SYNCHRONOSS TECHNOLOGIES INC
Form 4
July 31, 2013

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Hilbert Paula J

(Last) (First) (Middle)

200 CROSSING BLVD., EIGHTH FLOOR

(Street)

BRIDGEWATER, NJ 08807

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SYNCHRONOSS TECHNOLOGIES INC [SNCR]

3. Date of Earliest Transaction (Month/Day/Year)
07/29/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	07/29/2013		S		157 (1)	D	$ 30.45	25,886	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Hilbert Paula J 200 CROSSING BLVD. EIGHTH FLOOR BRIDGEWATER, NJ 08807			Executive Vice President	

Signatures

/s/ Paula J. Hilbert	07/31/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) All of the sales reported on this Form were effected pursuant to an approved Rule 10b5-1 trading plan. Represents sale to cover vesting of shares of Restricted Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Accounts payable	$ 16,923	$ 17,938
Accrued liabilities	5,160	5,259
Current portion of long-term debt	3,942	4,090
Total current liabilities	26,025	27,287

Long-term debt	46,010	43,979
Deferred income tax liability	9,266	10,209
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock, $.01 par value, 12,000,000 shares authorized, 7,073,723 shares issued and outstanding	71	71
Additional paid-in capital	35,732	35,732
Retained earnings	11,243	12,845
Total stockholders' equity	47,046	48,648
Total liabilities and stockholders' equity	$ 128,347	$ 130,123
	======	======

The accompanying notes are an integral part of the consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended July 31, 2001, 2000 and 1999
(Dollars and shares in thousands, except per share amounts)

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	2001	2000	1999
Net sales	$ 151,760	$ 144,941	$ 138,581
Cost of sales	135,854	125,573	117,228
Gross profit	15,906	19,368	21,353

Selling, general and administrative expenses	13,767	15,622	15,789
Special item: asset write-off	-	1,400	-
Income from operations	2,139	2,346	5,564
Interest expense	4,731	3,992	2,552
Income (loss) before income taxes	(2,592)	(1,646)	3,012
Provision (benefit) for income taxes	(990)	(621)	1,136
Net income (loss)	$ (1,602)	$ (1,025)	$ 1,876
	======	======	======
Net income (loss) per share:			
Basic	$ (.23)	$ (.14)	$ .26
	======	======	======
Diluted	$ (.23)	$ (.14)	$ .26
	======	======	======
Weighted average shares outstanding:			
Basic	7,074	7,074	7,135
	======	======	======
Diluted	7,074	7,074	7,139
	======	======	======

The accompanying notes are an integral part of the consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
For the Years Ended July 31, 2001, 2000 and 1999
(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders Equity
Balances, July 31, 1998	$ 72	$ 36,179	$ 11,994	$ 48,245
Purchases of common stock	(1)	(447)	-	(448)
Net income	-	-	1,876	1,876
Balances, July 31, 1999	71	35,732	13,870	49,673
Net loss	-	-	(1,025)	(1,025)
Balances, July 31, 2000	71	35,732	12,845	48,648
Net loss	-	-	(1,602)	(1,602)
Balances, July 31, 2001	$ 71	$ 35,732	$ 11,243	$ 47,046
	=====	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended July 31, 2001, 2000 and 1999
(Dollars in thousands)

	2001	2000	1999
Cash flows from operating activities:			
Net income (loss)	$ (1,602)	$ (1,025)	$ 1,876

Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	6,188	5,910	5,158
(Gain) loss on write-off and disposition of property, plant and equipment	(202)	1,417	(10)
Deferred tax expense (benefit)	(1,070)	(787)	1,069
(Increase) decrease in:			
Accounts receivable	(1,863)	(1,335)	2,211
Inventories	2,414	(4,498)	(3,010)
Prepaid expenses	(283)	(146)	(84)
Increase (decrease) in:			
Accounts payable	(179)	4,335	2,907
Accrued liabilities	(183)	307	(1,536)
Net cash provided by operating activities	3,220	4,178	8,581
Cash flows from investing activities:			
Capital expenditures	(6,487)	(10,462)	(12,555)
Proceeds from sale of property, plant and equipment	1,038	107	21
(Increase) decrease in other assets	12	(98)	(340)
Net cash used in investing activities	(5,437)	(10,453)	(12,874)
Cash flows from financing activities:			
Proceeds from long-term debt	137,862	125,100	132,960
Principal payments on long-term debt	(135,979)	(117,672)	(126,495)
Debt Issue Costs	(140)	-	-
Purchases of common stock	-	-	(448)
Increase (decrease) in book overdrafts	(170)	300	(1,810)
Net cash provided by financing activities	1,573	7,728	4,207
Net increase (decrease) in cash	(644)	1,453	(86)
Cash, beginning of period	1,633	180	266

Cash, end of period	$ 989	$ 1,633	$ 180
	======	======	======
Supplemental disclosure of cash flow information:			
Interest paid, net of amount capitalized of $375, $313, and $437 in 2001, 2000 and 1999, respectively	$ 4,816	$ 3,834	$ 2,664
	======	======	======
Income taxes paid	$ 150	$ 216	$ 467
	======	======	======

The accompanying notes are an integral part of the consolidated financial statements.

