

SUPERMEDIA INC.
Form 8-K
May 13, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):

May 11, 2011

SUPERMEDIA INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

1-32939
(Commission File Number)

20-5095175
(I.R.S. Employer
Identification Number)

2200 West Airfield Drive, P.O. Box 619810, DFW Airport, Texas 75261

(Address of Principal Executive Offices)

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(972) 453-7000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.07. Submission of Matters to a Vote of Security Holders.

SuperMedia Inc. (the Company) held its annual meeting of stockholders on May 11, 2011. The stockholders of the Company voted on the following four items:

1. the election of ten directors to the Company's Board of Directors to hold office until the 2012 annual meeting of stockholders;
2. the approval of the Company's executive compensation;
3. the frequency of advisory votes on executive compensation; and
4. the ratification of the appointment of Ernst & Young LLP to serve as the Company's independent public accounting firm for fiscal year 2011.

The final voting results were as follows:

	Number of shares outstanding on the record date	Total shares present in person or by proxy
Common Stock	15,519,468	11,512,388

Proposal 1. Each of the directors listed below was re-elected as a director of the Company. The nominees for director were elected based on the following votes:

Director	Votes For	Votes Withheld	Broker Non-Votes
Totals	8,092,103	82,564	3,337,721
Edward J. Bayone	8,061,903	112,764	
Robert C. Blattberg	8,090,048	84,619	
Charles B. Carden	8,090,048	84,619	
Robin Domeniconi	8,061,867	112,800	
Thomas D. Gardner	8,091,503	83,164	
David E. Hawthorne	8,091,503	83,164	
Peter J. McDonald	8,091,867	82,800	
Thomas S. Rogers	8,032,266	142,401	

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John Slater	8,092,103	82,564
Douglas D. Wheat	8,091,803	82,864

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Proposal 2. The proposal to approve, on an advisory basis, the executive compensation of the Company's named executive officers, as disclosed in the proxy statement dated March 25, 2011, received the following votes:

Votes for approval	7,545,320
Votes for approval as a percentage of votes cast	92.30%
Votes against approval	600,640
Abstentions	28,707
Broker Non-Votes	3,337,721

Proposal 3. The proposal to approve, on an advisory basis, the option of every one year as the frequency with which stockholders will be provided an advisory vote on executive compensation, received the following votes:

Votes for one year	7,687,848
Percentage of shares voted for one year	94.04%
Votes for every two years	6,126
Percentage of shares voted for every two years	0.07%
Votes for every three years	373,523
Percentage of shares voted for every three years	4.56%
Abstentions	107,170
Broker Non-Votes	3,337,721

In accordance with the results of this vote, the Company's Board of Directors determined to implement an advisory vote on executive compensation every year until the next required vote on the frequency of shareholder votes on the compensation of executives, which is scheduled to occur at the 2012 annual meeting of stockholders.

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Proposal 4. The proposal to ratify the appointment of Ernst & Young LLP (EY) to serve as the Company s independent registered public accounting firm for fiscal 2011 received the following votes:

Votes for ratifying the appointment of EY	11,324,026
Votes for ratifying the appointment of EY as a percentage of votes cast	98.36%
Votes against ratifying the appointment of EY	167,536
Abstentions	20,826

SIGNATURE

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 hereunto duly authorized.

SUPERMEDIA INC.

By: /s/ Cody Wilbanks
Name: Cody Wilbanks
Title: Executive Vice President
General Counsel and Secretary

Date: May 13, 2011

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Weighted average

Common shares

Outstanding

12,624,959

12,621,003

12,624,959

	12,578,490
Dilutive effect of Stock options	--
	644,261
	264,216
	674,138
Total Shares	12,624,959
	13,265,264
	12,889,175
	13,252,268
Diluted EPS	\$ (0.01)
	\$ 0.01
	\$ 0.00
	\$ 0.09

