

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

LAMSON & SESSIONS CO  
Form 10-K  
February 27, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2002

COMMISSION FILE NUMBER 1-313

THE LAMSON & SESSIONS CO.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OHIO

34-0349210

-----  
(STATE OF INCORPORATION)

-----  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

25701 SCIENCE PARK DRIVE, CLEVELAND, OHIO 44122

-----  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

216-464-3400

-----  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON SHARES, WITHOUT PAR VALUE	NEW YORK STOCK EXCHANGE PACIFIC STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

The aggregate market value of the voting stock held as of June 28, 2002 (the last trading day of the Company's fiscal 2002 second quarter) by non-affiliates of the Registrant was \$46,708,623, based on the close price of \$3.90 on the New York Stock Exchange.

# Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

As of February 7, 2003 the Registrant had outstanding 13,777,608 common shares.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 30, 2003 are incorporated by reference into Part III of this report.

THE LAMSON & SESSIONS CO.

INDEX TO  
ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2002

### PART I

- Item 1. Business
- Item 2. Properties
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to Security Holders

### PART II

- Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters
- Item 6. Selected Financial Data
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 7(a). Quantitative and Qualitative Disclosures About Market Risk
- Item 8. Financial Statements and Supplementary Data
- Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

### PART III

- Item 10. Directors and Executive Officers of the Registrant
- Item 11. Executive Compensation
- Item 12. Security Ownership of Certain Beneficial Owners and Management
- Item 13. Certain Relationships and Related Transactions
- Item 14. Controls and Procedures

### PART IV

- Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

2

### PART I

#### ITEM 1. BUSINESS

The Lamson & Sessions Co., an Ohio corporation, (the "Company" or "Lamson &

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Sessions"), founded in 1866, is a diversified manufacturer and distributor of a broad line of thermoplastic electrical, consumer, telecommunications and engineered sewer products for major domestic markets. The markets for thermoplastic electrical conduit, related fittings and accessories, wiring devices and sewer pipe include: the construction, utility and telecommunications industries, municipalities, other government agencies, and contractors; and "do-it-yourself" home remodelers.

### PRINCIPAL PRODUCTS AND MARKETS

The Company is engaged in the manufacture and distribution of a broad line of thermoplastic electrical, telecommunications and engineered sewer products. In addition, the Company distributes a wide variety of consumer electrical wiring devices, home security devices, wireless electrical and other wireless products.

All of the Company's thermoplastic electrical products compete with and serve as substitutes for similar metallic products. The Company's thermoplastic electrical products offer several advantages over these other products. Specifically, nonmetallic electrical and telecommunications conduit and related fittings and accessories are generally less expensive, lighter and easier to install than metallic products. They do not rust, corrode or conduct electricity. Thermoplastics, either polyvinyl chloride (PVC) or high density polyethylene (HDPE), are the materials of choice to protect fiber optic cable.

Three business segments are served, each of which has unique product and marketing requirements. These markets are:

**CARLON -- INDUSTRIAL, RESIDENTIAL, COMMERCIAL, TELECOMMUNICATIONS AND UTILITY CONSTRUCTION:** The major customers served are electrical contractors and distributors, original equipment manufacturers, electric power utilities, cable television (CATV), telephone and telecommunications companies. The principal products sold by this segment include electrical and telecommunications raceway systems and a broad line of nonmetallic enclosures, electrical outlet boxes and fittings. Examples of the applications for the products included in this segment are multi-cell duct systems and HDPE conduit designed to protect underground fiber optic cables, allowing future cabling expansion and flexible conduit used inside buildings to protect communications cable.

**LAMSON HOME PRODUCTS -- CONSUMER:** The major customers served are home centers and mass merchandisers for the "do-it-yourself" home improvement market. The products included in this segment are electrical outlet boxes, liquidtight conduit, electrical fittings, door chimes and lighting controls.

**PVC PIPE:** This business segment primarily supplies electrical, power and communications conduit to the electrical distribution, telecommunications, consumer and power utility markets. The electrical and telecommunications conduit is made from PVC resin and is used to protect wire or fiber optic cables supporting the infrastructure of power or telecommunications systems.

A breakdown of net sales as a percent of total net sales by major business segment for 2002, 2001 and 2000, is as follows:

(Dollars in thousands)	2002		2001		2000	
	-----		-----		-----	
Carlton	\$149,037	47%	\$188,161	53%	\$142,979	41%

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Lamson Home Products	71,486	23%	62,128	18%	63,351	18%
PVC Pipe	93,952	30%	102,383	29%	142,403	41%
	-----	-----	-----	-----	-----	-----
	\$314,475	100%	\$352,672	100%	\$348,733	100%
	=====	=====	=====	=====	=====	=====

See discussion of segment products in Note M of financial statements.

3

### COMPETITION

Each of the three segments in which the Company presently operates is highly competitive based on service, price and quality. Most of the competitors are either national or smaller regional manufacturers who compete with limited product offerings. Unlike a majority of the Company's competitors, the Company manufactures a broad line of thermoplastic products, complementary fittings and accessories. The Company believes that with its products and investment in information technology infrastructure, it will continue to compete favorably. However, certain of the Company's competitors have greater financial resources than the Company which occasionally can adversely affect the Company through price competition strategies in selected products and markets.

### DISTRIBUTION

The Company distributes its products through a nationwide network of more than 100 manufacturers' representatives and a direct field sales force of approximately 17.

### RAW MATERIALS

The Company is a large purchaser of pipe grade PVC and HDPE resins. The Company has entered into supply contracts for PVC which should stabilize its availability for the next several years. HDPE is purchased by the Company from various sources and is readily available.

### PATENTS AND TRADEMARKS

The Company owns various patents, patent applications, licenses, trademarks and trademark applications relating to its products and processes. While the Company considers that, in the aggregate, its patents, licenses and trademarks are of importance in the operation of its business, it does not consider that any individual patent, license or trademark, or any technically related group, is of such importance that termination would materially affect its business.

### SEASONAL FACTORS

Two of the Company's three business segments experience moderate seasonality caused principally by a decrease in construction activity during the winter months. They are subject also to the economic cycles affecting the residential, commercial, industrial and telecommunications construction markets. The Company's consumer products business segment is affected by existing home sales, consumer spending and consumer confidence.

### MAJOR CUSTOMERS

Sales to Affiliated Distributors, a cooperative buying group reported within the Carlon and PVC Pipe segments not otherwise affiliated with the Company, totaled approximately 15.0% of consolidated net sales in 2002, 14.0% of consolidated net sales in 2001, and 17.0% of consolidated net sales in 2000. Sales to Home Depot,

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

a customer reported within the Lamson Home Products segment not otherwise affiliated with the Company, totaled approximately 10.0% of consolidated net sales in 2002, prior to that they were less than 10.0% of consolidated net sales.

### BACKLOG

In the Company's three business segments, the order-to-delivery cycle ranges from several days to a few weeks. Therefore, the measurement of backlog is not a significant factor in the evaluation of the Company's prospects.

### RESEARCH AND DEVELOPMENT

The Company is engaged in product development programs, which concentrate on identifying, creating and introducing innovative applications for thermoplastic and wireless electrical products. The Company maintains a material testing lab and development center in its Cleveland, Ohio headquarters to facilitate this effort and improve manufacturing processes. The Company's research and development expenditures totaled \$2.2 million, \$2.8 million and \$3.3 million in 2002, 2001 and 2000, respectively.

### ENVIRONMENTAL REGULATIONS

The Company believes that its current operations and its use of property, plant and equipment conform in all material respects to applicable environmental laws and regulations presently in effect. The Company has facilities at numerous geographic locations, which are subject to a range of federal, state and local environmental laws and regulations. Compliance with these laws has, and will, require expenditures on a continuing basis.

4

ASSOCIATES At December 28, 2002, the Company had 1,116 associates, 929 of whom were employed at the Company's manufacturing facilities and distribution centers. The remainder of associates were primarily employed at the Company's corporate headquarters.

### FOREIGN OPERATIONS

The net sales, operating earnings and assets employed outside the United States are not significant. Export sales were approximately 3.0% of consolidated net sales in 2002, and 2.0% of consolidated net sales in 2001 and 2000, and were made principally to customers in Canada.

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other information with the Securities and Exchange Commission. The public can obtain copies of these materials by visiting the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549, by calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at <http://www.sec.gov>. In addition, as soon as reasonably practicable, after such materials are filed with or furnished to the SEC, the Company makes copies available to the public free of charge on or through its website at <http://www.lamson-sessions.com>.

