

Edgar Filing: TRANSPRO INC - Form 10-Q

TRANSPRO INC
Form 10-Q
May 15, 2001

1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2001

OR

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

For the transition period from _____ to _____

Commission file number 1-13894

TRANSPRO, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

34-1807383
(I.R.S. Employer
Identification No.)

100 Gando Drive, New Haven, Connecticut 06513
(Address of principal executive offices, including zip code)

(203) 401-6450
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares of common stock, \$.01 par value, outstanding as of May 11, 2001 was 6,580,635.

Exhibit Index is on page 14 of this report.

Page 1 of 15

2

INDEX

Edgar Filing: TRANSPRO INC - Form 10-Q

PART I.

FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2001 and 2000.

Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2001 and 2000

Condensed Consolidated Balance Sheets at March 31, 2001 and December 31, 2000.

Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2001 and 2000.

Notes to Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

PART II.

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

Item 6. Exhibits and Reports on Form 8-K.

Signatures

2

3

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRANSPRO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited) (Amounts in thousands, except per share amounts)	THREE MONTHS ENDING MARCH 31, 2001
	2001
Sales	\$ 45,563
Cost of Sales	37,508

Gross Margin	8,055
Selling, General and Administrative Expenses	11,352

Loss from Continuing Operations Before Plant Closure Costs, Interest, Taxes and Extraordinary Item	(3,297)
Plant Closure Costs	--

Edgar Filing: TRANSPRO INC - Form 10-Q

Loss From Continuing Operations Before Interest, Taxes and Extraordinary Item	(3,297)
Interest Expense, Net	1,171

Loss From Continuing Operations Before Taxes and Extraordinary Item	(4,468)
Income Tax Benefit	(1,260)

Loss From Continuing Operations Before Extraordinary Item	(3,208)
Income From Discontinued Operations, Net of Tax	--

Loss Before Extraordinary Item	(3,208)
Loss on Debt Extinguishment, Net of Tax	(380)

Net Loss	\$ (3,588)

Loss from Continuing Operations Per Common Share:	
Basic and Diluted	\$ (0.49)
Earnings from Discontinued Operations Per Common Share:	
Basic and Diluted	\$ --
Loss on Debt Extinguishment Per Common Share	
Basic and Diluted	\$ (0.06)

Net Loss per Common Share:	
Basic and Diluted	\$ (0.55)
	=====
Average Common Shares Outstanding	
Basic and Diluted	6,579
	=====

The accompanying notes are an integral part of these statements.

3

4

TRANSPRO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)
(Amounts in thousands)

	Three Months Ended March 31,	
	2001	2000
	-----	-----
Net loss	\$ (3,588)	\$ (2,221)
Other comprehensive loss, net of tax:		
Foreign currency translation	--	--
Minimum pension liability	--	--
	-----	-----
Comprehensive loss	\$ (3,588)	\$ (2,221)
	=====	=====

The accompanying notes are an integral part of these statements.

5

Edgar Filing: TRANSPRO INC - Form 10-Q

TRANSPRO, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

ASSETS

Current Assets:

Cash and Cash Equivalents
Accounts Receivable (Less Allowances of \$2,969 and \$2,698)
Inventories, Net:
 Raw Materials
 Work in Process
 Finished Goods

Total Inventories

Deferred Income Tax Benefit
Other Current Assets

Total Current Assets

Property, Plant and Equipment
Less Accumulated Depreciation

Net Property, Plant and Equipment

Goodwill (Net of Amortization of \$1,230 and \$1,130)
Other Assets

Total Assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Revolving Credit Debt and Current Portion of Long-Term Debt
Accounts Payable
Accrued Expenses
Accrued Insurance
Accrued Salaries and Wages
Accrued Taxes

Total Current Liabilities

Long-Term Liabilities:

Long-Term Debt, Net of Current Portion
Retirement and Post-Retirement Obligations
Deferred Income Taxes
Other Liabilities

Total Liabilities

Commitments and contingent liabilities

Stockholders' Equity:

Preferred Stock, \$0.01 Par Value: Authorized 2,500,000 Shares;
Issued and Outstanding as Follows:

Series A Junior Participating Preferred Stock, \$0.01 Par Value

Authorized: 200,000 Shares; Issued and Outstanding: None at March 31, 2001
and December 31, 2000

Edgar Filing: TRANSPRO INC - Form 10-Q

Series B Convertible Preferred Stock, \$0.01 Par Value
 Authorized: 30,000 Shares; Issued and Outstanding; 30,000 Shares at March 31, 2001 and December 31, 2000; (Liquidation Preference \$3,000 at March 31, 2001 and December 31, 2000)

Common Stock, \$0.01 Par Value: Authorized 17,500,000 Shares:
 6,652,746 Shares Issued at March 31, 2001 and 6,662,446 at December 31, 2000
 6,580,635 Shares Outstanding at March 31, 2001 and 6,590,335 at December 31, 2000

Paid-in Capital
 Unearned Compensation
 Retained Earnings
 Accumulated Other Comprehensive Loss
 Treasury Stock, at Cost:
 72,111 Shares at March 31, 2001 and December 31, 2000

Total Stockholders' Equity

Total Liabilities and Stockholders' Equity

The accompanying notes are an integral part of these statements.

5

6

TRANSPRO, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (Amounts in thousands) -----	THR 2001 -----
Cash Flows from Operating Activities:	
Net Loss	\$ (3,58)
Adjustments to Reconcile Net (Loss) Income to Net Cash Used in Operating Activities:	
Depreciation and Amortization	1,52
Deferred Tax Benefit	56
Provision for Losses - Accounts Receivable	27
Extraordinary Item	52
Total Adjustments to Reconcile Net (Loss) Income to Net Cash Used in Operating Activities	1,76
Changes in Operating Assets and Liabilities	
Accounts Receivable	2,72
Inventories	1,02
Accounts Payable	(1,44)
Accrued Expenses	(1)
Net Assets Held for Disposition	-
Other	1,18
Total Changes in Operating Assets and Liabilities	3,47
Net Cash Provided by (Used in) Operating Activities	1,65

Edgar Filing: TRANSPRO INC - Form 10-Q

Cash Flows from Investing Activities:	
Capital Expenditures	(58)
<hr style="border-top: 1px dashed black;"/>	
Net Cash Used in Investing Activities	(58)
<hr style="border-top: 1px dashed black;"/>	
Cash Flows from Financing Activities:	
Dividends Paid	-
Net Borrowings Under Revolving Credit Facility	35,26
Borrowings Under Term Loan	4,49
Net (Repayments) Borrowings Under Previous Revolving Credit Arrangement	(40,04)
Repayment of Term Loan	(12)
Deferred Debt Costs	(83)
<hr style="border-top: 1px dashed black;"/>	
Net Cash Provided by (used in) Financing Activities	(1,24)
<hr style="border-top: 1px dashed black;"/>	
Decrease in Cash and Cash Equivalents	(17)
Cash and Cash Equivalents:	
Beginning of Period	17
End of Period	\$ -
<hr style="border-top: 1px dashed black;"/>	
Supplemental Cash Flow Information:	
Interest Paid	\$ 94
Taxes Paid, Net of Refunds	\$ 7
Dividends Declared	\$ 3

The accompanying notes are an integral part of these statements.

6

7

TRANSPRO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE COMPANY

TransPro, Inc. (the "Company") is a manufacturer and supplier of heat transfer components and systems and replacement automotive air conditioning parts for a variety of Aftermarket and Original Equipment Manufacturing ("OEM") automotive, truck and industrial equipment applications.

