

INDUSTRIAL SERVICES OF AMERICA INC /FL  
Form 10-Q  
August 19, 2013

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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

For the quarterly period ended June 30, 2013

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 0-20979

INDUSTRIAL SERVICES OF AMERICA, INC.

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(Exact Name of Registrant as specified in its Charter)

Florida

59-0712746

(State or other jurisdiction of Incorporation or  
Organization)

(IRS Employer Identification No.)

7100 Grade Lane, PO Box 32428

Louisville, Kentucky 40232

(Address of principal executive offices)

(502) 368-1661

(Registrant's Telephone Number, Including Area Code)

Check 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 16, 2013:  
7,069,267.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES  
TABLE OF CONTENTS

	Page No.
<u>Part I</u> <u>Financial Information</u>	
<u>Condensed Consolidated Balance Sheets - June 30, 2013 (Unaudited) and December 31, 2012</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations - Three and Six Months Ended June 30, 2013 and 2012 (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2013 and 2012 (Unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Shareholders' Equity - Six Months Ended June 30, 2013 (Unaudited)</u>	<u>7</u>
<u>Condensed Consolidated Statements of Cash Flows - Six Months Ended June 30, 2013 and 2012 (Unaudited)</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>9</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Part II</u> <u>Other Information</u>	<u>32</u>

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## PART I – FINANCIAL INFORMATION

## ITEM 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

## INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

## ASSETS

	June 30, 2013 (Unaudited) (in thousands)	December 31, 2012
Current assets		
Cash and cash equivalents	\$1,472	\$1,926
Income tax receivable	1,595	1,437
Accounts receivable – trade (after allowance for doubtful accounts of \$100.0 thousand in 2013 and 2012)	11,274	13,344
Inventories	18,144	16,529
Deferred income taxes	55	276
Prepaid expenses	281	330
Employee loans	6	5
Total current assets	32,827	33,847
Net property and equipment	22,866	24,210
Other assets		
Intangible assets, net	3,776	4,275
Deferred income taxes	1,464	870
Deposits	303	121
Total other assets	5,543	5,266
Total assets	\$61,236	\$63,323

See accompanying notes to consolidated financial statements.

3

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## INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
CONTINUED

## LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2013 (Unaudited) (in thousands, except par value and share information)	December 31, 2012
Current liabilities		
Current maturities of long-term debt	\$22,500	\$1,687
Accounts payable	7,711	6,408
Interest rate swap liability	131	250
Redeemable securities	500	—
Other current liabilities	392	374
Total current liabilities	31,234	8,719
Long-term liabilities		
Long-term debt	—	23,369
Total long-term liabilities	—	23,369
Shareholders' equity		
Common stock, \$0.0033 par value: 10,000,000 shares authorized; 7,192,479 shares issued in 2013 and 2012; 7,069,267 and 6,944,267 shares outstanding in 2013 and 2012, respectively	24	24
Additional paid-in capital	18,149	18,281
Retained earnings	12,085	13,437
Accumulated other comprehensive loss	(79)	(150)
Treasury stock at cost, 123,212 and 248,212 shares in 2013 and 2012, respectively	(177)	(357)
Total shareholders' equity	30,002	31,235
Total liabilities and shareholders' equity	\$61,236	\$63,323

See accompanying notes to consolidated financial statements.

4

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenue from services	\$1,366	\$1,023	\$2,311	\$2,308
Revenue from product sales	38,757	48,829	72,570	109,222
Total revenue	40,123	49,852	74,881	111,530
Cost of goods sold for services	1,302	944	2,184	2,137
Cost of goods sold for product sales	37,474	47,548	69,309	104,530
Total cost of goods sold	38,776	48,492	71,493	106,667
Provision for employee terminations and severances	—	17	—	228
Other selling, general and administrative expenses	2,698	2,682	5,145	5,443
Total selling, general and administrative expenses	2,698	2,699	5,145	5,671
Loss before other income (expense)	(1,351	) (1,339	) (1,757	) (808
Other income (expense)				
Interest expense	(609	) (515	) (1,068	) (1,054
Interest income	1	3	2	6
Gain on sale of assets	21	16	38	35
Gain on lawsuit settlement	—	—	625	—
Other income, net	—	—	9	—
Total other expense	(587	) (496	) (394	) (1,013
Loss before income taxes	(1,938	) (1,835	) (2,151	) (1,821
Income tax benefit	(700	) (596	) (799	) (590
Net loss	\$(1,238	) \$(1,239	) \$(1,352	) \$(1,231
Basic loss per share	\$(0.18	) \$(0.18	) \$(0.19	) \$(0.18
Diluted loss per share	\$(0.18	) \$(0.18	) \$(0.19	) \$(0.18
Weighted shares outstanding:				
Basic	7,069	6,944	7,007	6,942
Diluted	7,069	6,944	7,007	6,942

See accompanying notes to consolidated financial statements.

INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
 (UNAUDITED)

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(in thousands)		(in thousands)	
Net loss	\$ (1,238	) \$ (1,239	) \$ (1,352	) \$ (1,231
Other comprehensive income:				
Unrealized income on derivative instruments, net of tax	33	17	71	60
Comprehensive loss	\$ (1,205	) \$ (1,222	) \$ (1,281	) \$ (1,171

See accompanying notes to consolidated financial statements.

6

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## INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
 SIX MONTHS ENDED JUNE 30, 2013  
 (UNAUDITED)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Cost	
(in thousands, except share information)								
Balance as of December 31, 2012	7,192,479	\$24	\$18,281	\$13,437	\$(150)	(248,212)	\$(357)	\$31,235
Unrealized income on derivative instruments, net of tax	—	—	—	—	71	—	—	71
Stock options	—	—	48	—	—	—	—	48
Redeemable securities issued to Blue Equity, LLC	—	—	(180)	—	—	125,000	180	—
Net loss	—	—	—	(1,352)	—	—	—	(1,352)
Balance as of June 30, 2013	7,192,479	\$24	\$18,149	\$12,085	\$(79)	(123,212)	\$(177)	\$30,002

See accompanying notes to consolidated financial statements.

7

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INDUSTRIAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
 (UNAUDITED)

	2013		2012	
	(in thousands)			
Cash flows from operating activities				
Net loss	\$(1,352	)	\$(1,231	)
Adjustments to reconcile net loss to net cash from operating activities:				
Depreciation and amortization	2,053		2,236	
Stock expense - bonuses and options	48		84	
Deferred income taxes	(421	)	(1,431	)
Gain on sale of property and equipment	(38	)	(35	)
Gain on lawsuit settlement	(625	)	—	
Change in assets and liability				
Receivables	2,070		3,354	
Net investment in sales-type leases	—		19	
Inventories	(1,615	)	(9,011	)
Income tax receivable	(158	)	3,081	