WEBCO INDUSTRIES INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION -

The consolidated financial statements include the accounts of Webco Industries, Inc. ("Webco" or together with its subsidiary, the "Company") and its wholly owned subsidiary Phillips & Johnston, Inc. ("P&J"), a Chicago based sales organization and value-added processor of tubular products. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

NATURE OF OPERATIONS

- Webco is a specialty manufacturer of high-quality carbon and stainless steel tubing products designed to industry and customer specifications. Webco's tubing products consist primarily of: heat exchanger and welded carbon boiler tubing, stainless tube and pipe, and specialty carbon mechanical tubing for use in consumer durable and capital goods. The Company's subsidiary, P&J, represents several manufacturers who produce various non-competing mechanical and specialty tubular products made from copper, brass, aluminum and stainless and carbon steel, among others. This access to other tubing products allows the Company to better serve its customers by offering a full range of tubing products. Through its QuikWater division, the Company manufactures and markets a patented direct contact water heater for commercial and industrial applications. The Company, headquartered in Sand Springs, Oklahoma, has three production facilities in Oklahoma and Pennsylvania and five distribution facilities in Oklahoma, Texas, Illinois and Michigan, serving more than 1,100 customers throughout North America.

CONCENTRATIONS -

The Company maintains its cash in bank deposit accounts, which at times may exceed the federal insurance limits. As of July 31, 2001 and 2000, the Company had cash in banks totaling $886,000 and $1,558,000, respectively, in excess of federal depository insurance limits, respectively. The Company has not experienced any losses on such accounts in the past.

ACCOUNTS RECEIVABLE

- Accounts receivable represent short-term credit granted to the Company's customers for which collateral is generally not required. Accounts receivable at July 31, 2001 and 2000, are net of an allowance for uncollectible amounts of $620,000 and $237,000, respectively. Credit risk on receivables is considered by management to be limited due to the variety of industries served and geographic dispersion of customers.

INVENTORIES

- The Company values its inventories at the lower of cost or market. Cost for raw materials, work-in-process, finished goods and maintenance parts and supplies are determined on the weighted average cost method. Inventories at July 31, 2001 and 2000 are net of reserves for obsolescence of $853,000 and $566,000, respectively.

PROPERTY, PLANT AND EQUIPMENT

- Property, plant and equipment, including tooling, is stated at historical cost and includes interest capitalized on major construction projects. Gains or losses on sales and retirements of property are reflected in operations. Depreciation is computed using the straight-line method over the following estimated useful lives: buildings and improvements - 10 to 40 years, machinery and equipment - 3 to 25 years, computer equipment and software 3 to 7 years, and furniture and fixtures - 3 to 10 years. Repair and maintenance costs are expensed as incurred.

Depreciation expense for the years ended July 31, 2001, 2000 and 1999, amounted to $6,188,000, $5,697,000 and $4,817,000, respectively. Fully depreciated assets still in use at July 31, 2001 and 2000, amounted to $13,179,000 and $11,719,000, respectively.

BOOK OVERDRAFTS

- Included in accounts payable at July 31, 2001 and 2000, are outstanding checks in excess of bank deposits totaling $289,000 and $459,000, respectively.

ACCOUNTING FOR CERTAIN LONG-LIVED ASSETS

The Company evaluates its assets for impairment in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"("SFAS 121"). The Company reviews its long-lived assets (including intangibles) for impairment based on estimated future non-discounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values (Note 4).

ACCOUNTING ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION -

The Company recognizes revenue at the date products are shipped or at the date services are completed.

In fiscal year 2001, the Company changed its accounting for freight expense to include it as a cost of sales rather than as a reduction of revenue. Net Sales and Cost of Sales for each of the fiscal years 2000 and 1999 have been adjusted in the accompanying statements of operations to conform to the new presentation. The amounts reclassified for 2000 and 1999 were $4,021,000 and $3,837,000, respectively. This reclassification had no effect on gross profit or net income(loss) for either period.

EARNINGS PER SHARE

- Earnings per share are calculated based on the number of weighted average common shares outstanding, including the effect of dilutive options when applicable, in accordance with the computation, presentation and disclosure requirements of Financial Accounting Standards Board Statement No. 128, "Earnings Per Share" ("SFAS No. 128").

INCOME TAXES

- The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). The provisions of SFAS No. 109 require the recording of deferred tax assets and liabilities to reflect the expected tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end.

