

FAIRCHILD CORP
Form 10-Q
November 30, 2007

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**For the Quarterly Period Ended December 31, 2006
Commission File Number 1-6560**

THE FAIRCHILD CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State of incorporation or organization)

34-0728587

(I.R.S. Employer Identification No.)

1750 Tysons Boulevard, Suite 1400, McLean, VA 22102

(Address of principal executive offices)

(703) 478-5800

(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 ninety (90) days: ☐ Yes ☒ No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer:

☐ Large accelerated file ☐ Accelerated filer ☒ Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

On October 31, 2007, the number of shares outstanding of each of the Registrant's classes of common stock was as follows:

Title of Class

22,604,835

**Class A Common Stock, \$0.10 Par
Value**

**Class B Common Stock, \$0.10 Par
Value**

2,621,338

**THE FAIRCHILD CORPORATION INDEX TO QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED DECEMBER 31, 2006**

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All references in this Quarterly Report on Form 10-Q to the terms “we,” “our,” “us,” the “Company” and “Fairchild” mean The Fairchild Corporation and its subsidiaries. All references to “fiscal” in connection with a year shall mean the 12 months ended September 30th.

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

ASSETS

	December 31, 2006 (Unaudited)	September 30, 2006
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 6,016	\$ 8,541
Short-term investments - unrestricted	34,694	50,510
Short-term investments - restricted	34,294	6,002
Accounts receivable-trade, less allowances of \$1,129 and \$1,083	33,515	16,927
Finished goods inventories, less reserves of \$15,573 and \$15,223	115,606	106,718
Prepaid expenses and other current assets	12,492	10,795
Total Current Assets	236,617	199,493
Property, plant and equipment, net of accumulated depreciation of \$26,778 and \$24,989	58,931	58,698
Goodwill	12,479	14,128
Amortizable intangible assets, net of accumulated amortization of \$1,815 and \$1,673	1,176	1,279
Unamortizable intangible assets	32,130	30,969
Prepaid pension assets	33,798	33,373
Deferred loan fees	2,839	3,170
Long-term investments - unrestricted	3,499	4,370
Long-term investments - restricted	36,559	60,949
Notes receivable	3,392	5,396
Other assets	2,884	3,304
TOTAL ASSETS	\$ 424,304	\$ 415,129

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2006 (Unaudited)	September 30, 2006
<u>CURRENT LIABILITIES:</u>		
Bank notes payable and current maturities of long-term debt	\$ 52,380	\$ 25,492
Accounts payable	31,632	26,325
Accrued liabilities:		
Salaries, wages and commissions	9,577	10,044
Insurance	7,378	7,357
Interest	892	1,810
Other accrued liabilities	30,142	28,304
Income taxes	1,175	2,314
Current liabilities of discontinued operations	-	62
Total Current Liabilities	133,176	101,708
<u>LONG-TERM LIABILITIES:</u>		
Long-term debt, less current maturities	41,410	65,450
Other long-term liabilities	32,161	31,750
Pension liabilities	40,157	40,622
Retiree health care liabilities	25,345	26,008
Deferred tax liability	4,714	4,530
Noncurrent income taxes	40,397	39,923
Noncurrent liabilities of discontinued operations	16,120	16,120
TOTAL LIABILITIES	333,480	326,111
Commitments and contingencies		
<u>STOCKHOLDERS' EQUITY:</u>		
Class A common stock, \$0.10 par value; 40,000 shares authorized, 30,480 shares issued and 22,605 shares outstanding; entitled to one vote per share	3,047	3,047
Class B common stock, \$0.10 par value; 20,000 shares authorized, 2,621 shares issued and outstanding; entitled to ten votes per share	262	262
Paid-in capital	232,618	232,612
Treasury stock, at cost, 7,875 shares of Class A common stock	(76,352)	(76,352)
Accumulated deficit	(19,175)	(15,680)
Notes due from stockholders	(43)	(43)
Accumulated other comprehensive loss	(49,533)	(54,828)
TOTAL STOCKHOLDERS' EQUITY	90,824	89,018
	\$ 424,304	\$ 415,129

**TOTAL LIABILITIES AND STOCKHOLDERS'
EQUITY**

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended December 31,	
	2006	2005
	(Unaudited)	
REVENUE:	(Restated)	
Net sales	\$ 60,386	\$ 51,310
Rental revenue	237	237
	60,623	51,547
COSTS AND EXPENSES:		
Cost of goods sold	38,010	32,088
Cost of rental revenue	60	56
Selling, general & administrative expense	36,279	29,042
Other income, net	(3,088)	(573)
Amortization of intangibles	138	128
	71,399	60,741
OPERATING LOSS	(10,776)	(9,194)
Interest expense	(5,050)	(2,986)
Interest income	1,119	348
Net interest expense	(3,931)	(2,638)
Investment income	1,196	928
Increase in fair market value of interest rate contract	-	836
Loss from continuing operations before taxes	(13,511)	(10,068)
Income tax (provision) benefit	(607)	13
Equity in earnings (loss) of affiliates, net	89	(41)
Loss from continuing operations	(14,029)	(10,096)
Loss from discontinued operations, net	(1,966)	(411)
Gain on disposal of discontinued operations, net	12,500	12,500
NET EARNINGS (LOSS)	\$ (3,495)	\$ 1,993
<u>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:</u>		
Loss from continuing operations	\$ (0.56)	\$ (0.40)
Loss from discontinued operations, net	(0.08)	(0.02)
Gain on disposal of discontinued operations, net	0.50	0.50
NET EARNINGS (LOSS) PER SHARE	\$ (0.14)	\$ 0.08
Weighted average shares outstanding:		
Basic and Diluted	25,226	25,226

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

THE FAIRCHILD CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended	
	December 31,	
	2006	2005
	(Unaudited)	
	(Restated)	
<u>Cash flows from operating activities:</u>		
Net earnings (loss)	\$ (3,495)	\$ 1,993
Depreciation and amortization		