

SOUTHWALL TECHNOLOGIES INC /DE/
Form 10-Q
August 10, 2007

**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 June 30, 2007

or

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

For the transition period from to

Commission File Number: 0-15930

SOUTHWALL TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-2551470

(I.R.S. Employer Identification Number)

3788 Fabian Way, Palo Alto, California

(Address of principal executive offices)

94303

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One).

Large accelerated filer

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

As of August 7, 2007, there were 27,819,622 shares of the registrant's Common Stock outstanding.

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SOUTHWALL TECHNOLOGIES INC.

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PART I. FINANCIAL INFORMATION

Item 1--Financial Statements:

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

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,937	\$ 5,524
Restricted cash	625	209
Accounts receivable, net of allowance for doubtful accounts of \$103 at June 30, 2007 and \$102 at December 31, 2006	6,529	3,608
Inventories, net	6,107	5,598
Other current assets	809	1,064
Total current assets	17,007	16,003
Property, plant and equipment, net	16,720	17,232
Restricted cash loans	1,139	1,111
Other assets	1,321	1,155
Total assets	\$ 36,187	\$ 35,501
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long term debt	\$ 1,079	\$ 1,059
Line of credit	3,000	2,996
Accounts payable	1,426	955
Accrued compensation	629	859
Government grants advanced	223	-
Other accrued liabilities	6,095	6,448
Total current liabilities	12,452	12,317
Term debt	8,214	8,568
Government grants advanced	-	220
Other long term liabilities	2,581	2,550
Total liabilities	23,247	23,655
Commitments and contingencies (Note 5)		
Series A 10% cumulative convertible preferred stock, \$0.001 par value; \$1.00 stated value; 5,000 shares authorized, 4,893 shares outstanding at June 30, 2007 and December 31, 2006, respectively (Liquidation preference: \$6,032 and \$5,788 at June 30, 2007 and December 31, 2006, respectively)	4,810	4,810

Stockholders' equity:

Common stock, \$0.001 par value per share; 50,000 shares authorized, 27,513 shares and 27,139 shares outstanding at June 30, 2007 and December 31, 2006, respectively

	28	27
Capital in excess of par value	78,378	78,081
Accumulated other comprehensive income:		
Accumulated translation adjustment	3,798	3,696
Accumulated deficit	(74,074)	(74,768)
Total stockholders' equity	8,130	7,036

Total liabilities, preferred stock and stockholders' equity	\$ 36,187	\$ 35,501
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See accompanying notes to unaudited condensed consolidated financial statements.

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

Three months ended
June 30,

Six months ended