2. INVENTORIES

Inventories at July 31, 2001 and 2000, consisted of the following:

	2001	2000
	(Dollars in Thousands)	
Raw materials	$ 11,269	$ 17,708
Work-in-process	1,908	2,155
Finished goods	17,558	13,469
Maintenance parts and supplies	2,616	2,433
Total inventories	$ 33,351	$ 35,765
	=====	=====

3. PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at July 31, 2001 and 2000, consisted of the following:

	2001	2000

	(Dollars in Thousands)	
Land	$ 1,247	$ 1,436
Buildings and improvements	18,432	19,077
Machinery and equipment	81,496	70,531
Computer equipment and software	9,341	9,259
Furniture and fixtures	1,225	1,208
Construction in progress	416	5,832
	112,157	107,343
Less accumulated depreciation and amortization	45,067	39,276
Net property, plant and equipment	$ 67,090	$ 68,067
	=====	=====

4. SPECIAL ITEM: ASSET WRITE-OFF

The Company periodically reviews the recorded value of its long-lived assets to determine if the future cash flows to be derived from these assets will be sufficient to recover the remaining recorded asset values. In accordance with SFAS 121 during the fourth quarter of fiscal 2000, based upon a review of the Company s long-lived assets, the Company recorded a non-cash charge of $1.4 million. This included a $986,000 pre-tax charge related to the write-off of the recorded asset values of certain QuikWater fixed assets that were still being used in operations as of July 31, 2000, along with unamortized patent and goodwill costs. Also included was a $414,000 pre-tax charge related to the write-down of certain tubing equipment that the Company anticipates selling. The Company considers continued operating losses and significant and long-term changes in industry conditions to be its primary indicators of potential impairment. The Company s estimates of fair value were based on appraised values, industry comparisons, or other estimates of fair value such as discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company has continued to depreciate the remaining book value, if any, of these assets.

5. LONG-TERM DEBT

Long-term debt at July 31, 2001 and 2000, consisted of the following:

	2001	2000
	(Dollars In Thousands)	

Term loans (A)	$ 26,311	$ 27,889
Revolving loan (A)	20,270	17,673
Revolving loan (B)	-	110
Term loan (C)	298	392
Real estate and equipment term loans (D)	2,961	1,613
Other note payable (E)	-	205
Other	112	187
	49,952	48,069
Less current maturities	3,942	4,090
Long-term debt	$ 46,010	$ 43,979
	=====	=====

Based upon the borrowing rates currently available to the Company for borrowings with similar terms and average maturities, the Company believes that the carrying amount of its long-term debt approximates fair value.

A. The Company has a $25 million term loan, a $25 million revolving line of credit and a capital expenditure ("CAPEX") facility in the amount of $5 million to finance equipment at the Oil City, Pennsylvania plant with its primary lender group. The term loans and revolving credit loan bear interest at the prime rate (6.75% at July 31, 2001) plus 1.0%. At the Company s option, borrowings under any facility can bear interest at LIBOR (3.85% at July 31, 2001) plus 3.75% in the case of the term loan or CAPEX facility borrowings or plus 3.5% in the case of revolving loan advances. Interest rate margin percentages (percentage paid over prime or LIBOR) may drop subject to Company performance and the achievement of certain covenant ratio levels and borrowing base availability.

These loans mature on August 31, 2002, and are collateralized by substantially all of the Company s assets. Principal payments on the term loan and CAPEX facility of $208,000 and $80,000, respectively, plus interest, are due each month until maturity. The Company may have borrowings and outstanding letters of credit ($1,056,000 at July 31, 2001) under the revolving credit facility up to the lesser of $25.0 million or an amount determined by a formula based on the amount of eligible inventories and accounts receivable. The Company pays a commitment fee of 0.25% per annum on any unused and available line of credit and a fee of 3.0% on the outstanding amount of letters of credit. At July 31, 2001, $3.7 million was available for borrowing under the line of credit. The CAPEX facility was fully funded up to the $5 million cap during the second quarter of fiscal 2001.

Pursuant to the terms of the loan agreement, the Company is subject to various restrictive covenants, including requirements to maintain a minimum debt coverage ratio and to not exceed a ratio of indebtedness to net worth. The covenants also limit capital expenditures and dividends and require the Company to maintain a minimum borrowing base availability without considering the $25 million revolving loan cap. In addition, the loan agreement provides for acceleration of the loans, at the option of the lender, if F. William Weber and Dana S. Weber fail to possess the power to direct or cause the direction of management and policies of the Company, or the Weber Family ceases to own at least 35 percent of the outstanding voting stock, or upon the occurrence of a material adverse change in the business. All financial covenants are measured on the basis of the Company without consolidating its wholly owned subsidiary, P&J.