(4) Share-Based Payments

The Company maintains a stock incentive plan (the "Plan"), which is described more fully in Note 5 to the financial statements in the 2008 Annual Report filed on Form 10-K. The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. That cost is recognized over the period during which an employee is required to provide services in exchange for the award, the requisite service period (usually the vesting period). The Company provides an estimate of forfeitures at initial grant date. There were no shares granted under the Plan during the quarter ended September 26, 2009 and there were 8,000 shares granted under the Plan during the quarter ended September 27, 2008. During the three and nine months ended September 26, 2009, the Company recognized \$1,154 and \$6,926, respectively, as share-based compensation expense related to previously granted shares under the Plan. During the three and nine months ended September 27, 2008, the Company recognized (\$5,106), a \$5,894 expense and a recovery of \$11,000, and \$17,148 respectively as share-based compensation expense related to previously granted shares under the Plan.

(5) Inventories

Inventories consist of the following:

September 26,	December 27,
2009	2008

Raw materials	\$ 373,181	\$ 246,614
Work in process	557,989	499,964
Finished goods	1,090,009	943,122
	-----	-----
Inventories	\$ 2,021,179	\$ 1,689,700
	=====	=====

(6) Accrued Expenses

Accrued expenses consist of the following:

	September 26, 2009	December 27, 2008
	-----	-----
Accrued legal and accounting	\$ 57,113	\$ 56,572
Accrued payroll	253,311	393,871
Accrued other	143,391	97,789
Accrued income tax payable	4,302	132,475
	-----	-----
	\$ 458,117	\$ 680,707
	=====	=====

(7) Line of Credit and Equipment Lease Facility Agreements

In April 2005, the Company entered into line of credit and equipment lease agreements with Sovereign Bank. The line of credit is secured by the accounts receivable and other assets of the Company and has an interest rate of prime plus one percent (1%), subject to the Company complying with certain covenants. The line of credit has a limit of \$1 million, a one year term and has been extended to May 2010. As of September 26, 2009 there were no borrowings under the line of credit.

The equipment lease facility allows the Company to lease up to \$1 million of eligible capital equipment from Sovereign Bank. As of September 26, 2009, the Company has leased capital equipment with a net carrying value of \$894 thousand from Sovereign Bank under the lease facility agreement. In May 2009 Sovereign Bank replaced the equipment lease facility with an equipment financing facility with financial terms identical to the equipment financing facility. This equipment financing facility allows the Company to finance up to \$1 million of eligible capital equipment through Sovereign Bank, in addition to the equipment already leased under the equipment leasing facility. As of September 26, 2009, the Company had no equipment financed on the equipment financing facility and has \$1 million of availability for future use under the equipment financing facility.

(8) Income Taxes

At December 27, 2008, the Company had approximately \$4,900,000 of net operating loss carryforwards available to offset income for U.S. Federal income tax purpose. The Company has established a valuation allowance against this and its other deferred tax assets.

The Company recorded a tax provision (benefit) of (\$3,400) and \$600 for federal income taxes for the three and nine months ended September 26, 2009, respectively. This provision is based on the federal corporate alternative minimum tax rate rather than the statutory graduated tax rates. The Company believes it will be able to use net operating loss carryforwards to offset federal taxes, other than the corporate alternative minimum tax, in fiscal 2009.

The Company reduced the valuation allowance against deferred tax assets at the end of 2008 resulting in a deferred tax asset account of \$843,155 on the Company's balance sheet as of year-end 2008. The Company will continue to consider the need and amount of the valuation allowance against the deferred tax assets based upon its ongoing assessment of historical and projected taxable income.

The Company recorded a tax provision (benefit) of (\$4,800) and \$9,200 for state income taxes during the three and nine months ended September 26, 2009, respectively.

ITEM 2 MANagements DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations is based upon and should be read in conjunction with the financial statements of the Company and notes thereto included in this report and the Company's Annual Report on Form 10-K for the year ended December 27, 2008.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties. There are a number of factors that could cause the Company's actual results to differ materially from those forecasted or projected in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or changed circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Critical Accounting Policies

The critical accounting policies utilized by the Company in preparation of the accompanying financial statements are set forth in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 27, 2008, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". There have been no material changes to these policies since December 27, 2008.

