996 between the Company and Bruce Wilby.(G)
- 10.29 Asset Purchase Agreement, dated as of September 30, 1996 between Elastomer Technologies Group, Inc. a Delaware Corporation, and JPS Elastomerics Corp., a Delaware Corporation and wholly-owned subsidiary of the Company.(G)
- 10.30 Receivables Purchase Agreement dated as of September 30, 1996 between The Bank of New York Commercial Corporation, a New York Corporation and JPS Elastomerics Corp., a Delaware Corporation and wholly-owned subsidiary of the Company.(G)
- 10.31 Registration Rights Agreement, dated as of October 9, 1997, by and among JPS and the holders of JPS's Common Stock.(P)
- 10.35 Credit Facility Agreement, dated as of October 9, 1997, by and among JPS, C&I, Elastomerics, the financial institutions listed on the signature pages thereto, and the agent and co-agent party thereto.(M)
- 10.36 1997 Incentive and Capital Accumulation Plan dated as of October 9, 1997.(P)
- 10.37 Warrant Agreement dated as of October 9, 1997.(P)
- 10.38 First Amendment to the Credit Facility Agreement, dated as of October 30, 1998, by and among JPS, C&I, Elastomerics, the financial institutions listed on the signature pages thereto, and the agent and co-agent party thereto.(Q)
- 10.39 Asset Purchase Agreement, dated as of January 11, 1999, by and between C&I and Belding Hausman, Incorporated.(Q)
- 10.40 Amendment No. 1 to Asset Purchase Agreement, dated as of February 8, 1999, by and between C&I and Belding Hausman, Incorporated.(Q)
- 10.41 JPS Guaranty Letter, dated as of January 11, 1999, by and between JPS and Belding Hausman, Incorporated.(Q)
- 10.42 Employment Agreement dated November 11, 1998, between the Company and John W. Sanders, Jr. (Q)

46

47

Exhibit  
Number  
-----

Description  
-----

- 10.43 Separation Agreement, dated February 27, 1999, between the Company

## Edgar Filing: JPS INDUSTRIES INC - Form 10-K

- and Jerry E. Hunter.(R)
- 10.44 Employment Agreement, dated February 29, 1999, between the Company and Michael L. Fulbright.(R)
- 10.45 Stock Option Agreement, dated February 28, 1999, between the Company and Michael L. Fulbright.(R)
- 10.46 Amendment to the JPS Textile Group, Inc. 1997 Incentive and First Capital Accumulation Plan.(R)
- 10.47 Second Amendment to the Credit Facility Agreement, dated as of April 30, 1999, by and among JPS, C&I, Elastomerics, the financial institutions listed on the signature pages thereto, and the agent and co-agent thereto.(S)
- 10.48 Third Amendment to the Credit Facility Agreement, dated as of July 12, 1999, by and among JPS, C&I, Elastomerics, the financial institutions listed on the signature pages thereto, and the agent and co-agent thereto.(T)
- 10.49 Asset Purchase Agreement, dated as of July 2, 1999, by and between C&I and Belding Hausman, Incorporated.(T)
- 10.50 Asset Purchase Agreement, dated as of June 24, 1999, by and between C&I and Chiquola Fabrics, LLC.(T)
- 10.51 Special Warranty Deed, dated as of August 30, 1999, by and between C&I and Richard N. Hodges and Jimmy Law.(U)
- 10.52 Separation Agreement dated September 29, 1999, between the Company and John W. Sanders, Jr. (U)
- 10.53 Employment Agreement dated March 17, 1998, between the Company and Reid A. McCarter.(U)
- 10.54 Fourth Amendment to the Credit Facility Agreement, dated as of February 29, 2000, by and among JPS, C&I, Elastomerics, the financial institutions listed on the signature pages thereto, and the agent and co-agent thereto.(U)
- 10.55 Asset Purchase Agreement dated as of November 16, 2000, by and among JPS Industries, Inc., JPS Converter and Industrial Corp. and JPSA Acquisition Corp.(V)
- 10.56 Employment Agreement dated May 31, 2000, between the Company and Charles R. Tutterow.(W)
- 10.57 Fifth Amendment to the Credit Facility Agreement, dated as of November 9, 2000, by and among JPS, C&I, Elastomerics, the financial institutions listed on the signature pages thereto, and the agent and co-agent thereto.(W)
- 11.1 Statement re: Computation of Per Share Earnings - not required since such computation can be clearly determined from the material contained herein.
- 12.1 Computation of Ratio of Earnings to Fixed Charges - not required for Form 10-K per Item 503(d) of Regulation S-K.