NOTE 2 - INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed with the Securities and Exchange Commission on March 30, 2001, including the financial statements and notes thereto included therein.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of consolidated financial position, consolidated results of operations and consolidated cash flows have been included in the accompanying unaudited condensed consolidated financial statements. All such adjustments are of a normal recurring nature. The December

Edgar Filing: TRANSPRO INC - Form 10-Q

31, 2000 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

NOTE 3 - BUSINESS CONSOLIDATION AND CLOSURE COSTS

During the first quarter of 2000, the Company recorded \$0.8 million in closure costs related to actions taken in the Aftermarket Heating and Cooling Systems segment to close the Houston, Texas regional radiator manufacturing facility and to consolidate the Santa Fe Springs, California distribution facility into the existing distribution facility in Memphis, Tennessee. The manufacturing facility closure plan was initiated to reduce manufacturing costs and address plant capacity issues at other regional facilities. The distribution center consolidation plan was initiated to enhance fill rates to customers and reduce the per unit carrying cost of inventory. These actions resulted in the termination of 18 manufacturing and eight distribution center employees. A summary of the associated closure costs is as follows:

(Amounts in thousands)

(Amounts in thousands)	AMOUNTS CHARGED TO OPERATIONS THROUGH DECEMBER 31, 2000	AMOUNTS PAID AND REVERSED THROUGH DECEMBER 31, 2000	AMOUNTS DURING
-----	-----	-----	-----
Workforce Related	\$222	\$222	\$ -
Facilities	415	364	5
Production Related	127	127	
Asset Write Down	31	31	
	----	----	----
TOTAL	\$795	\$744	\$ 5
	====	====	====

7

8

NOTE 4 - SEGMENT AND BUSINESS INFORMATION

There has been no material change in segment assets since the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000. The former Specialty Metal Fabrication segment (the "Crown Divisions") is being accounted for as discontinued operations in the accompanying condensed consolidated financial statements. Segment data from continuing operations has been disclosed on a basis consistent with the Form 10-K for the year ended December 31, 2000.

Aftermarket Heating and Cooling Systems product lines include complete radiators and radiator cores, heaters, air conditioning condensers, air conditioning compressors and other air conditioning parts for aftermarket customers. The OEM Heat Transfer Systems business provides manufactured specialized heavy-duty equipment radiators, charge air coolers and oil coolers to original equipment manufacturers.

The table below sets forth information about reported segments, other than discontinued operations, for the three months ended March 31, 2001 and 2000.

Edgar Filing: TRANSPRO INC - Form 10-Q

(Unaudited)
(Amounts in thousands)

BUSINESS SEGMENT	CONSOLIDATED REVENUES		LOSS FROM CONTINUING OPERATIONS BEFORE INTEREST, TAXES AND EXTRAORDINARY ITEMS	
	2001	2000	2001	2000
Aftermarket Heating and Cooling Systems	\$ 38,185	\$ 36,755	\$ (1,566)	\$ (1,690)
OEM Heat Transfer Systems	7,378	11,675	(1,436)	(1,100)
Inter-segment revenues:				
Aftermarket Heating and Cooling Systems	939	2,464	--	--
OEM Heat Transfer Systems	8	7	--	--
Elimination of Inter-segment Revenues	(947)	(2,471)	--	--
Segment Totals	45,563	48,430	(3,002)	(1,810)
Corporate Expenses	--	--	(295)	(1,030)
Consolidated Totals	\$ 45,563	\$ 48,430	\$ (3,297)	\$ (2,840)

NOTE 5 - DISPOSITION OF BUSINESS SEGMENT

Effective May 5, 2000, the Company sold its Crown Divisions to Leggett & Platt, Incorporated in a transaction valued at \$37.5 million, comprised of \$28.6 million in cash and the assumption of \$8.9 million in debt. Net proceeds from the sale were used to reduce outstanding borrowings under the Company's prior Revolving Credit Agreement. As a result of the transaction, the Specialty Metal Fabrication segment has been accounted for as a discontinued operation. Accordingly, the results of operations of the Specialty Metal Fabrication segment for the first quarter of 2000 are reported as income from discontinued operations in the accompanying condensed consolidated statements of operations.