Overview

CPS Technologies Corporation (the "Company" or "CPS") provides advanced material solutions to the electronics, power generation, automotive and other industries. In 2008 the Company also entered into a cooperative agreement with the U.S. Army to further develop its composite technology to produce armor.

The Company's products are generally used in high-power, high-reliability applications. These applications always involve energy use or energy generation and the Company's products allow higher performance and improved energy efficiency. The Company is an important participant in the growing movement towards alternative energy and "green" lifestyles. For example, the Company's products are used in mass transit, hybrid and electric cars, wind-turbines for electricity generation as well as routers and switches for the internet which in turn allows telecommuting.

Our primary advanced material solution is metal matrix composites (MMCs), a new class of materials which are a combination of metal and ceramic. CPS has a leading, proprietary position in metal matrix composites. Metal matrix composites have several superior properties compared to conventional materials including improved thermal conductivity, thermal expansion matching, stiffness and light weight which enable higher performance and higher reliability in our customers' products.

Like plastics several decades ago, we believe metal-matrix composites will penetrate many end markets over many years. CPS management believes our business model of providing advanced material solutions to a portfolio of high growth end markets which are, at any point in time, in various stages of the technology adoption lifecycle, provides CPS with the opportunity for sustained growth and a diversified customer base. We believe we have validated this model as we are now supplying customers at all stages of the technology adoption lifecycle.

CPS is the leader in supplying metal matrix composites to certain high growth electronics end markets which are well along in the adoption lifecycle and therefore generating significant demand. These end markets include high-performance integrated circuits and circuit boards used in internet switches and routers, as well as motor controllers used in high-speed electric trains, subway cars and wind turbines. CPS supplies heat spreaders, lids and baseplates to customers in these end markets. CPS is a fully qualified manufacturer for many of the world's largest electronics OEMs.

CPS also assembles housings and packages for hybrid circuits. These housings and packages may include components made of metal-matrix composites; they may include components made of more traditional materials such as aluminum, copper-tungsten, etc.

Concurrently, CPS is participating in certain end markets that are at an earlier stage of the adoption lifecycle. Management believes these end markets will generate additional growth longer-term. An example of such an end market is motor controllers for hybrid automobiles and trucks.

We are also actively working with customers in end markets at the beginning stages of the adoption lifecycle. An example of such a market is the market for armor. In 2008 the Company entered into a cooperative agreement with the Army Research Laboratory ("ARL") to further develop large hybrid metal matrix composite modules which integrally combine metal matrix composites and ceramics by enveloping ceramic tiles with MMCs. This system offers a lighter weight, durable, multi-hit capable and cost competitive alternative to conventional steel, aluminum and ceramic based armor systems. CPS hybrid hard face armor modules are comprised of multiple materials completely enveloped within and mechanically and chemically bonded to lightweight and stiff aluminum metal matrix composites.

The Company believes that its hybrid hard face armor tiles will find application in many military vehicles as well as armored commercial vehicles.

Our products are manufactured by proprietary processes we have developed including the Quickset™ Injection Molding Process ("Quickset Process") and the QuickCast™ Pressure Infiltration Process ("QuickCast Process").

CPS was incorporated in Massachusetts in 1984 as Ceramics Process Systems Corporation and reincorporated in Delaware in April 1987 through a merger into a wholly-owned Delaware subsidiary organized for purposes of the reincorporation. In July 1987, CPS completed our initial public offering of 1.5 million shares of our Common Stock. In March 2007, we changed our name from Ceramics Process Systems Corporation to CPS Technologies Corporation.

Results of Operations for the Third Fiscal Quarter of 2009 (Q3 2009) Compared to the Third Fiscal Quarter of 2008 (Q3 2008)

Total revenue was \$2,864 thousand in Q3 2009, a 20% decrease from total revenue of \$3,580 thousand in Q3 2008. The 20% decrease in revenues in Q3 2009 compared to Q3 2008 primarily reflects reduced customer demand due to the continuing challenging external economic environment. Customer demand declined in all product families; this decline was somewhat offset by revenues from the Company's Cooperative Agreement with the Army Research Laboratory entered into in Q3 2008.