### ITEM 2. PROPERTIES

The Company owns (O) or leases (L) manufacturing and distribution facilities, which are suitable and adequate for the production and marketing of its products. The Company owns executive and administrative offices, which are located in Cleveland, Ohio, and occupy 68,000 square feet in a suburban office complex. An additional 22,000 square feet of warehouse space was added to the lease of the Woodland Distribution Center, on approximately November 15, 2002. The following is a list of the Company's manufacturing and distribution center locations:

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

MANUFACTURING FACILITIES	APPROXIMATE SQUARE FEET
Woodland, California (O)	66,000
High Springs, Florida (O)	110,000
Tennille, Georgia (O)	41,000
Clinton, Iowa (O)	124,000
Mountain Grove, Missouri (O)	36,000
Bowling Green, Ohio (O)	67,000
Oklahoma City, Oklahoma (O)	172,000
Nazareth, Pennsylvania (O)	59,000
Erie, Pennsylvania (L)	56,000
Cranesville, Pennsylvania (L)	10,000
Pasadena, Texas (O)	52,000
DISTRIBUTION CENTERS	
Columbia, South Carolina (L)	350,000
Woodland, California (L)	127,000
Fort Myers, Florida (O)	4,000

The above manufacturing facilities were operated at approximately 61.0% of their productive capacity during 2002.

### ITEM 3. LEGAL PROCEEDINGS

On September 23, 1999, the Company announced that a United States District Court jury in the Northern District of Illinois found that the Company willfully infringed on a patent held by Intermatic Incorporated ("Intermatic") of Spring Grove, Illinois, relating to the design of an in-use weatherproof electrical outlet cover, and awarded Intermatic \$12.5 million in damages plus pre-judgment interest of approximately \$1.5 million. The Company pursued a vigorous appeal and on December 17, 2001 the United States Court of Appeals ruled that, as a matter of law, Lamson & Sessions' products did not infringe Intermatic's patent and that the Company has no liability to Intermatic. The trial jury's earlier verdict in favor of Intermatic in the amount of \$12.5 million, plus pre-judgment and post-judgment interest estimated to be in excess of \$3 million, was reversed. Intermatic filed for a rehearing of the ruling to the Court of Appeals en banc, which was denied. Intermatic then filed a petition for certiorari with the United States Supreme Court. The United States Supreme Court has reversed the decision of the Court of Appeals and remanded the case back to it. The Court of Appeals has requested additional briefs be submitted by February 21, 2003.

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

During the first quarter of 2001, the Company settled its litigation against PW Eagle and received a payment of \$2.05 million, representing a partial recovery of costs incurred in current and previous quarters, arising out of the failed sale of the PVC Pipe segment in 1999, which resulted in a net gain of \$1.6 million in 2001.

The Company is also a party to various other claims and matters of litigation incidental to the normal course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

### ITEM 4. SUBMISSION OF MATTERS TO SECURITY HOLDERS

None.

6

### EXECUTIVE OFFICERS OF THE REGISTRANT

JOHN B. SCHULZE  
Chairman, President and Chief Executive Officer

Executive Officer since January 1988. Age 65.

JAMES J. ABEL  
Executive Vice President, Secretary, Treasurer and Chief  
Financial Officer

Executive Officer since December 1990. Age 56.

NORMAN E. AMOS  
Vice President

DONALD A. GUTIERREZ  
Senior Vice President

Executive Officer since February 21, 1998. Age 45.  
President since February 21, 1998. Age 45.  
since March 1998. Age 45.

CHARLES W. HENNON  
Vice President

Executive Officer since February 21, 1998. Age 57.  
and Chief Information Officer  
Business Support Services since  
April 1998. Age 57.

LORI L. SPENCER  
Vice President

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Executive Officer since February 21, 2001. Vice President Supply Chain Management since August 1, 2000. Manager, Transportation and Logistics with Xerox Corporation July 1995 - July 2000. Age 57.

Executive Officer since February 18, 1995. Vice President and Controller since August 1995. Age 57.

ALBERT J. CATANI, II  
Vice President

NORMAN P. SUTTERER  
Senior Vice President

Executive Officer since February 27, 1997. Vice President, Manufacturing since August 1995. Age 55.

Executive Officer since February 18, 1995. Vice President since February 18, 1995. Home Products since March 1995. Age 57.

EILEEN E. CLANCY  
Vice President

Executive Officer since January 2, 2002. Vice President, Human Resources since January 2, 2002. Director of Human Resource Development, December 1995 - December 2001. Age 52.

### PART II

#### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange and the Pacific Stock Exchange. High and low sales prices for the Common Stock are included in Note O to the Consolidated Financial Statements. No dividends were paid in 2002, 2001 or 2000. The approximate number of shareholders of record of the Company's Common Stock at December 28, 2002 was 1,305.

7

#### ITEM 6. -- SELECTED FINANCIAL DATA FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

	2002	2001	2000
FISCAL YEAR			
(Dollars in thousands except per share data, shareholders, associates and percentages)			
OPERATIONS:			
NET SALES	\$ 314,475	\$ 352,672	\$ 348,000
Cost of products sold	252,499	291,272	260,000
GROSS PROFIT	61,976	61,400	88,000
Operating expenses (1)	43,467	52,962	54,000
Net gain	--	(4,550)	--
Restructuring and impairment charge	--	6,805	--
OPERATING INCOME	18,509	6,183	34,000
Interest expense, net	9,583	11,626	4,000
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	8,926	(5,443)	29,000
Income tax provision (benefit)	3,900	(1,600)	8,000
INCOME (LOSS) BEFORE CUMULATIVE			



Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	5,026	(3,843)	21
Net cumulative effect of change in accounting principle	(46,250)	--	
NET (LOSS) INCOME	(41,224)	(3,843)	21
-----			
YEAR-END FINANCIAL POSITION:			
Current Assets	\$ 84,764	\$ 94,085	\$ 134
Other Assets	77,192	121,865	120
Property, Plant and Equipment	51,749	57,871	65
Total Assets	213,705	273,821	320
Current Liabilities	64,112	62,890	76
Long-Term Debt	84,350	104,266	130
Other Long-Term Liabilities	29,067	25,441	27
Shareholders' Equity	36,176	81,224	86
Working Capital	20,652	31,195	58
-----			
STATISTICAL INFORMATION:			
Average number of dilutive common shares outstanding	13,778	13,757	13
Number of shareholders of record	1,305	1,336	1
Number of associates	1,116	1,115	1
Book value per share	\$ 2.63	\$ 5.90	\$
Market price per share	\$ 3.40	\$ 5.24	\$ 1
Market capitalization	\$ 46,844	\$ 72,195	\$ 143
Gross margin as a % of net sales	19.7%	17.4%	
Operating expenses as a % of net sales	13.8%	15.0%	
Operating margin as a % of net sales	5.9%	1.8%	
Operating Cash Flow	\$ 26,520	\$ 30,076	\$ 27
Operating cash flow as a % of total debt	27.6%	25.8%	
Capital Expenditures	\$ 3,952	\$ 7,980	\$ 11
EBITDA (earnings before interest, taxes, depreciation and amortization) (2)	\$ 30,182	\$ 24,202	\$ 45
EBITDA Margin	9.6%	6.9%	
Return on average equity	(70.2%)	(4.6%)	
-----			
BASIC (LOSS) EARNINGS PER COMMON SHARE:			
Earnings (Loss) before change in accounting principle	\$ 0.36	\$ (0.28)	\$
Cumulative effect of change in accounting principle, net of tax	(3.36)	--	
NET (LOSS) EARNINGS	\$ (2.99)	\$ (0.28)	\$
DILUTED (LOSS) EARNINGS PER COMMON SHARE:			
Earnings (Loss) before change in accounting principle	\$ 0.36	\$ (0.28)	\$
Cumulative effect of change in accounting principle, net of tax	(3.36)	--	
NET (LOSS) EARNINGS	\$ (2.99)	\$ (0.28)	\$

(1) In 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which eliminated the amortization of goodwill. Operating expenses in 2001, 2000, 1999 and 1998 include \$4,605, \$971, \$313 and \$299 in goodwill amortization, respectively.

(2) EBITDA is a calculation used by management to measure operating performance and is defined as operating income plus depreciation and amortization. EBITDA is not a recognized term under accounting principles generally accepted in the United States and does not purport to be an alternative to operating income or to cash flows from operating activities as a measure of liquidity.