8

9

NOTE 6 - LOSS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

(Unaudited) (Amounts in thousands, except per share data)	THREE MONTHS ENDED MARCH 31,	
	2001	2000
(LOSS) EARNINGS PER COMMON SHARE COMPUTATION:		
Numerator:		
Loss from Continuing Operations	\$ (3,208)	\$ (2,600)
Less: Preferred Stock Dividend	(37)	(40)
Loss from Continuing Operations Before Extraordinary Item Attributable to Common Stockholders - Basic	(3,245)	(2,640)
Income from Discontinued Operations, Net of Tax	--	4
Loss on Debt Extinguishment, Net of Tax	(380)	--
Net Loss Attributable to Common Stockholders - Basic	\$ (3,625)	\$ (2,636)
Denominator:		

Edgar Filing: TRANSPRO INC - Form 10-Q

Weighted Average Common Shares	6,583	6,5
Non-vested Restricted Stock	(4)	(
	-----	-----
Adjusted Weighted Average Common Shares - Basic and diluted	6,579	6,5
	=====	=====
Basic Loss Per Common Share:		
From Continuing Operations	\$ (0.49)	\$ (0.
From Discontinued Operations	--	0.
From Debt Extinguishment	(0.06)	
	-----	-----
Basic Loss Per Common Share	\$ (0.55)	\$ (0.
	-----	-----
Diluted Loss Per Common Share:(1)		
From Continuing Operations	\$ (0.49)	\$ (0.
From Discontinued Operations	--	0.
From Debt Extinguishment	(0.06)	
	-----	-----
Diluted Loss Per Common Share	\$ (0.55)	\$ (0.
	=====	=====

(1) The weighted average basic common shares outstanding was used in the calculation of the diluted loss per common share for the three months ended March 31, 2000 and March 31, 2001 as the use of weighted average diluted common shares outstanding would have an anti-dilutive effect on loss per share for the three months ended March 31, 2000 and March 31, 2001.

Certain options to purchase common stock were outstanding during the three months ended March 31, 2001 and 2000, but were not included in the computation of diluted loss per share because their exercise prices were greater than the average market price for the common shares for the period. In addition, there were 5,000 and 17,000 shares of non-vested restricted stock and 496,000 and 496,000 shares related to the Series B Convertible Preferred Stock excluded from the 2001 and 2000 diluted calculations, respectively, because they would have been anti-dilutive due to the loss from continuing operations. The anti-dilutive options outstanding and their exercise prices are as follows:

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Options Outstanding	384,776	437,178
Range of Exercise Prices	\$5.50 - \$11.75	\$5.88 - \$11.75

9

10
NOTE 7 - DEBT

Debt Consisted of the following at:

(Amounts in thousands)	MARCH 31, 2001	DECEMBER 31, 2000
-----	-----	-----

Current:

Edgar Filing: TRANSPRO INC - Form 10-Q

Revolving Credit Facility	\$ 35,265	\$ 40,042
Current Portion of Term Loan	900	--
Unamortized Debt Expense	(742)	(362)
	-----	-----
Total Current Debt	35,423	39,680
	-----	-----
Long-Term		
Term Loan	3,470	--
Industrial Revenue Bonds:		
Floating Rate Bond Due 2013	5,000	5,000
Unamortized Debt Expense	(203)	(342)
	-----	-----
Total Long-Term Debt	8,267	4,658
	-----	-----
Total Debt	\$ 43,690	\$ 44,338
	=====	=====