Total operating expenses in Q3 2009 were \$2,997 thousand, a 12% decrease from total operating expenses in Q3 2008 of \$3,400 thousand. Cost of product sales in Q3 2009 were \$2,145 thousand, a 23% decrease from cost of product sales in Q3 2008 of \$2,787 thousand. Although management carefully controlled expenses during Q3 2009, the decline in operating expenses was, in percentage terms, less than the decline in revenues due to fixed costs being spread over a smaller base.

The gross profit on product sales in Q3 2009 was 12% compared to gross profit on product sales in Q3 2008 of 22%. The gross margin decline is primarily due to fixed costs being spread over a smaller base in Q3 2009. The ARL Cooperative Agreement is a cost-share Agreement; the Army funds 95% of the Agreement costs; CPS funds 5% of the Agreement costs.

Selling, general and administrative (SG&A) expenses were \$449 thousand in Q3 2009, a 27% decrease from SG&A expenses of \$613 thousand in Q3 2008. The decrease in SG&A expenses is primarily the result of decreased commissions paid to sales representatives due to decreased shipments in territories in which the Company has commissioned representatives.

Results of Operations for the First Nine Months of 2009 Compared to the First Nine Months of 2008

Total revenue was \$9,519 thousand in the first nine months of 2009, a 17% decrease from total revenue of \$11,468 thousand in the first nine months of 2008. The decrease in revenue in the first nine months of 2009 compared to 2008 reflects primarily the continuing challenging external economic environment.

Total operating expenses in the first nine months of 2009 were \$9,456 thousand, a 7% decrease from total operating expenses of \$10,151 in the first nine months of 2008. Cost of product sales in the first nine months of 2009 were \$6,594 thousand, a 20% decrease from cost of product sales of \$8,242 thousand in the first nine months of 2008. Cost of product sales decreased primarily as a result of decreased unit shipments. Although management carefully controlled expenses during the first nine months of 2009, the decline in operating expenses was, in percentage terms, less than the decline in revenues due primarily to fixed costs being spread over a smaller base.

Gross profit on product sales in the first nine months of 2009 was 19% compared to gross profit on product sales of 28% in the first nine months of 2008. This decrease in gross margin is the result of lower labor utilization related to reduced demand and fixed costs being spread over a smaller base.

Selling, general and administrative (SG&A) expenses were \$1,545 thousand in the first nine months of 2009, a 19% decrease from SG&A expenses of \$1,909 thousand in the first nine months of 2008. The decrease in SG&A expenses is primarily the result of lower commissions paid to sales representatives and lower sales promotion expenses.

Liquidity and Capital Resources

The Company's cash and cash equivalents at September 26, 2009 were \$1,236 thousand, compared to cash and cash equivalents at December 27, 2008 of \$1,158 thousand, an increase of \$78 thousand or 6%. Cash increased as a result of timing of collections and management carefully controlling expenses. The Company expects that the quarter-end cash balance will fluctuate in future quarters as revenues fluctuate, and as the Company assesses the condition of economy.

Accounts receivable declined to \$2,097 thousand at September 26, 2009 from \$2,139 thousand at December 27, 2008. This change reflects the size and timing of shipments and collections in Q3 2009 compared to Q4 2008; there has been no significant change in days sales outstanding. The accounts receivable balance at September 26, 2009 and December 27, 2008 is net of allowance for doubtful accounts of \$13 thousand and \$5 thousand, respectively.

Inventories increased to \$2,021 thousand at September 26, 2009 from \$1,690 thousand at December 27, 2008. Raw materials inventory increased primarily due to purchased components used in the Company's hermetic packaging product line; work-in-process inventory increased due to product mix changes; finished goods inventory increased due to the timing of shipments.

All consigned inventory is shipped under existing purchase orders and per customers' requests. Of the total finished goods inventory of \$1,090 thousand at September 26, 2009, \$379 thousand was located at customers' locations pursuant to consigned inventory agreements. Of the total finished goods inventory of \$943 thousand at December 27, 2008, \$630 thousand was located at customers' locations pursuant to consigned inventory agreements.