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### DISCUSSION OF THE CONSOLIDATED STATEMENTS OF OPERATIONS

THE CONSOLIDATED STATEMENTS OF OPERATIONS present Lamson & Sessions' operating performance over the last three years.

#### RESULTS OF OPERATIONS

Net sales declined in 2002 by \$38.2 million or 10.8% compared with 2001. The greatest reduction was experienced in the Carlon business segment, as net sales were \$39.1 million or 20.8% lower in 2002 compared with 2001. Almost the entire shortfall was due to the significant decline of over 30.0% in telecommunications infrastructure related sales. The electrical product sales in this segment declined only nominally in 2002 from 2001 as strong residential and utility markets offset declines in commercial and industrial construction. Favorable existing home sales activity, driven by low interest rates, the introduction of innovative new products and the expansion of market share with its largest customers all led to the \$9.4 million increase in net sales in the Lamson Home Products business segment. This represents a 15.1% improvement over the \$62.1 million in net sales in 2001. Overall, net sales for the PVC Pipe business segment fell by \$8.4 million or 8.2% to \$94.0 million in 2002 compared with \$102.4 million in 2001. Pipe volume shipped in 2002 was 7.7% lower than 2001 while average pricing for the current year was approximately the same as the prior year. The volume decline primarily reflects the soft market conditions for both telecommunications and commercial construction projects.

Net sales increased by 1.1% or \$3.9 million in 2001 compared with 2000. Overall, Carlon experienced a growth rate of 31.6% or \$45.2 million for the year 2001 over 2000. Incremental HDPE conduit sales totaled approximately \$53.0 million primarily from the Pyramid and Ameriduct acquisitions, which were completed in the latter part of 2000. The remainder of Carlon's product sales declined from 2000 levels by approximately 6.3%. This decrease was caused by a general economic slowdown, which persisted throughout the year, and continued contraction in telecommunications infrastructure capital spending. Lamson Home Products had a net sales decline of \$1.2 million, or 1.9%, in 2001 compared with 2000, as home improvement retailers reduced their inventories during the year in response to softness in sales and inconsistent consumer confidence levels. Lastly, the PVC Pipe business segment net sales dropped 28.1%, or \$40.0 million, in 2001 compared with 2000. Pipe volume shipped was up 6.1% while average pricing declined by approximately 31.0% from 2000. Mix has also shifted this year in the PVC Pipe business as telecommunications-related conduit is down 20.0% in units shipped, which has been offset by increased electrical conduit shipments, primarily in the first three quarters of the year.

Gross margin in 2002 was 19.7%, an increase of 13.0% over the 17.4% realized in 2001. The largest improvement was generated in the PVC Pipe business as selling prices stayed fairly level with the prior year while operating costs and net material costs per pound have declined slightly. The overall manufacturing utilization rates this year were at 61.0% compared with 73.0% experienced in 2001 and was almost entirely offset by cost savings from the restructuring efforts at the end of 2001 and disciplined cost controls employed throughout the year. Finally, the significant increase in Lamson Home Products sales this year helped the Company to leverage their largely fixed cost base, improving the segment's gross margin. This helped to offset the lower margins in the Carlon business segment, which resulted from the continued downturn in telecom related products.

Gross margin in 2001 was 17.4%, down from the 25.4% margin realized in 2000. This drop was primarily caused by the margin squeeze experienced in the PVC Pipe business, as a continued oversupply of PVC resin in the domestic market has caused PVC Pipe selling prices to be down over 30.0% from a year ago, while PVC

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

resin costs have declined on average 18.0% for the year. In addition, the significant mix shift in PVC pipe from telecommunications duct to electrical conduit has had a negative impact on its gross margin. Finally, the Company utilized its manufacturing facilities at a much reduced rate, 73.0% in 2001 vs. 91.0% in 2000, generating approximately \$7.0 million more in unfavorable manufacturing variances during the current year.

Operating expenses were reduced to \$43.5 million, or 13.8% of sales, in 2002, a \$9.5 million, or 17.9%, decrease from the \$53.0 million, or 15.0% of net sales, incurred in 2001. Approximately half of the 2002 reduction in expenses is a direct result of the elimination of goodwill amortization as required by SFAS No. 142 (see Note B). The remainder of the decline is a combination of cost savings from the full year effect of reductions in the salary workforce implemented in the fourth quarter of 2001, lower variable selling expenses from the reduced sales levels and tight control over discretionary spending primarily involving marketing programs and travel related expenditures. These savings were partially offset by increased employee benefit costs including pensions, medical programs, incentive compensation plans, professional fees and higher bad debt expense driven by telecom market bankruptcy activity. Operating income for 2002 was \$18.5 million, or 5.9% of net sales, compared with \$6.2 million, or 1.8%, of net sales in 2001. This improvement of almost 200% is a result of the operating expense net reduction in the current year as described above.

Operating expenses in 2001 totaled \$53.0 million, or 15.0% of net sales, compared with \$54.1 million, or 15.5% of net sales in 2000. During the year the Company consolidated the selling, general and administrative processes of the two acquisitions to reduce any redundant costs. In addition, discretionary spending was reduced, as it became evident economic conditions were declining. During 2001, the Company also recorded net gains of \$4.6 million relating to the resolution of the PW Eagle litigation, changes in estimates for certain other litigation and environmental liabilities and a gain on the sale of a non-strategic business. The Company also incurred a restructuring and impairment charge of \$7.7 million to reduce excess capacity, eliminate under-performing product lines and reduce salaried staff of which \$0.9 million was included in cost of products sold. In summary, the Company earned \$6.2

9

million in operating income, or 1.8% of net sales, in 2001 (\$9.4 million, or 2.7%, excluding the restructuring and impairment charge and net gains) versus \$34.5 million, or 9.9%, of net sales in 2000.

Interest expense has declined by over \$2.0 million in 2002 compared with 2001 as the Company paid down over \$20.0 million in debt during the year, with outstanding debt averaging \$110 million in 2002 versus \$139 million in 2001. The Company had an average borrowing rate during 2002 of 6.46% compared with 6.81% in 2001.

The income tax provision for 2002 reflects an estimated tax rate of 39.5% and net changes in the deferred tax valuation allowance against certain of the Company's general business tax credits.

During the second quarter of 2002, the Company completed the transitional review for goodwill impairments required under SFAS No. 142 "Goodwill and Other Intangible Assets." The review indicated that goodwill recorded in the telecom reporting unit of the Carlon business segment was impaired as of the beginning of fiscal 2002. Accordingly, the Company measured and recognized a transitional goodwill impairment loss of \$60.0 million (\$46.3 million after tax). This has been recorded as a cumulative effect of a change in accounting principle in the statement of operations (see Note B).

The Company's earnings before interest, taxes, depreciation and amortization

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

(EBITDA) was \$30.2 million for 2002 compared with the \$24.2 million EBITDA earned in 2001, an improvement of nearly 25.0%. EBITDA is a calculation used by management to measure operating performance and is defined as operating income plus depreciation and amortization. EBITDA is not a recognized term under accounting principles generally accepted in the United States and does not purport to be an alternative to operating income or to cash flows from operating activities as a measure of liquidity.

### FINANCIAL CONDITION

The Company continued to focus throughout 2002 on generating cash flow from improved earnings and working capital reductions. Net working capital was \$20.7 million at the end of 2002 compared with \$31.2 million at the end of 2001. The current ratio decreased to 1.32 in 2002 from 1.50 in 2001 as accounts receivable and inventory declined by a combined \$12.4 million from lower economic activity and improved inventory control, while payables and expense accruals increased by \$1.6 million primarily from higher benefit accruals required. Cash flow generated from operating activities remained strong at \$26.5 million in 2002 after generating \$30.1 million in 2001.

Accounts receivable were \$36.7 million at the end of 2002, compared with \$39.2 million at the end of 2001. Days sales outstanding at the end of 2002 were about 52.7 compared with 56.9 days for 2001 year-end. The improvement is driven primarily by the disposition of several telecommunications accounts outstanding at the end of 2001 and more rigorous credit reviews.

The inventory level at the end of 2002 was \$32.2 million compared with \$42.1 million at the end of 2001. As a result, annual inventory turns increased from 4.9 times in 2001 to 6.5 times in 2002. Almost all inventory categories have been reduced. However, the largest reduction came in PVC resin and related conduit products for which pounds in inventory were 44.0% lower than 2001 year-end while the average unit cost was about 4.0% higher compared with 2001 year-end levels.