NOTE 8 - SERIES B CONVERTIBLE PREFERRED STOCK

In connection with the acquisition of Evap, Inc., the Company issued 30,000 shares of TransPro, Inc. Series B Convertible Preferred Stock (the "Series B Preferred Stock"). The Series B Preferred Stock has an initial liquidation preference of \$3.0 million, which is reflected in paid-in capital on the Company's consolidated balance sheet. There is a potential additional payout for the Evap acquisition based on the earnings performance of the Evap business for the period January 1, 1999 through December 31, 2000 that will take the form of an increase in the liquidation preference of the Series B Preferred Stock. Increases to the liquidation preference of the Series B Preferred Stock, if any, are effective as of April 1, 2000 and April 1, 2001 based upon the additional payout related to the earnings of the Evap business for the prior calendar year. The Series B Preferred Stock is non-transferable and is entitled to cumulative dividends of 2% per annum during the first year after acquisition, 3.5% per annum during the second year and 5.0% per annum thereafter. The Series B Preferred Stock is convertible into TransPro common stock at the rate of 50% on the third anniversary of the acquisition, an additional 25% on the fourth anniversary and the remaining 25% on the fifth anniversary; it is redeemable after the fifth anniversary at the liquidation preference at the time of redemption. The Series B Preferred Stock is convertible into TransPro common stock based upon the liquidation preference and the market value of TransPro common stock at the time of conversion, as further described in the purchase agreement. The aggregate number of shares of TransPro common stock to be issued upon conversion of all the Series B Preferred Stock may not exceed 7% of the total number of shares of TransPro common stock outstanding, after giving effect to the conversion, as further described in the purchase agreement. The average market value of the TransPro common stock in excess of the 7% limitation, if any, will be paid in cash. The holder of the Series B Preferred Stock has disputed the Company's calculation of the initial payout amount and, on March 27, 2001, submitted the dispute for binding arbitration under the provisions of Evap stock purchase agreement.

NOTE 9 - IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging contracts. In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137 ("SFAS No. 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133" deferring the effective date of SFAS No. 133 to all fiscal quarters of all

Edgar Filing: TRANSPRO INC - Form 10-Q

fiscal years beginning after June 15, 2000. In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138 ("SFAS No. 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities" to amend SFAS No. 133. SFAS No. 138 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 as amended, on January 1, 2001. The adoption had no effect on the Company's condensed consolidated financial statements.

10

11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

QUARTER ENDED MARCH 31, 2001 VERSUS QUARTER ENDED MARCH 31, 2000

Net sales from continuing operations for the first quarter of 2001 decreased \$2.8 million, or 5.9%, to \$45.6 million compared with \$48.4 million in the first quarter of 2000. Sales in the Aftermarket Heating and Cooling Systems business increased \$1.4 million, or 3.9%, from the comparable 2000 quarter. Higher unit sales of radiators were the primary reason for the sales increase. The Company's large retail customers accounted for the largest portion of the volume increase. Sales in the OEM Heat Transfer Systems business declined by \$4.3 million compared with the 2000 first quarter due primarily to the decline in the heavy-duty truck market. The softening market in the specialty vehicle category also contributed to the decline.

Consolidated first quarter 2001 gross margins from continuing operations were \$8.1 million compared with \$9.7 million in the first quarter of 2000. First quarter 2001 gross margins reflect lower margins in the Aftermarket Heating and Cooling Systems segment primarily as a result of planned actions to reduce inventory and debt levels. These actions included temporary reductions in production rates during the quarter that resulted in decreased manufacturing cost absorption. Pricing activity in response to competitive pressures in the Aftermarket also negatively affected gross margins in the quarter. In the OEM Heat Transfer Systems segment, lower sales and production volumes caused by the weak heavy-duty truck market contributed to the decrease in gross margins.

Selling, general and administrative expenses ("SG&A") declined \$0.4 million or 3.3%, primarily as a result of lower personnel costs and lower professional fees at the corporate level.

Net interest expense decreased \$0.2 million in the first quarter of 2001 compared with the first quarter of 2000 due to lower debt levels.

The Company's effective tax rate of 28.2% for the first quarter of 2001 is comprised of the U. S. Federal income tax rate, plus the estimated aggregate effective rate for state and local income taxes. The rate decreased from the first quarter 2000 rate of 36.3% due to the higher proportion of foreign income in the first quarter of 2001 compared with the first quarter of 2000 that is taxed at rates higher than the U.S. statutory rate coupled with a 100% valuation allowance on projected state net operating loss carryforwards. The Company believes it is more likely than not that deferred tax assets will be realized in the future.