Due to the August 31, 2002, maturity date of the Company's senior debt facilities, the Company is currently in discussions to refinance or extend the current debt agreement. If the Company is unable to refinance or extend the agreement, a significant portion of its long-term debt will be classified as a current liability in the financial statements contained in its Form 10-Q for its first fiscal quarter ended October 31, 2001, since the maturity date will be within 12 months of the balance sheet date. The debt will not be due on demand or otherwise callable by the lender at that time, and the Company will have until the maturity date to refinance or extend the agreement. Although the Company believes it will be successful in its efforts to refinance or extend the agreement, there can be no assurances the Company will be successful in its efforts.

B. P&J has a line-of-credit agreement for $2,000,000. The line of credit matures on November 30, 2001, bears interest at the lessor of prime rate (6.75% at July 31, 2001) or LIBOR (3.85% at July 31, 2001) plus 2%, and is collateralized by P&J's assets and guaranteed by Webco.

C. The Company's subsidiary, P&J, has a $500,000 term note with a bank, which matures in April 2004. The note bears interest at 7.5% with monthly installments of $10,000, and is collateralized by P&J s assets and guaranteed by Webco.

D. These loans were entered into with various public agencies payable in monthly installments aggregating approximately $30,000, including interest, at rates ranging from 3 to 5 percent. The notes are collateralized by the underlying real estate and/or equipment, and the guarantee of the principal stockholder/officer. The notes mature over a 3 to 10 year period.

E. This note was payable in 36 monthly installments of $30,000 with interest at 9 percent. The loan was retired in March 2001.

At July 31, 2001, the aggregate future maturities of long-term debt are as follows: 2002 - $3,942,000; 2003 - $43,657,000; 2004 - $465,000; 2005 - $306,000; 2006 - $299,000; and thereafter - $1,283,000.

6. INCOME TAXES

The provision for income taxes for fiscal 2001, 2000 and 1999 consists of the following:

	2001	2000	1999
	(Dollars in Thousands)		
Current:			
Federal	$ -	$ -	$ -
State	80	166	67
Deferred:			
Federal	(957)	(705)	956

State	(113)	(82)	113
Total income tax expense (benefit)	$ (990)	$ (621)	$ 1,136
	=====	=====	=====

The actual income tax expense (benefit) for fiscal 2001, 2000 and 1999 differs from income tax based on the federal statutory rate (34%) due to the following:

	2001	2000	1999
	(Dollars in Thousands)		
Expected tax expense (benefit)	$ (881)	$ (560)	$ 1,024
State income taxes, net of federal benefit	(104)	(66)	120
Other	(5)	5	(8)
Total income tax expense (benefit)	$ (990)	$ (621)	$ 1,136
	=====	=====	=====

At July 31, 2001 and 2000, deferred tax assets and deferred tax liabilities consisted of the following:

	2001	2000
	(Dollars in Thousands)	
Net current deferred tax assets (liabilities):		
Accounts receivable	$ 236	$ 102
Inventories	515	375
Accrued liabilities	1,459	1,570
Net current deferred tax asset	$ 2,210	$ 2,047
	=====	=====
Net non-current deferred tax assets (liabilities):		

Property plant and equipment	$ (13,929)	$ (12,445)
General business credit carry forward	38	38
Alternative minimum tax credit carry forward	452	452
Intangible assets	358	409
Operating loss carry forwards	3,815	1,337
Net non-current deferred tax liability	$ (9,266)	$ (10,209)
	======	======

At July 31, 2001, the Company has operating loss carry forwards for regular tax purposes of approximately $9,725,000, which expire in 2012 to 2016.

7. COMMITMENTS AND CONTINGENCIES

LITIGATION

- On May 27, 1999, a jury awarded the Company $1.1 million on certain claims against an equipment vendor. Because of a pre-trial ruling by the courts, the jury was unable to award the Company lost profits and certain other incidental and consequential damages. The Company is currently pursuing attorneys fees and has appealed the pre-trial order to obtain lost profits. There can be no assurances that the Company will be successful on appeal or that if successful, lost profits awarded in the succeeding trial, if any, will be commensurate with actual lost profits suffered by the Company. The vendor has appealed the jury s original verdict and there can be no assurances as to what the outcome of that appeal will be. Due to the uncertainty surrounding the case, the financial statements do not include any portion of the jury award or other recoveries.

The Company is also a party to various other lawsuits and claims arising out of the ordinary course of business. Management believes that any liability resulting from these matters would not materially affect the results of operations or the financial position of the Company.

LEASES

- The Company leases certain buildings and machinery and equipment under non-cancelable operating leases. Under certain of these leases the Company is required to pay property taxes, insurance, repairs and other costs related to the leased property. At July 31, 2001, future minimum payments under non-cancelable leases accounted for as operating leases are $2,102,000 in 2002; $1,706,000 in 2003; $1,157,000 in 2004; $961,000 in 2005; and $861,000 in 2006. Total rent expense for all operating leases was $2,916,000, $2,268,000 and $2,191,000 in 2001, 2000 and 1999, respectively.