Despite the lower inventory levels, accounts payable decreased by only \$800 thousand in 2002 from the prior year-end due to the scheduled timing of vendor payments after year-end.

Accrued liabilities at 2002 year-end were approximately \$2.3 million more than the prior year due to incentive compensation programs and other benefit accruals which reflect higher costs. The increase of \$3.4 million in other long-term liabilities in 2002 is consistent with the recording of a minimum liability for defined benefit pension plans due to lower trust asset levels and payments of \$2.2 million made for retiree medical benefits.

10

Capital expenditures totaled approximately \$4.0 million in 2002 compared with \$8.0 million in 2001. The current year spending was primarily for additional plant equipment to improve efficiencies and critical tooling replacements.

The Company has credit capacity available of over \$30 million, which is adequate to support its current operational expense and capital spending needs as well as those anticipated for 2003. In order to support key operational improvement initiatives, capital spending is expected to return to a more historical average level of \$8-10 million in 2003. During the fourth quarter of 2002 the Company refinanced the mortgage on its corporate headquarters. The resulting \$3.7 million in additional funds were used to pay down bank term debt. Due to improved cash flow and operating results, the Company has decided to defer more comprehensive changes in capital structure.

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

In December 2002, the New York Stock Exchange (the "Exchange") accepted the Company's business plan for continued listing on the Exchange. The Company submitted its business plan to the Exchange in October 2002 in order to comply with the listing requirements of the Exchange. This effort follows a formal notice from the Exchange that the Company is below the Exchange's continued listing criteria of a total market capitalization of not less than \$50 million over a 30-day trading period and shareholders' equity of not less than \$50 million. The Company's plan will be reviewed quarterly for ongoing compliance with its goals and objectives. The Company believes its business plan, when implemented, should achieve the requirements of the Exchange for shareholder equity and market capitalization. At the end of 2002, the Company's shareholder equity is \$36.3 million. The Company's total market capitalization, based on 13.778 million shares of common stock outstanding at a closing price of \$3.36 on February 7, 2003 was \$46.3 million.

### APPLICATION OF CRITICAL ACCOUNTING POLICIES

Inherent in the Company's results of operations are certain estimates, assumptions and judgments including reserves against accounts receivable for doubtful collections, inventory costing and valuation allowances and an assumed rate of return on invested pension assets. The Company maintains allowances against accounts receivable and inventory obsolescence and valuation reserves that are believed to be reasonable based on the Company's historical experience and current expectations for future performance of operations.

A sudden and prolonged deterioration in the economy could adversely affect the Company's customers (especially related to the telecom or retail market) requiring the Company to increase its allowances for doubtful accounts. A sudden or unexpected decline in PVC resin costs coupled with a slow-down in sales volume could result in write downs of inventory valuations. If such adverse conditions would occur, the Company cannot readily predict the effect on its financial condition or results of operations as any such effect depends on both future results of operations and the magnitude and timing of the adverse conditions.

The Company's policy of amortizing unrecognized gains or losses in accordance with SFAS No. 87, the significant deterioration in the stock market and resulting reduction in defined benefit pension plan assets will cause an increase of approximately \$2.2 million in the reported pension expense to be included in the Company's results of operations beginning in 2003. In addition, the substantial decline in defined benefit pension plan assets over the past nine months has led to the Company making a voluntary contribution of \$6.0 million to the Company's defined benefit pension plans in the fourth quarter of 2002 in order to maintain an appropriate funding level.

Management also makes judgments and estimates in recording liabilities for environmental cleanup and litigation. Liabilities for environmental remediation are subject to change because of matters such as changes in laws, regulations and their interpretation; the determination of additional information on the extent and nature of site contamination; and improvements in technology. Actual litigation costs can vary from estimates based on the facts and circumstance and application of laws in individual cases.

As of December 28, 2002, the Company had approximately \$26.9 million of net deferred tax assets primarily related to loss carryforwards that expire through 2021. The realization of these net assets is based primarily upon estimates of future taxable income. Current expectations of operating results are sufficient to sustain realization of these net assets. However, should taxable income estimates for the carryforward period be significantly reduced, the full realization of net deferred tax assets may not occur.

### OUTLOOK

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

The following paragraphs contain forward-looking comments. The comments are subject to, and the actual future results may be impacted by, the cautionary limitations and factors outlined in the following narrative comments.

11

Both housing starts at 1.7 million units and existing home sales were very strong throughout 2002 and finished the year at near record levels. Low interest rates have allowed the maintenance of this activity over the last several years and supported the sales growth in Lamson Home Products, the electrical product sales in Carlon and the PVC Pipe business segment. It is expected, barring an economic downturn that housing starts and home sales will decline modestly in 2003 but will remain at historically strong levels. Commercial and industrial construction plummeted by 20% and 40%, respectively, in 2002, and these areas will probably remain weak and at best show only modest improvement in 2003 due to the overhang of excess capacity.

The Company believes that the telecommunications infrastructure market has bottomed out during 2002. We do not expect any demand improvement through 2003 as most participants are only maintaining their current systems and holding off on incremental investments in additional infrastructure until absolutely necessary. We believe also that spending in this market long-term will be required, to build out metropolitan rings, expand corporate and institutional high-speed data and communications networks and to provide broadband services to the home. While very little sales growth is anticipated in this market during 2003, many of the weaker competitors have been eliminated and, therefore, the stability of our customer base has improved.

In the PVC Pipe business, we expect PVC resin costs to increase throughout the first half of 2003 in response to higher oil and natural gas prices and capacity restrictions on some feedstocks. These should be passed on by the PVC pipe producers as inventory across the distribution network has been lowered. As PVC resin costs increase, assuming reasonable general economic activity, the margin spreads are generally able to be expanded resulting in improved profitability. We do expect to build some inventory levels in the first quarter in anticipation of the cyclical construction season.

In summary, we estimate that net sales for 2003 will increase by 8% to 10% with approximately half of this improvement coming from a higher price level for PVC Pipe products. The remaining net sales growth will be the result of market share improvement in the Lamson Home Products segment and some general strengthening in our markets as a whole. Despite a significant pension expense increase that will need to be recorded in 2003, we believe, net income should be 10% to 15% above the 2002 performance as the result of the implementation of planned customer service and operational improvement initiatives.

Our manufacturing plants will enjoy higher capacity utilization as we build inventories, particularly in the first half of the year. Despite this increase, however, due to the completion of several efficiency improvement projects, we expect to reduce inventory and show further improvement in our inventory turn performance by the end of 2003. We have experienced improved credit quality in our accounts receivable in 2002 and anticipate that it will continue in 2003. The expected increase in cash needed for capital spending should be offset by the continued focus on working capital efficiency. The Company expects to have sufficient cash flow for all necessary capital and operating needs as well as reduction in debt leverage in the second half of 2003.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains expectations that are forward-looking statements that

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

involve risks and uncertainties within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expected as a result of a variety of factors, such as: (i) the volatility of resin pricing, (ii) the ability of the Company to pass through raw material cost increases to its customers, (iii) maintaining a stable level of housing starts, telecommunications infrastructure spending, consumer confidence and general construction trends and (iv) any adverse change in the recovery trend of the country's general economic condition affecting the markets for the Company's products.

### ITEM 7(a). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about the Company's market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company is exposed to market risk related to changes in interest rates and commodity prices for PVC and HDPE resins. The Company does not use derivative financial instruments for speculative or trading purposes.

Almost all of the Company's long-term debt obligations bear interest at a variable rate. In order to mitigate the risk associated with interest rate fluctuations, in the first quarter of 2001, the Company entered into two interest rate swap agreements for a total notional amount of \$58.5 million, \$44.0 million outstanding at December 28, 2002, and effectively fixed the variable rate debt at 5.41% and 5.48% plus the Company's risk premium of 1.5% to 4.0%. The notional amount is used to calculate the contractual cash flow to be exchanged and does not represent exposure to credit loss.

These risks and others that are detailed in this Form 10-K must be considered by any investor or potential investor in the Company.