The loss from continuing operations before extraordinary item for the first quarter of 2001 was \$3.2 million, or \$0.49 per diluted common share, compared with a loss from continuing operations of \$2.2 million, or \$0.33 per diluted common share, excluding plant closure costs, in the year ago period. In the first quarter of 2001, the Company reported an after-tax extraordinary charge of \$0.4 million, equivalent to \$0.06 per diluted share, related to the

Edgar Filing: TRANSPRO INC - Form 10-Q

Company's previously announced debt refinancing. In the prior year's first quarter, the Company reported an after-tax charge of \$0.5 million, equivalent to \$0.08 per diluted share, for the closure of the Company's Houston, Texas regional radiator manufacturing plant and the consolidation of the Company's Santa Fe Springs, California distribution facility into its Memphis, Tennessee facility. Including this charge, the loss from continuing operations for the first quarter of 2000 was \$2.7 million, or \$0.41 per diluted share. The net loss for the first quarter of 2001 was \$3.6 million, or \$0.55 per diluted common share, compared with a net loss of \$2.2 million, or \$0.34 per diluted common share in the first quarter of 2000.

The Company sold its Crown Divisions to Leggett & Platt, Incorporated on May 5, 2000. As a result of the sale, the Crown Divisions has been accounted for as a discontinued operation.

11

12

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company entered into a \$65 million Loan and Security Agreement (the "Loan Agreement") on January 4, 2001 with Congress Financial Corporation (New England), an affiliate of First Union National Bank. The Loan Agreement replaces the Company's previous \$52 million revolving credit arrangement with five banking institutions.

The Loan Agreement provides for secured borrowings or the issuance of letters of credit in an aggregate amount not to exceed \$65 million and is comprised of a \$60 million Revolving Credit Facility and up to a \$5 million Term Loan. The initial term of the Loan Agreement expires on January 5, 2004, with annual extensions thereafter at the option of Congress.

The Loan Agreement is collateralized by a blanket first perfected security interest in substantially all of the Company's assets plus a pledge of the stock of the Company's subsidiaries. Available borrowings under the Revolving Credit Facility are determined by a borrowing base consisting of the Company's eligible accounts receivable and inventory, as adjusted by an advance rate. In accordance with the provisions of the FASB Emerging Issues Task Force Issue No. 95-22, "Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock Box Arrangement," borrowings under the Revolving Credit Facility are classified as short term in the condensed consolidated balance sheet. The Term Loan is payable in 59 consecutive equal monthly installments commencing February 1, 2001, with a balloon payment equal to the unpaid balance of the Term Loan due at the end of the initial term. As of March 31, 2001, the monthly installments are \$.08 million.

Amounts borrowed under the Loan Agreement bear interest at variable rates based, at the Company's option, on either the Eurodollar rate plus a margin of 2.0%, 2.25% or 2.50% depending on the Company's pretax profit performance, or the First Union National Bank base lending rate. The Loan Agreement requires the maintenance of \$74 million of working capital, excluding borrowings under the Loan Agreement, and \$67.5 million of net worth at all times and prohibits the payment of common stock dividends.

At March 31, 2001, debt consisted of the following:
(Amounts in thousands)

Edgar Filing: TRANSPRO INC - Form 10-Q

Current:	
Revolving Credit Facility	\$35,265
Current Portion of Term Loan	900
Unamortized Debt Expense	(742)

Total Current Debt	\$35,423

Long-Term	
Term Loan	\$ 3,470
Industrial Revenue Bonds:	
Floating Rate Bond Due 2013	5,000
Unamortized Debt Expense	(203)

Total Long-Term Debt	8,267

 Total Debt	 \$43,690
	=====

At March 31, 2001, outstanding letters of credit totaled \$9.8 million and the borrowing base under the Loan Agreement totaled \$48.6 million.

During the first three months of 2001, the Company had positive cash generation from operating activities of \$1.7 million. Depreciation and amortization amounted to \$1.5 million. The deferred tax benefit recognized for temporary differences between financial statement amounts and tax return amounts increased \$.6 million resulting from the loss from continuing operations during the first quarter of 2001. Inventory decreased \$1.0 million, primarily due to continued efforts to reduce inventory levels. Accounts receivable decreased \$2.7 million reflecting the lower sales volume from continuing operations during the first quarter of 2001 compared with the fourth quarter of 2000. A net decrease in accounts payable and accrued expenses required \$1.5 million in cash.