SELF-INSURANCE

- The Company maintains a hospitalization and medical coverage program for its employees. Claims under this program are limited to annual losses of $60,000 per participant, and aggregate annual claims of up to $2,000,000 through the use of a stop-loss insurance policy. Additionally, the Company self-insures Oklahoma workers' compensation claims up to $225,000 per occurrence and retains a maximum aggregate liability of $2,000,000 per two-year policy term with respect to all occurrences. The Company has a performance bond in the amount of $550,000 on file with the State of Oklahoma Workers Compensation Court, as required by self-insurance regulations.

Provisions for claims under both programs are accrued based upon the Company's estimate of the aggregate liability for claims (including claims incurred, but not yet reported). The total reserve for self-insurance for medical and workers compensation was $1,445,000 and $1,500,000 at July 31, 2001 and 2000, respectively.

PURCHASE COMMITMENTS

- At July 31, 2001 and 2000, the Company was committed on outstanding purchase orders for inventory approximating $12.4 million and $13.3 million, respectively. Additionally, the Company had on its premises at July 31, 2001 and 2000, raw material on consignment from certain vendors valued at approximately $1.0 million and $2.2 million, respectively.

8. EMPLOYEE BENEFIT PLANS

The Company maintains 401-K benefit plans covering all employees meeting certain service requirements. The plans includes a cash or deferred compensation arrangement permitting elective contributions to be made by the participants. Company contributions are made at the discretion of the Board of Directors. Company contributions were $346,000, $327,000 and $419,000 in fiscal 2001, 2000 and 1999, respectively.

9. STOCKHOLDERS' EQUITY AND STOCK OPTIONS

In January 1994, the Company's stockholders approved the 1994 Stock Incentive Plan (the "Plan"), in which directors, employees and consultants are eligible to participate. Four types of benefits may be granted in any combination under the Plan: incentive stock options, non-qualified stock options, restricted stock and stock appreciation rights. The Plan also provides for certain automatic grants to outside directors. All options expire ten years from the date of grant (except the vice-chairman's options, which expire five years from the date of grant) and are exercisable at a price which is at least equal to fair market value on the date of grant (110% of fair market value in the case of the vice-chairman). The employee options vest evenly over a period of two to five years from the date of grant. The maximum number of shares of common stock with respect to which incentive stock options, non-qualified stock options, restricted stock, and stock appreciation rights may be issued under the Plan is 850,000.

Activity under the Plan for the last three fiscal years was as follows:

Activity under the Plan was as follows:	Number of Shares	Weighted Average Exercise Price
Balance, July 31, 1998	514,500	6.69
Granted	66,200	6.17
Forfeited	(42,700)	7.23
Balance, July 31, 1999	538,000	6.58
Granted	230,300	4.17
Forfeited	(36,800)	6.03
Balance, July 31, 2000	731,500	5.85
Granted	138,000	1.60

Forfeited	(61,500)	5.88
Balance, July 31, 2001	808,000 ======	5.12

Outstanding options and exercisable options at July 31, 2001 were as follows:

Exercise Prices	Number Of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Outstanding:			
$1.44 - $2.75	138,000	9.3 years	$1.60
$3.31 - $5.75	251,000	7.8 years	$4.31
$6.13 - $8.75	419,000	5.4 years	$6.77
Exercisable:			
$1.44 - $2.75	7,500	9.4 years	$1.56
$3.31 - $5.75	83,260	7.3 years	$4.55
$6.13 - $8.75	343,060	5.2 years	$6.71

As of July 31, 2000 and 1999, exercisable options were 332,460 and 198,600, respectively, with weighted average exercise prices of $6.48 and $6.53, respectively.

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its employee stock options rather than the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation." Under APB No. 25, because the exercise price of the Company s stock options is at least equal to the market price of the underlying stock on the date of grant, no compensation expense is recognized in the Company s financial statements. Pro forma information regarding net income and earnings per share is required by SFAS No. 123. This information is required to be determined as if the Company had accounted for its employee stock options granted subsequent to July 31, 1995, under the fair value method of that statement.

The fair value of options granted in fiscal years 2001, 2000 and 1999 reported below has been estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	2001	2000	1999
Weighted average life	4.1 years	4.0 years	4.0 years
Risk-free interest rate	5.52-6.0%	5.92-6.26%	5.14%

Expected volatility	59%	55%	56%
Expected dividend yield	None	None	None

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company s options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of fair value of its options. The weighted average estimated fair value of employee stock options, whose exercise price equals the market value on the grant date, granted during 2001, 2000 and 1999 was $.81, $1.92 and $2.88 per share, respectively. The weighted average exercise price and estimated fair value of employee stock options, whose exercise price exceeds the market value on the grant date, granted during 2000 was $4.00 and $1.69, respectively. There were no options granted in 2001 or 1999 with an exercise price exceeding market value on the grant date.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. The Company s pro forma information for fiscal years 2001, 2000 and 1999 is as follows:

	2001	2000	1999
Pro forma net income (loss)	$ (1,743,000)	$ (1,253,000)	$ 1,625,000
Pro forma net income (loss) per share, diluted	$ (0.25)	$ (0.18)	$ 0.23

The above SFAS No. 123 pro forma disclosures are not necessarily representative of the effect SFAS No. 123 will have on the pro forma disclosure of future years.