# Edgar Filing: JPS INDUSTRIES INC - Form 10-K

47

48

Exhibit Number -----	Description -----
12.2	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends--not required for Form 10-K per Item 503(d) of Regulation S-K.
21.1	List of Subsidiaries of the Company.(E)
24.1	Power of Attorney relating to JPS (included as part of the signature page hereof).(M)
-----	
(A)	Previously filed as an exhibit to Registration Statement No. 33-58272 on Form S-1, declared effective by the SEC on July 26, 1993, and incorporated herein by reference.
(B)	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended October 30, 1993.
(C)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 1994.
(D)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 30, 1994.
(E)	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended October 29, 1994.
(F)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended April 29, 1995.
(G)	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended November 2, 1996.
(H)	Previously filed as an exhibit to the Company's Current Report on Form 8-K dated December 1, 1995.
(I)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended April 27, 1996.
(J)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 27, 1996.
(K)	Previously filed as an exhibit to the Company's Current Report on Form 8-K dated July 2, 1997.
(L)	Previously filed as an exhibit to the Company's Registration Statement on Form 8-A filed on September 8, 1997
(M)	Previously filed.
(N)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended February 1, 1997.
(O)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended May 3, 1997.
(P)	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended November 1, 1997.
(Q)	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended October 31, 1998.
(R)	Previously filed as an exhibit to the Company's Current Report on Form 8-K dated March 4, 1999.
(S)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1999.
(T)	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1999.
(U)	Previously filed as an exhibit to the Company's Quarterly Report on

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

- (V) Form 10-Q for the quarter ended January 29, 2000.  
Previously filed as an exhibit to the Company's Current Report on Form 8-K dated December 4, 2000.
- (W) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JPS INDUSTRIES, INC.

Date: January 25, 2001

By: /s/ Charles R. Tutterow

-----  
 CHARLES R. TUTTEROW  
 Executive Vice President, Chief Financial  
 Officer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Michael L. Fulbright ----- MICHAEL L. FULBRIGHT	Chairman of the Board, President and Chief Executive Officer	January 25, 2001
/s/ Robert J. Capozzi ----- ROBERT J. CAPOZZI	Director	January 25, 2001
/s/ Jeffrey S. Deutschman ----- JEFFREY S. DEUTSCHMAN	Director	January 25, 2001
/s/ Nicholas P. DiPaolo ----- NICHOLAS P. DIPAOLO	Director	January 25, 2001
/s/ John M. Sullivan, Jr. ----- JOHN M. SULLIVAN, JR.	Director	January 25, 2001
/s/ Charles R. Tutterow ----- CHARLES R. TUTTEROW	Executive Vice President, Chief Financial Officer and Secretary	January 25, 2001

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

49

50

JPS INDUSTRIES, INC.

INDEX TO SCHEDULE

INDEX TO FINANCIAL STATEMENT SCHEDULE

For the fiscal years ended October 31, 1998, October 30, 1999, and October 28, 2000.

FINANCIAL STATEMENT SCHEDULE

II. Valuation and Qualifying Accounts and Reserves

S-2

Note: All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated financial statements or in the notes thereto.

S-1

51

JPS INDUSTRIES, INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
(IN THOUSANDS)

Column A	Column B	Column C	Column D
----- Classification -----	Balance at Beginning of Period -----	Charged to Costs and Expenses -----	Charged to Other Accounts Describe (a) -----
Allowances Deducted from Asset to Which They Apply:			
Fiscal Year Ended October 31, 1998 (52 Weeks)			
Allowance for doubtful accounts	\$ 526	\$ (28)	\$ 294
Claims, returns and other allowances	151	--	239
	-----	-----	-----
	\$ 677	\$ (28)	\$ 533
	=====	=====	=====
Fiscal Year Ended October 30, 1999 (52 Weeks)			
Allowance for doubtful accounts	\$ 792	\$ 125	\$ (511)
Claims, returns and other allowances	155	38	333
	-----	-----	-----
	\$ 947	\$ 163	\$ (178)
	-----	-----	-----

Edgar Filing: JPS INDUSTRIES INC - Form 10-K

	=====	=====	=====	=====
Fiscal Year Ended October 28, 2000 (52 Weeks)				
Allowance for doubtful accounts	\$ 405	\$ 843	\$ --	\$
Claims, returns and other allowances	254	--	331	
	-----	-----	-----	-----
	\$ 659	\$ 843	\$ 331	\$
	=====	=====	=====	=====

- (a) Change in various reserves charged to net sales.
- (b) Uncollected receivables written off, net of recoveries.

S-2