12

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### FINANCIAL STATEMENTS:

Report of Independent Auditors .....	14
Statement of Management's Responsibility .....	15
Consolidated Statements of Operations for Fiscal Years	
Ended 2002, 2001, 2000 .....	16
Consolidated Statements of Cash Flows for Fiscal Years	
Ended 2002, 2001, 2000 .....	17
Consolidated Balance Sheets at December 28, 2002 and December 29, 2001....	18
Consolidated Statements of Shareholders' Equity for Fiscal Years	
Ended 2002, 2001, 2000 .....	20
Notes to Consolidated Financial Statements .....	21

#### FINANCIAL STATEMENT SCHEDULE:

Schedule II -- Valuation and Qualifying Accounts and Reserves .....	37
---	----

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders  
The Lamson & Sessions Co.

We have audited the accompanying consolidated balance sheets of The Lamson & Sessions Co. and Subsidiaries as of December 28, 2002 and December 29, 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 28, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15 (a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Lamson & Sessions Co. and Subsidiaries at December 28, 2002 and December 29, 2001, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note B to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill.

/s/ Ernst & Young LLP

Cleveland, Ohio  
January 31, 2003



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

We have prepared the financial statements and other financial information contained in this Annual Report.

The management of Lamson & Sessions is primarily responsible for the integrity of this financial information. The financial statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include certain amounts based on management's reasonable best estimates and judgments, giving due consideration to materiality. Financial information contained elsewhere in this Annual Report is consistent with that contained in the financial statements.

Management is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal control, and that the cost of such systems should not exceed the benefits to be derived therefrom.

To meet management's responsibility for financial reporting, we have established internal control systems that we believe are adequate to provide reasonable assurance that our assets are protected from loss. These systems produce data used for the preparation of published financial information and provide for appropriate reporting relationships and division of responsibility. All significant systems and controls are reviewed periodically by management in order to ensure compliance and by our independent auditors to support their audit work. It is management's policy to implement a high proportion of recommendations resulting from this review.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with management and our independent auditors to review accounting, auditing and financial matters. The independent auditors have free access to the Audit Committee, with or without management, to discuss the scope and results of their audits and the adequacy of the system of internal controls.

/s/ JOHN B. SCHULZE

-----  
John B. Schulze  
Chairman of the Board, President and  
Chief Executive Officer

/s/ JAMES J. ABEL

-----  
James J. Abel  
Executive Vice President, Secretary,  
Treasurer and Chief Financial Officer

/s/ LORI L. SPENCER

-----

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Lori L. Spencer  
Vice President and Controller

15

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	FISCAL YEAR	
(Dollars in thousands, except per share data)	2002	2001
NET SALES	\$ 314,475	\$ 352,67
Cost of products sold	252,499	291,27
GROSS PROFIT	61,976	61,40
Operating expenses	43,467	52,96
Net gain	--	(4,55)
Restructuring and impairment charge	--	6,80
OPERATING INCOME	18,509	6,18
Interest expense, net	9,583	11,62
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	8,926	(5,44)
Income tax provision (benefit)	3,900	(1,60)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	5,026	(3,84)
Cumulative effect of change in accounting principle, net of income tax benefit of \$13,750	(46,250)	-
NET (LOSS) INCOME	\$ (41,224)	\$ (3,84)
BASIC (LOSS) EARNINGS PER COMMON SHARE:		
Earnings (loss) before cumulative effect of change in accounting principle	\$ 0.36	\$ (0.2
Cumulative effect of change in accounting principle, net of tax	(3.36)	-

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

NET (LOSS) EARNINGS	\$ (2.99)	\$ (0.2)
	=====	=====
DILUTED (LOSS) EARNINGS PER COMMON SHARE:		
Earnings (loss) before cumulative effect of change in accounting principle	\$ 0.36	\$ (0.2)
Cumulative effect of change in accounting principle, net of tax	(3.36)	-
	-----	-----
NET (LOSS) EARNINGS	\$ (2.99)	\$ (0.2)
	=====	=====

See notes to consolidated financial statements.

16

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	-----
	2002
	-----
OPERATING ACTIVITIES	
Net (loss) income	\$ (41,224)
Adjustments to reconcile net (loss) income to cash provided by operating activities:	
Cumulative effect of change in accounting principle	46,250
Depreciation	10,074
Amortization	1,599
Net gains	--
Restructuring and impairment charge	--
Deferred income taxes	4,645
Net change in working capital accounts (excluding effect of acquired businesses):	
Accounts receivable	2,518
Inventories	9,853
Prepaid expenses and other	610
Accounts payable	(766)
Accrued expenses and other current liabilities	2,441
Pension plan contributions	(6,477)
Other long-term items	(3,003)
	-----
CASH PROVIDED BY OPERATING ACTIVITIES	26,520
INVESTING ACTIVITIES	
Net additions to property, plant and equipment	(3,952)
Proceeds from sale of business	--

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Acquisitions and related items	(1,000)
	-----
CASH USED IN INVESTING ACTIVITIES	(4,952)
FINANCING ACTIVITIES	
Net (payments) borrowings under secured credit agreement	(23,000)
Retirement of previous credit agreement	--
Proceeds from refinancing	4,250
Payments on long-term borrowings	(1,487)
Exercise of stock options	--
	-----
CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(20,237)
	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,331
Cash and cash equivalents at beginning of year	165
	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,496
	=====

See notes to consolidated financial statements.

17

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

December 28, 2002 and December 29, 2001  
(Dollars in thousands)

2002

#### ASSETS

##### CURRENT ASSETS

Cash and cash equivalents	\$ 1,496
Accounts receivable, net of allowances of \$1,924 and \$2,122, respectively	36,686
Inventories, net	
Finished goods and work-in-process	28,881
Raw materials	3,349
	-----
	32,230
Deferred tax assets	9,979
Prepaid expenses and other	4,373
	-----
TOTAL CURRENT ASSETS	84,764

##### PROPERTY, PLANT AND EQUIPMENT

Land	3,537
Buildings	24,910
Machinery and equipment	116,595
	-----
	145,042
Less allowances for depreciation	93,293
	-----

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

TOTAL NET PROPERTY, PLANT AND EQUIPMENT	51,749
GOODWILL	21,558
PENSION ASSETS	30,882
DEFERRED TAX ASSETS	16,879
OTHER ASSETS	7,873
	-----
TOTAL ASSETS	\$213,705
	=====

See notes to consolidated financial statements.

18

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

December 28, 2002 and December 29, 2001 (Dollars in thousands, except per share data)	2002
	-----
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	\$ 21,209
Accrued compensation and benefits	11,660
Other accrued expenses	15,617
Taxes	3,854
Current maturities of long-term debt	11,772
	-----
TOTAL CURRENT LIABILITIES	64,112
LONG-TERM DEBT	84,350
POST-RETIREMENT BENEFITS AND OTHER LONG-TERM LIABILITIES	29,067
SHAREHOLDERS' EQUITY	
Common shares, without par value, stated value of \$.10 per share, authorized 20,000,000 shares; outstanding, 13,777,608 shares in 2002 and 2001	1,378
Other capital	75,499
Retained earnings (deficit)	(34,831)
Accumulated other comprehensive income (loss)	(5,870)
	-----
TOTAL SHAREHOLDERS' EQUITY	36,176
	-----
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 213,705
	=====

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

See notes to consolidated financial statements.

19

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

	Common Shares	Other Capital	Retained Earnings (Deficit)	Interest Rate Swaps	Cumulative Comprehensive Current Translat
BALANCE AT JANUARY 1, 2000	\$ 1,345	\$ 73,616	\$ (11,212)	--	\$ (32)
Net income	--	--	21,448	--	--
Other comprehensive income:					
Foreign currency translation	--	--	--	--	(20)
Minimum pension liability	--	--	--	--	--
Total comprehensive income	--	--	--	--	--
Issuance of 244,026 shares under employee benefit plans	24	1,381	--	--	--
BALANCE AT DECEMBER 30, 2000	\$ 1,369	\$ 74,997	\$ 10,236	--	\$ (53)
Net loss	--	--	(3,843)	--	--
Other comprehensive loss:					
Foreign currency translation	--	--	--	--	(6)
Minimum pension liability	--	--	--	--	--
Interest rate swaps	--	--	--	(1,034)	--
Total comprehensive loss	--	--	--	--	--
Issuance of 80,331 shares under employee benefit plans	9	502	--	--	--
BALANCE AT DECEMBER 29, 2001	\$ 1,378	\$ 75,499	\$ 6,393	\$ (1,034)	\$ (59)
Net loss	--	--	(41,224)	--	--
Other comprehensive loss:					
Foreign currency translation	--	--	--	--	(2)
Minimum pension liability, net of \$2,100 tax	--	--	--	--	--
Interest rate swaps	--	--	--	(516)	--
Total comprehensive loss	--	--	--	--	--
BALANCE AT DECEMBER 28, 2002	\$ 1,378	\$ 75,499	\$ (34,831)	\$ (1,550)	\$ (61)

See notes to consolidated financial statements.

# Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

20

## THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three fiscal years ended December 28, 2002

### NOTE A--ACCOUNTING POLICIES

**FISCAL YEAR:** The Company's fiscal year end is the Saturday closest to December 31.

**PRINCIPLES OF CONSOLIDATION AND PRESENTATION:** The consolidated financial statements include the accounts of the Company and all domestic and foreign subsidiaries after elimination of intercompany items. Certain 2001 and 2000 items have been reclassified to conform with the 2002 financial statement presentation.

**RECENT ACCOUNTING STANDARD CHANGES:** During 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 146, "Accounting for Disposal Obligations." The Statement is effective for disposal activities initiated after December 31, 2002. The Company will adopt this statement as required, and management does not believe the adoption will have a material effect on the Company's results of operations, financial condition or liquidity.

**USE OF ESTIMATES:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS:** The Company considers all investments with an original maturity of three months or less on their acquisition date to be cash equivalents.

**INVENTORIES:** Inventories are valued at the lower of first-in, first-out (FIFO) cost or market.

**FINANCIAL INSTRUMENTS:** The Company's carrying value of its financial instruments approximates fair value.

**PROPERTY AND DEPRECIATION:** Property, plant and equipment are recorded at cost. For financial reporting purposes, depreciation and amortization are computed principally by the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over periods up to 31.5 years. Machinery and equipment is depreciated over periods ranging from 3 years to 15 years. Accelerated methods of depreciation are used for federal income tax purposes.

**IMPAIRMENT OF LONG-LIVED ASSETS:** During 2002, the Company has adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, and as prescribed under SFAS No. 121 in the previous year, the Company evaluates the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. The Company would record an impairment charge or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, measured using undiscounted cash flows, or the useful life has changed. The adoption had no impact on the Company's results of operations, financial condition or liquidity.

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

GOODWILL: Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method. Goodwill is no longer amortized, but instead is tested for impairment at least annually (see Note B).

STOCK COMPENSATION PLANS: At December 28, 2002, the Company has two stock-based employee compensation plans, which are described more fully in Note J. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. In accordance with SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure," the following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

21

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE A--ACCOUNTING POLICIES--CONTINUED

		Fiscal Years	
		2002	2001
(Dollars in thousands, except per share data)			
Net income	As reported	\$ (41,224)	\$ (3,843)
	Pro forma	(41,985)	(4,507)
Basic earnings per share	As reported	\$ (2.99)	\$ (0.28)
	Pro forma	(3.05)	(0.33)
Diluted earnings per share	As reported	\$ (2.99)	\$ (0.28)
	Pro forma	(3.05)	(0.33)

For pro forma calculations, the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants:

	2002	2001	2000
Expected volatility	56.8%	57.2%	52.2%
Risk-free interest rates	4.56%	4.87%	6.05%
Average expected life	5 years	5 years	5 years



## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

**INCOME TAXES:** The Company accounts for income taxes using the provisions of SFAS No. 109, "Accounting for Income Taxes." Investment tax credits are recorded using the flow-through method.

**REVENUE RECOGNITION:** Revenues are derived from sales to unaffiliated customers and are recognized when products are shipped and title has transferred.

**SHIPPING AND HANDLING COSTS:** All shipping and handling costs are included in the cost of products sold in the Consolidated Statements of Operations.

**RESEARCH AND DEVELOPMENT COSTS:** Research and Development (R&D) costs consist of Company-sponsored activities to develop new value-added products. R&D costs are expensed as incurred and expenditures were \$2.2 million, \$2.8 million and \$3.3 million in 2002, 2001 and 2000, respectively. R&D costs are included in operating expenses in the Consolidated Statements of Operations.

**ADVERTISING COSTS:** Advertising costs are expensed as incurred and totaled \$2.8 million in 2002 and \$3.0 million per year in 2001 and 2000.

### NOTE B--GOODWILL AND INTANGIBLE ASSETS

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," on December 30, 2001. Goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to impairment tests at least annually. Other intangible assets continue to be amortized over their useful lives.

Pursuant to the adoption of this Standard, Lamson completed a transitional impairment review for goodwill during the second quarter of 2002 for each of its reporting units. It was determined that the carrying value of the telecom reporting unit (component of the Carlon business segment) exceeded its estimated fair value as determined by utilizing various valuation techniques including discounted cash flows. Given the indication of a potential impairment, the Company completed the assessment of the implied fair value of the goodwill for the telecom reporting unit, which resulted in an impairment loss of \$60.0 million (\$46.3 million after tax). This transitional impairment loss was recognized as a cumulative effect of a change in accounting principle as of the beginning of fiscal 2002. The transitional impairment loss

22

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE B--GOODWILL AND INTANGIBLE ASSET--CONTINUED

is a one-time, non-cash charge. The annual evaluation of goodwill was completed as of the first day of the fourth quarter with no additional valuation adjustment required. No reclassifications were required between intangible assets and goodwill pursuant to the adoption of this Standard. Of the \$21.6 million of goodwill remaining on the balance sheet approximately \$20.1 million relates to the telecom reporting unit in the Carlon business segment and the remainder is included in the Lamson Home Products business segment.

Prior to the adoption of SFAS No. 142 in fiscal 2002, amortization expense was recorded for goodwill. For comparison purposes, supplemental net income and earnings per common share for the year ended 2001 are provided as follows:

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

(Dollars in thousands, except per share amounts)

	Fiscal Years	
	2001	2000
Net (loss) income as previously reported	\$ (3,843)	\$21,448
Goodwill amortization, net of tax	3,646	971
Net (loss) income, excluding goodwill amortization	\$ (197)	\$22,419
(Loss) earnings per common share, excluding goodwill amortization		
Basic	\$ (0.01)	\$ 1.65
Diluted	\$ (0.01)	\$ 1.60

The Company's other intangible assets and related accumulated amortization is as follows:

(Dollars in thousands)

	NON-COMPETE AGREEMENTS	PATENTS	TOTAL
DECEMBER 28, 2002			
Gross	\$ 6,500	\$ 2,150	\$ 8,650
Accumulated amortization	(2,952)	(1,087)	(4,039)
Net value	\$ 3,548	\$ 1,063	\$ 4,611
DECEMBER 29, 2001			
Gross	\$ 6,500	\$ 2,150	\$ 8,650
Accumulated amortization	(1,652)	(788)	(2,440)
Net value	\$ 4,848	\$ 1,362	\$ 6,210

All non-compete agreements are included in the Carlon business segment and all

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

patents are included in the Lamson Home Products business segment. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the four succeeding years will be \$1.6 million, \$1.6 million, \$1.2 million and \$0.2 million for 2003 through 2006, respectively.

23

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE C--ACQUISITIONS

On September 22, 2000 and December 15, 2000, the Company acquired Pyramid Industries, Inc. ("Pyramid") for \$45.4 million and Ameriduct Worldwide, Inc. ("Ameriduct") for \$63.8 million plus assumed debt of \$3.9 million plus transaction costs. In addition, pursuant to terms of non-competition agreements, Lamson will pay three former Pyramid shareholders \$6.5 million over a five-year period, including \$1.5 million, which was paid at closing. The acquisitions were funded through the Company's secured credit agreement. Both Pyramid and Ameriduct are leading manufacturers of HDPE conduit used in building telecommunications and utility infrastructure.

The acquisitions have been accounted for by the purchase method and, accordingly, the operating results have been included in the Company's consolidated financial statements and the Carlon business segment since the respective dates of acquisition. The assets acquired and liabilities assumed were recorded at estimated fair values. For financial statement purposes, the non-compete agreements are being amortized over their five-year term, while goodwill was amortized in 2000 and 2001 over 20 years. Goodwill for the telecom reporting unit was evaluated for impairment according to SFAS No. 142 and written down to \$20.1 million as of the beginning of fiscal 2002 (see Note B).