In March 1999, the Company's Board of Directors approved a plan to acquire up to $500,000 of its common stock. Of the approved $500,000 repurchase, the Company acquired 95,000 shares of stock for approximately $448,000 during fiscal year 1999. The Company currently does not anticipate any additional repurchases in the near-term.

10. EARNINGS PER SHARE

Presented below is a reconciliation of the differences between actual weighted average shares outstanding, which are used in computing basic earnings per share, and diluted weighted average shares, which are used in computing diluted earnings per share.

	2001	2000	1999
	(shares in thousands)		
Basic EPS:			
Weighted average shares outstanding	7,074	7,074	7,135
Effect of dilutive securities: Options	-	-	4

Diluted EPS:			
Diluted weighted average shares outstanding	7,074	7,074	7,139
Anti-dilutive options outstanding (1):			
Number of options	808	732	480
Weighted average exercise price	$ 5.12	$ 5.85	$ 6.76
	=====	=====	=====

- Anti-dilutive options and their average exercise prices were not included in the computation of diluted earnings per share due to a current period net loss or the option exercise prices being greater than the average market price of the common shares.

11. SEGMENT INFORMATION

The Company applies the provisions of FAS 131 "Disclosures about Segments of an Enterprise and Related Information." The Company has two reportable segments: tubing products and QuikWater, representing the Company's two strategic business units offering different products. The Company internally evaluates its business by facility, however, because of the similar economic characteristics of the tubing operations, including the nature of products, processes and customers, those operations have been aggregated for segment reporting purposes. The tubing products segment manufactures as well as distributes tubular products principally made of carbon and stainless steel. QuikWater manufactures a patented direct contact, high efficiency water heater.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In fiscal 2001, the Company changed its measure of segment profit or loss to earnings before interest and income taxes ("EBIT") versus income before income taxes. Segment profit(loss) for fiscal 2000 and 1999 have been restated accordingly. Information about the Company's segments is as follows:

	Tubing Products	**QuikWater**	**Total**
	(Dollars in Thousands)		
Fiscal year-ended July 31, 2001:			
Net sales	$ 148,279	$ 3,481	$ 151,760
	6,140	48	6,188

Depreciation and amortization	2,314	(175)	2,139
Segment profit (loss)	118,638	1,217	119,855
Segment assets	6,478	9	6,487
Capital expenditures			
Fiscal year-ended July 31, 2000:			
Net sales (1)	142,293	2,648	144,941
Depreciation and amortization	5,512	398	5,910
Segment profit (loss)	4,822	(2,476)	2,346
Segment assets	119,970	1,398	121,368
Capital expenditures	10,401	61	10,462
Fiscal year-ended July 31, 1999:			
Net sales (1)	135,058	3,523	138,581
Depreciation and amortization	5,008	150	5,158
Segment profit (loss)	7,084	(1,520)	5,564
Segment assets	110,000	3,396	113,396
Capital expenditures	12,495	60	12,555

(1) Net sales figures have been adjusted to reflect the Company's change in accounting for freight expense to include it as a cost of sales rather than as a reduction of revenue. The reclassification had no effect on segment profit (loss).

A reconciliation of the Company's segment information to the consolidated financial statements is as follows:

	2001	2000	1999
	(Dollars in Thousands)		
Total segment profit	$ 2,139	$ 2,346	$ 5,564
Costs not allocated to segments:			
Interest expense	4,731	3,992	2,552
Total income (loss) before income taxes	$ (2,592) ======	$ (1,646) ======	$ 3,012 ======
Total assets reported for segments	$ 119,855	$ 121,368	$ 113,396
Assets not allocated to segments:			
Current assets	3,479	4,115	3,482
Notes receivable and other assets	5,013	4,640	3,603
Total assets:	$ 128,347 ======	$ 130,123 ======	$ 120,481 ======

12. RELATED PARTY TRANSACTIONS

In October 1995, the Company entered into an agreement with an entity owned by the majority stockholders to subcontract certain manufacturing services. Beginning in late 2000, the Company contracted with the same entity to subcontract the production of the QuikWater units. Payments made by the Company under the agreements totaled $603,000 and $506,000 in fiscal 2001 and 2000, respectively. In addition, the Company had a receivable balance of $988,000 and $949,000 at July 31, 2001 and 2000, respectively, for amounts paid on behalf of this entity.