Capital spending during the first three months of 2001 totaled \$0.6 million. In addition, the Company declared a cash dividend to its preferred stockholder of \$0.04 million. Net borrowings under the Revolving Credit Facility of the Loan Agreement amounted to \$35.3 million in the first quarter of 2001 and borrowings under the Term Loan amounted to \$4.5 million. The Company repaid \$40.0 million, representing all of the outstanding borrowings under the previous revolving credit arrangement. Repayments of the Term Loan amounted to \$0.1 million.

The future liquidity and ordinary capital needs of the Company in the short term are expected to be met from operations. The Company's working capital requirements peak during the second and third quarters, reflecting the normal seasonality of the Aftermarket Heating and Cooling Systems business. The Company believes that, together with borrowings under its current Loan Agreement, its cash flow from operations will be adequate to meet its anticipated ordinary capital expenditure and working capital requirements.

FORWARD-LOOKING STATEMENTS AND CAUTIONARY FACTORS

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation

Edgar Filing: TRANSPRO INC - Form 10-Q

Reform Act of 1995. The Company's Annual Report on Form 10-K contains certain detailed factors that could cause the Company's actual results to materially differ from the forward-looking statements made by the Company. In particular, statements relating to the future financial performance of the Company are subject to business conditions and growth in the general economy and automotive and truck business, the impact of competitive products and pricing, changes in customer product mix, failure to obtain new customers or retain old customers or changes in the financial stability of customers, changes in the cost of raw materials, components or finished products and changes in interest rates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has certain exposures to market risk related to changes in interest rates, foreign currency exchange rates and commodities. There have been no material changes in market risk since the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

13

14

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders of the Company held on May 2, 2001, two proposals were voted upon by the Company's stockholders. A brief discussion of each proposal voted upon at the Annual Meeting and the number of votes cast for, against and withheld, as well as the number of abstentions to each proposal are set forth below. There were no broker non-votes with regard to these proposals.

A vote was taken at the Annual Meeting for the election of seven Directors of the Company to hold office until the next Annual Meeting of Stockholders of the Company and until their respective successors shall have been duly elected. The aggregate numbers of shares of Common Stock voted in person or by proxy for each nominee were as follows:

NOMINEE -----	FOR ---	AGAINST -----
Barry R. Banducci	5,825,002	498,375
William J. Abraham, Jr.	4,802,167	1,521,210
Philip Wm. Colburn	5,824,432	498,945
Charles E. Johnson	5,824,903	498,474
Paul R. Lederer	5,825,002	498,375
Sharon M. Oster	5,824,865	498,512
F. Alan Smith	5,824,570	498,807

A vote was taken at the Annual Meeting on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as auditors for the Company for the fiscal year ending December 31, 2001. The aggregate numbers of shares of Common Stock in person or by proxy which: (a) voted for, (b) voted against or (c) abstained from the vote upon such proposal were as follows:

FOR ---	AGAINST -----	ABSTAIN -----
6,289,438	8,672	25,267

Edgar Filing: TRANSPRO INC - Form 10-Q

The foregoing proposals are described more fully in the Company's definitive proxy statement dated March 29, 2001, filed with the Securities and Exchange Commission pursuant to Section 14 (a) of the Securities Act of 1934, as amended, and the rules and regulations promulgated thereunder.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a) Exhibits
- b) Reports on Form 8-K

On January 10, 2001, the Company filed a Current Report on Form 8-K announcing that the Company had entered into a Loan and Security Agreement with Congress Financial Corporation (New England), an affiliate of First Union Bank.

14

15

SIGNATURES

Pursuant to the requirements 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.

TRANSPRO, INC.
(Registrant)

Date: May 15, 2001 By: /s/ Charles E. Johnson
Charles E. Johnson
President, Chief Executive Officer
and Director

Date: May 15, 2001 By: /s/ Timothy E. Coyne
Timothy E. Coyne
Vice President, Treasurer, Secretary,
Controller and Chief Financial Officer
(Principal Financial and Accounting
Officer)

15