(Dollars in thousands)

Estimated fair values	
Assets acquired	\$ 48,381
Liabilities assumed	(22,845)
Goodwill	85,273
	-----
Purchase price paid	110,809
Less cash acquired	(128)
	-----
Net cash paid	\$ 110,681
	=====

#### NOTE D--LONG-TERM DEBT AND COMMITMENTS

Long-term debt consists of the following:

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

(Dollars in thousands)	FISCAL YEARS	
	2002	2001
Secured Credit Agreement:		
Term	\$ 28,800	\$ 43,500
Revolver	53,200	61,500
	-----	-----
	82,000	105,000
Industrial Revenue Bonds	9,855	10,510
Other	4,267	849
	-----	-----
	96,122	116,359
Less amounts classified as current	11,772	12,093
	-----	-----
	\$ 84,350	\$104,266
	=====	=====

24

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

NOTE D--LONG-TERM DEBT AND COMMITMENTS--CONTINUED

In August 2000, the Company completed the refinancing of its previously secured credit agreement by entering into a new five-year, \$125 million revolving credit agreement with a consortium of banks led by Harris Trust of Chicago. In December 2000, in conjunction with the acquisition of Ameriduct, the agreement was amended and increased to a \$194 million facility, consisting of \$48.5 million in term debt and \$145.5 million in a revolver. As of March 27, 2002 the agreement was amended reducing the credit commitments of the lenders to an aggregate \$150 million of which \$110 million represents a revolving credit facility with the remainder representing term debt. In addition, this amendment provided for a 1% term loan fee and an increase of 1% in the term loan interest rate if the term loan was not paid in full by September 30, 2002. Since the term loan was not paid off, the increase in interest rate and additional fee were realized. The term portion of this agreement requires principal payments of \$2 million on March 31 and June 30 and \$3.5 million on September 30 and December 31 of each year with a balloon payment in August 2005. This agreement is secured by substantially all of the Company's assets. Interest on the revolver portion of the facility is at LIBOR plus 1.5% to 4.0% and 2.5% to 5.0% for the term portion. The specific rate is determined based on the ratio of indebtedness to adjusted earnings before interest, taxes, depreciation and amortization and is calculated quarterly. The rate at December 28, 2002 is 7.03%. In addition to amounts borrowed, letters of credit related to Industrial Revenue Bond financings and other contractual obligations total approximately \$14.9 million under the agreement. Total availability at December 28, 2002 under the secured credit agreement approximates \$30 million. The Company's credit agreement contains various restrictive covenants pertaining to maintenance of net worth, certain financial ratios and prohibits stock repurchases and dividend payments.

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

The Company's Industrial Revenue Bond financings include several issues due in annual installments from 2000 through 2023 with interest at variable rates. The weighted average rate for these bonds at December 28, 2002 was 1.58%.

In the fourth quarter 2002 the Company refinanced the mortgage on the Company's headquarters. The net proceeds of \$3.7 million were used to pay down the term debt. The current mortgage is payable in equal monthly installments of \$24 thousand through 2012 with interest at Prime Rate plus .25% (4.5% at December 28, 2002).

The aggregate minimum combined maturities of long-term debt for the year 2004 through 2007 are approximately \$11,757,000, \$60,854,000, \$771,000 and \$877,000, respectively, with \$10,091,000 due thereafter.

Interest paid was \$8,752,000, \$9,573,000 and \$4,026,000 in 2002, 2001 and 2000, respectively.

Rental expense was \$5,777,000, \$6,268,000 and \$5,861,000 in 2002, 2001 and 2000, respectively. Aggregate future minimum payments related to non-cancelable operating leases with initial or remaining terms of one year or more for the years 2003 through 2007 are approximately \$3,713,000, \$3,297,000, \$2,105,000, \$845,000 and \$201,000, respectively, with \$66,000 due thereafter.

### NOTE E--DERIVATIVES AND HEDGING

Effective as of the beginning of fiscal 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which was issued in June 1998 by the FASB, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of Effective Date of SFAS No. 133" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities."

25

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE E--DERIVATIVES AND HEDGING--CONTINUED

As a result of the adoption of SFAS No. 133, the Company is required to recognize all derivative financial instruments as either assets or liabilities at fair value. Derivative instruments that are not hedges must be adjusted to fair value through net income. Under the provisions of SFAS No. 133, changes in the fair value of derivative instruments that are classified as fair value hedges are offset against changes in the fair value of the hedged assets, liabilities, or firm commitments through net income. Changes in the fair value of derivative instruments that are classified as cash flow hedges are recognized in other comprehensive income until such time as the hedged items are recognized in net income.

The adoption of SFAS No. 133 did not result in any transition adjustment as the Company had no derivative instruments outstanding at December 31, 2000. During the first quarter of 2001, the Company entered into two interest rate swap agreements for a total notional amount of \$58.5 million, \$44.0 million outstanding at December 28, 2002, which effectively fixes interest rates on its variable rate debt at 5.41% and 5.48%, plus the Company's risk premium of 1.5% to 4.0%, respectively. These transactions are considered cash flow hedges and, therefore, the fair market value at the end of 2002 of a \$1,550,000 (net of \$991,000 in tax) loss has been recognized in other comprehensive income (loss).

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

There is no ineffectiveness on the cash flow hedges, therefore, all changes in the fair value of these derivatives are recorded in equity and not included in the current period's income statement. Approximately \$1,645,000 loss on the fair value of the hedges is classified in current accrued liabilities, with the remaining \$896,000 loss classified as a long-term liability.

The Company has no derivative instruments that are classified as fair value hedges.

### NOTE F--PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The Company sponsors several qualified and nonqualified pension plans and other post-retirement benefit plans for its current and former employees. The following table provides a reconciliation of the changes in the benefit obligations and fair value of plan assets over each of the two years in the period ended December 28, 2002 and December 29, 2001, respectively, and a statement of the funded status at both years' end:

(Dollars in thousands)	PENSION BENEFITS	
	2002	2001
CHANGE IN BENEFIT OBLIGATION		
Obligation at beginning of year	\$ 75,817	\$ 73,799
Service cost	1,104	1,054
Interest cost	5,219	5,280
Plan participants' contribution	--	--
Plan amendment	--	223
Actuarial loss	1,994	2,077
Benefits paid	(6,630)	(6,616)
	\$ 77,504	\$ 75,817
	=====	=====
Obligation at end of year	\$ 77,504	\$ 75,817

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE F--PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS--CONTINUED

(Dollars in thousands)	PENSION BENEFITS	
	2002	2001
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	\$ 72,511	\$ 89,975
Actual return on plan assets	(9,481)	(11,158)
Employer contributions	6,477	310
Plan participants' contributions	--	--

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Benefits paid	(6,630)	(6,616)
	-----	-----
Fair value of plan assets at end of year	\$ 62,877	\$ 72,511
	=====	=====

Plan assets include 860,856 shares of the Company's common stock with a fair market value at December 28, 2002 of \$2.7 million and \$4.5 million at December 29, 2001.

(Dollars in thousands)	PENSION BENEFITS	
	2002	2001
	-----	-----
FUNDED STATUS		
Fund status at end of year	\$ (14,627)	\$ (3,306)
Unrecognized actuarial loss (gain)	40,751	23,702
Unrecognized transition (asset)	(1,076)	(1,164)
Unrecognized prior service cost (gain)	408	448
	-----	-----
Net amount recognized at end of year	\$ 25,456	\$ 19,680
	=====	=====

The pension benefits table above provides information relating to the funded status of all defined benefit pension plans on an aggregated basis. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$28.1 million, \$25.0 million and \$13.4 million, respectively, as of December 28, 2002 and \$5.3 million, \$4.9 million and \$0, respectively, as of December 29, 2001.