The Company purchases certain specialty packaging and shipping materials from an entity owned by the principal stockholder. Payments made by the Company totaled $28,000 in fiscal 2001 and $163,000 in fiscal 2000. In addition, the Company had a receivable balance of $22,000 and $1,000 at July 31, 2001 and 2000, respectively, for amounts paid on behalf of this entity.

The Company leases its distribution facility in Nederland, Texas from an entity owned by certain Company executives. The amount of the monthly lease payments was determined at the beginning of the lease by an independent evaluation. During 2001, 2000 and 1999, lease expense under the agreement totaled $64,800 in each year.

Advances were made from time to time during fiscal 1998 and prior years (none during 1999-2001) to the principal stockholder with the highest amounts outstanding being $1,200,000 in 2001 and 2000. The balance outstanding at July 31, 2001 and 2000, was $1,200,000. The advance is evidenced by a one-year promissory note from the principal stockholder and is collateralized by Company stock. The note bears interest at the prevailing rate under the Company s loan agreement with its primary lender and is payable at maturity of the note on August 15, 2002. Accrued interest on the note receivable was $594,000 and $489,000 at July 31, 2001 and 2000, respectively, and is included in other assets in the accompanying balance sheets.

Other advances on various terms were made to certain executives prior to fiscal 2000, with the highest amount outstanding being $601,000 in 2001 and 2000. The balance outstanding at July 31, 2001 and 2000, was $601,000. Certain of the advances are collateralized by shares of the Company's common stock. Accrued interest on the notes receivable from related parties totaled $19,000 and $61,000 at July 31, 2001 and 2000, respectively, and is included in other assets in the accompanying balance sheets.

WEBCO INDUSTRIES, INC.
SUPPLEMENTAL CONSOLIDATED QUARTERLY FINANCIAL DATA
(UNAUDITED)
(Dollars in thousands, except per share data)

	Quarters Ended				
	October 31, 2000	January 31, 2001	April 30, 2001	July 31, 2001	Total Year
2001					
Net sales (1)	$37,995	$38,703	$37,065	$37,997	$151,760
Gross profit	3,156	3,770	4,153	4,827	15,906
Income (loss) from operations	(625)	73	653	2,038	2,139
Net income (loss)	(1,153)	(755)	(300)	606	(1,602)
Net income (loss) per diluted common share	$ (.16)	$ (.11)	$ (.04)	$ .08	$ (.23)
Weighted average shares outstanding, diluted	7,074	7,074	7,074	7,138	7,074

	Quarters Ended				
	October 31, 1999	January 31, 2000	April 30, 2000	July 31, 2000	Total Year
2000					
Net sales (1)	$34,297	$35,792	$37,388	$37,464	$144,941
Gross profit	4,939	5,259	4,821	4,349	19,368
Income (loss) from operations	861	1,280	1,110	(905) (2)	2,346 (2)
Net income (loss)	66	180	69	(1,340)	(1,025)
Net income (loss) per diluted common share	$ .01	$ .03	$ .01	$ (.19)	$ (.14)
Weighted average shares outstanding, diluted	7,074	7,074	7,082	7,074	7,074

(1) Quarterly net sales figures have been adjusted to reflect the Company's change in accounting for freight expense to include it as a cost of sales rather than as a reduction of revenue. The reclassification had no effect on gross profit or net income (loss). The reclassification to net sales for the fiscal 2001 quarters ended October 31, January 31, and April 30 was $1,038, $1,261 and $1,184, respectively. The reclassification to net sales for the fiscal 2000 quarters ended October 31, January 31, April 30 and July 31 was $975, $894, $1,099 and $1,053, respectively.

(2) Includes a special item: asset write-off of $1,400,000 of certain QuikWater fixed assets and unamortized patent and goodwill costs along with certain tubing equipment.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements between the Company and its independent auditors.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is hereby incorporated by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (the "Commission") within 120 days of the end of the Company's fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference from the Company's definitive proxy statement for the annual Meeting of Stockholders to be filed with the Commission within 120 days of the end of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is hereby incorporated by reference from the Company's definitive proxy statement for the annual Meeting of Stockholders to be filed with the Commission within 120 days of the end of the Company's fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is hereby incorporated by reference from the Company's definitive proxy statement for the annual Meeting of Stockholders to be filed with the Commission within 120 days of the end of the Company's fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS

ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements of Webco Industries, Inc. which are included in Part II, Item 8:

Reports of Independent Accountants
Consolidated Balance Sheets as of July 31, 2001 and 2000
Consolidated Statements of Operations for each of the three years in the period ended July 31, 2001
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended July 31, 2001
Consolidated Statements of Cash Flows for each of the three years in the period ended July 31, 2001
Notes to Consolidated Financial Statements
Supplemental Consolidated Quarterly Financial Data (Unaudited)

(2) Financial Statement Schedule:
Schedule II - Valuation and Qualifying Accounts

(3) Exhibits:

Exhibit
Number Description

3 (i) Form of Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3(i) to the Company's Registration Statement on Form S-1, No. 33-72994).