The Company financed its working capital during Q3 2009 and the nine months ended September 26, 2009 with existing cash balances and funds generated by operations. The Company expects it will continue to be able to fund its working capital requirements for the remainder of 2009 from these same sources.

The Company continues to sell to a limited number of customers and the loss of any one of these customers could cause the Company to require additional external financing. Failure to generate sufficient revenues, raise additional capital or reduce certain discretionary spending could have a material adverse effect on the Company's ability to achieve its business objectives.

Contractual Obligations

In April 2005, the Company entered line of credit and equipment lease agreements with Sovereign Bank. The line of credit is a revolving credit facility allowing the Company to borrow up to 80% of eligible accounts receivable, up to a maximum of \$1 million, subject to the Company complying with certain covenants. The line of credit has a one-year term. As of September 26, 2009 there were no borrowings under the line of credit. In May 2009 the term was extended for one year to May 2010.

The equipment lease facility allows the Company to lease up to \$1 million of eligible capital equipment. As of September 26, 2009, the Company has leased capital equipment with a carrying value of \$894 thousand from Sovereign Bank under the lease facility agreement. In May 2009 Sovereign Bank replaced the equipment lease facility with an equipment financing facility with financial terms identical to the equipment financing facility. This equipment financing facility allows the Company to finance up to \$1 million of eligible capital equipment through Sovereign Bank, in addition to the equipment already leased under the equipment leasing facility. As of September 26, 2009, the Company had no equipment financed on the equipment financing facility and has \$1 million of availability for future use under the equipment financing facility.

As of September 26, 2009 production equipment included \$42 thousand of construction in progress and the Company had \$153 thousand in outstanding commitments to purchase production equipment supporting activities associated with the ARL Cooperative Agreement. The Company intends to finance production equipment in construction in progress with existing cash balances and funds generated by operations.

In July 2006 the Company entered into a lease for its current operating facilities of approximately 37,520 square feet of rentable space located on approximately seven acres at its current site in Norton, MA. The term of the lease is ten years. The lease is a triple net lease wherein the Company is responsible for payment of all real estate taxes, operating costs and utilities. The Company also has an option to buy the property and a first right of refusal during the term of the lease. Annual rental payments are \$100 thousand in year one increasing to \$150 thousand in year ten.

The Company's contractual obligations at September 26, 2009 consist of the following:

	<u>Total</u>	<u>Payments Due by Period</u>			
		Remaining in <u>FY 2009</u>	FY 2010 - <u>FY 2012</u>	FY 2013 - <u>FY 2015</u>	FY 2016 and <u>beyond</u>
Capital lease obligations including interest	\$ 672,093	\$ 104,425	\$ 567,668	\$ --	\$ --
Purchase commitments for production equipment	\$ 153,365	\$ 153,365	\$ --	\$ --	\$ --
Operating lease obligation for facilities at 111 South Worcester Street, Norton, MA.	\$ 892,500	\$ 30,000	\$ 385,000	\$ 290,000	\$ 187,500

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not significantly exposed to the impact of interest rate changes or foreign currency fluctuations. The Company has not used derivative financial instruments.

ITEM 4 CONTROLS AND PROCEDURES

(a) The Company's Chief Executive Officer and Principal Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d - 14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Form 10-Q (the "Evaluation Date"). Based on such evaluation, such officer has concluded that, as of the Evaluation Date, 1) the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports the Company files under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and 2) the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None.

ITEM 1A RISK FACTORS

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There have been no material changes to the risk factors as discussed in our 2008 Form 10-K

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5 OTHER INFORMATION

Not applicable.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibits:

Exhibit 31.1 Certification Of Chief Executive Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002

Exhibit 31.2 Certification Of Chief Financial Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002

Exhibit 32.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002

b. Reports on Form 8-K

On November 10, 2009 the Company filed a report on Form 8-K relating to the announcement of its financial results for the quarter ended September 26, 2009 as presented in a press release dated November 9, 2009.

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.

CPS TECHNOLOGIES CORPORATION

(Registrant)

Date: November 10, 2009

/s/ Grant C. Bennett

Grant C. Bennett

President