3 (ii) By-Laws (incorporated by reference to Exhibit 3(ii) to the Company's Registration Statement on Form S-1, No.33-72994).

10.1 Form of 1994 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8,No. 333-49219).

10.2 Loan and Security Agreement, dated as of July 15, 1997, between American National Bank and Trust Company of Chicago, as agent, certain financial institutions as lender, and the Company (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K dated July 31, 1997, File No. 0-23242).

10.3 Amendment No. 1 and Waiver Agreement to Loan and Security Agreement dated July 15, 1997, between American National Bank and Trust Company of Chicago, as agent, certain financial institutions as lender, and the Company (incorporated by reference to Exhibit 10.3 to the Company's Form 10-K dated July 31, 1998, File No.0-23242).

10.4 Lease, dated

October 22, 1996, between the Company and Baker Performance Chemicals Incorporated (incorporated by reference to Exhibit 10.3 to the Company's Form 10-K dated July 31, 1997, File No.0-23242).

10.5 Employment Agreement dated December 31, 1996, between the Company and F. William Weber (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K dated July 31, 1997, File No. 0-23242).

10.6 Employment Agreement dated December 31, 1996, between the Company and Dana S. Weber (incorporated by reference to Exhibit 10.5 to the Company's Form 10-K dated July 31, 1997, File No. 0-23242).

10.7 Employment Agreement dated June 30, 1998, between Phillips & Johnston, Inc., the Company and Christopher L. Kowalski (incorporated by reference to Exhibit 10.7 to the Company's Form 10-K dated July 31, 1998, File No.0-23242).

10.8 Lease, dated March 16, 1998, between the Company and Tubular Properties, Ltd. (incorporated by reference to Exhibit 10.8 to the Company's Form 10-K dated July 31, 1998, File No. 0-23242).

10.9 Agreement and Plan of Reorganization dated as of June 29, 1998 by and among Webco Industries, Inc., P&J Acquisition Corp., Phillips & Johnston, Inc., Christopher L Kowalski and Robert N. Pressly (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K, File No. 0-23242).

10.10 Loan and Security Agreement, dated as of April 9, 1997, between American National Bank and Trust Company of Chicago, as agent, certain financial institutions as lender, and Phillips & Johnston, Inc. (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K dated July 31, 1998, File No. 0-23242).

10.11 Loan Agreement, dated December 1, 1998, between Pennsylvania Economic Development Financing Authority and Webco Industries, Inc. (incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q dated January 31, 1999, File No. 0-23242).

10.12 Reimbursement Agreement, dated as of December 1, 1998, between American National Bank and Trust Company of Chicago and Webco Industries, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Form 10-Q dated January 31, 1999, File No. 0-23242).

10.13 Amendment No. 2 to Loan and Security Agreement dated July 15, 1997, between American National Bank and Trust Company of Chicago, as agent, certain financial institutions as lender, and the Company (incorporated by reference to Exhibit 10.13 to the Company's Form 10-Q dated January 31, 1999, File No. 0-23242).

10.14 Amendment No. 5 to Loan and Security Agreement dated July 15, 1997, between American National Bank and Trust Company of Chicago, as agent, certain financial institutions as lender, and the Company.

23.1 Consent of PricewaterhouseCoopers LLP

(b) Reports on Form 8-K:
None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WEBCO INDUSTRIES, INC.

October 26, 2001 By: /s/ F. William Weber
F. William Weber
Chairman, Chief Executive
Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

October 26, 2001 By: /s/ F. William Weber
F. William Weber
Chairman, Chief Executive
Officer and Director

October 26, 2001 By: /s/ Dana S. Weber
Dana S. Weber
President, Chief Operating Officer
and Director

October 26, 2001 By: /s/ Michael P. Howard
Michael P. Howard
Chief Financial Officer

October 26, 2001 By: /s/ Christopher L. Kowalski
Christopher L. Kowalski
President-Phillips & Johnston, Inc.
and Director

October 26, 2001 By: /s/ Frederick C. Ermel
Frederick C. Ermel
Director

October 26, 2001 By: /s/ Kenneth E. Case
Kenneth E. Case
Director

October 26, 2001 By: /s/ Bradley S. Vetal
Bradley S. Vetal
Director

WEBCO INDUSTRIES, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended July 31, 2001

(Dollars in Thousands)

		Additions			
- Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	(1) Deductions	Balance at End of Period
Allowance for bad debts:					
1999	179	45	-	(7)	217
2000	217	35	-	(15)	237
2001	237	387	-	(4)	620
Reserve for inventory					
Obsolescence:					
1999	1,180	261	-	(850)	591
2000	591	360	-	(385)	566
2001	566	792	-	(505)	853

1. Amounts represent write-offs, net of recoveries or disposals.