The following table provides the amounts recognized in the consolidated balance sheets for both years:

(Dollars in thousands)	PENSION BENEFITS	
	2002	2001
	-----	-----
Prepaid benefit cost	\$ 30,881	\$ 24,071
Accrued benefit liability	(11,685)	(5,081)
Intangible asset	184	--
Accumulated other comprehensive income	6,076	690
	-----	-----
	\$ 25,456	\$ 19,680
	=====	=====

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE F--PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS--CONTINUED

The assumptions used in the measurement of the Company's benefit obligations at December 28, 2002 and December 29, 2001 were:

	PENSION BENEFITS		2000
	2002	2001	
	-----	-----	-----
Discount rate	6.8%	7.2%	6.75
Expected return on plan assets	9.0%	9.5%	--
Rate of salary increase	4.0%	5.0%	--

For measurement purposes, a 12.0% average health care cost trend rate was used for 2003 (8.5% in 2002). The rate is assumed to decline gradually each year to an ultimate rate of 5.0% in 2009 and thereafter. A 1.0% change in assumed health care cost trend rates would have the following effects:

(Dollars in thousands)	1% INCREASE	1% DECREASE
	-----	-----
Net periodic benefit cost	\$ 59	\$ (53)
Accumulated post-retirement benefit obligation	\$ 879	\$ (791)

The components of net periodic benefit cost (income) are as follows:

(Dollars in thousands)	PENSION BENEFITS			2000
	2002	2001	2000	
	-----	-----	-----	-----
Service cost	\$ 1,104	\$ 1,054	\$ 886	\$
Interest cost	5,219	5,280	5,300	
Expected return on assets	(6,593)	(8,241)	(8,111)	
Net amortization and deferral	971	(72)	(93)	
Defined contribution plans	987	965	1,147	
	-----	-----	-----	-----
	\$ 1,688	\$ (1,014)	\$ (871)	\$
	=====	=====	=====	=====

In addition to the defined benefit plans described above, the Company also sponsors a defined contribution plan, which covers substantially all full-time



## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

associates. The Company's matching contribution is a minimum of 50.0% of voluntary employee contributions of up to 6.0% of wages.

The Company remains contingently liable for certain post-retirement benefits of a business previously sold. No liability has been accrued as the Company's liability is not probable or cannot be reasonably estimated. This contingency expires in 2008, twenty years after the sale of the related business.

28

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE G--LITIGATION

On September 23, 1999, the Company announced that a United States District Court jury in the Northern District of Illinois found that the Company willfully infringed on a patent held by Intermatic Incorporated ("Intermatic") of Spring Grove, Illinois, relating to the design of an in-use weatherproof electrical outlet cover, and awarded Intermatic \$12.5 million in damages plus pre-judgment interest of approximately \$1.5 million. The Company pursued a vigorous appeal and on December 17, 2001 the United States Court of Appeals ruled that, as a matter of law, Lamson & Sessions' products did not infringe Intermatic's patent and that the Company has no liability to Intermatic. The trial jury's earlier verdict in favor of Intermatic in the amount of \$12.5 million, plus pre-judgment and post-judgment interest estimated to be in excess of \$3 million, was reversed. Intermatic filed for a rehearing of the ruling to the Court of Appeals en banc, which was denied. Intermatic then filed a petition for certiorari with the United States Supreme Court. The United States Supreme Court has reversed the decision of the Court of Appeals and remanded the case back to it. The Court of Appeals has requested additional briefs be submitted by February 21, 2003.

During the first quarter of 2001, the Company settled its litigation against PW Eagle and received a payment of \$2.05 million, representing a partial recovery of costs incurred in current and previous quarters, arising out of the failed sale of the PVC Pipe segment in 1999 and resulted in a net gain of \$1.6 million in 2001.

The Company is also a party to various other claims and matters of litigation incidental to the normal course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

#### NOTE H--ENVIRONMENTAL

The Company believes that its current operations and its use of property, plant and equipment conform in all material respects to applicable environmental laws and regulations presently in effect. The Company has facilities at numerous geographic locations, which are subject to a range of federal, state and local environmental laws and regulations. Compliance with these laws has, and will, require expenditures on a continuing basis.

During 1999, the Company reached a settlement on litigation involving environmental matters at a property sold by the Company in 1981 whereby the Company agreed to incur costs of certain remediation activities, which will occur over the next nine years. Management's current estimate of the costs are accrued primarily in other long-term liabilities.

#### NOTE I--COMMON, PREFERRED, PREFERENCE STOCK

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

The Company has authorized 1,200,000 and 3,000,000 shares of Serial Preferred and Preference Stock, respectively, none of which is issued or outstanding at December 28, 2002 or December 29, 2001. The Company has reserved for issuance 200,000 shares of Cumulative Redeemable Serial Preference Stock, Series II, without par value ("Series II Preference Stock"), which relates to the Rights Agreement, dated as of September 8, 1998, between the Company and National City Bank (the "Rights Agreement").

Under the Company's Rights Agreement, each shareholder has the right to purchase from the Company one one-hundredth of a share of the Series II Preference Stock, subject to adjustment, upon payment of an exercise price of \$44.75. The Rights will become exercisable only after a person or group acquires beneficial ownership of or commences a tender or exchange offer for 15.0% or more of the Company's Common Shares. Rights held by persons who exceed that threshold will be void. In the event that a person or group acquires beneficial ownership of 15.0% or more of the Company's Common Shares, or a 15.0% shareholder merges into or with the Company or engages in one of a number of

29

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE I--COMMON, PREFERRED, PREFERENCE STOCK--CONTINUED

self-dealing transactions, each Right would entitle its holder to purchase a number of the Company's Common Shares (or, in certain cases, common stock of an acquirer) having a market value of twice the Right's exercise price. The Company's Board of Directors may, at its option, redeem all Rights for \$0.01 per Right, generally at any time prior to the Rights becoming exercisable. The Rights will expire on September 20, 2008, unless earlier redeemed, exchanged or amended by the Board of Directors.

#### NOTE J--STOCK COMPENSATION PLANS

Under the 1994 Nonemployee Directors Stock Option Plan, the Company is authorized to issue 160,000 common shares in non-qualified stock options. The stock options become exercisable one year after date of grant and expire at the end of ten years. At December 28, 2002, a total of 53,000 shares were available for future grant of stock options under this Plan.

On May 5, 1998, the Company's 1988 Incentive Equity Performance Plan expired. At December 28, 2002, there were options outstanding under the Plan representing 939,950 shares of the Company's Common Stock. The options outstanding under the Plan may be exercised, pursuant to the terms of the stock option agreements, through April 20, 2008.

Under the 1998 Incentive Equity Plan, the Company is authorized to issue 1,950,000 incentive stock options (ISOs), non-qualified stock options, stock appreciation rights (SARs) and restricted or deferred stock. Stock options generally become exercisable, in part, one year after date of grant and expire at the end of ten years. At December 28, 2002, under this Plan, a total of 570,105 shares were available for future grant.

A summary of the status of the Company's three stock compensation plans as of December 28, 2002, December 29, 2001 and December 30, 2000, and changes during the respective years then ended, is presented below:

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

(Shares in thousands)	2002		2001	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year	2,032	\$ 7.20	1,874	\$ 6.69
Granted	416	4.17	370	9.77
Exercised	--	--	(128)	5.25
Forfeited	(89)	6.67	(84)	10.19
Outstanding at end of year	2,359	\$ 6.68	2,032	\$ 7.20
Options exercisable at year-end	1,694	\$ 6.92	1,410	\$ 6.68
Weighted-average fair value of options granted during the year		\$ 2.21		\$ 5.28

30

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

NOTE J--STOCK COMPENSATION PLANS--CONTINUED

The following table summarizes information about options outstanding at December 28, 2002:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			SHARES AT 12/28/02
	SHARES AT 12/28/02	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YRS)	WEIGHTED-AVERAGE EXERCISE PRICE	
\$ 0-5	645,275	7.80	\$ 4.46	264,250
5-10	1,680,075	4.80	7.41	1,402,494
10-15	23,500	5.85	10.65	20,833
15-20	10,000	7.58	17.94	6,667

The Company has deferred compensation plans that provide both certain executive officers and directors of the Company with the opportunity to defer receipt of bonus compensation and director fees, respectively. The Company funds these deferred compensation liabilities by making contributions to the Rabbi Trusts which invest exclusively in the Company's common shares. In accordance with Emerging Issues Task Force (EITF) 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested," both the trust assets and the related obligation are recorded in equity at cost and offset each other.

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

### NOTE K--EARNINGS PER SHARE CALCULATION

The following table sets forth the computation of basic and diluted earnings per share:

	FISCAL YEARS	
(Dollars and shares in thousands, except per share data)	2002	2001
BASIC EARNINGS PER SHARE COMPUTATION		
<hr style="border-top: 1px dashed black;"/>		
Net (Loss) Income	\$ (41,224)	\$ (3,843)
	=====	=====
Average Common Shares Outstanding	13,778	13,757
	=====	=====
Basic (Loss) Earnings Per Share	\$ (2.99)	\$ (0.28)
	=====	=====
DILUTED EARNINGS PER SHARE COMPUTATION		
<hr style="border-top: 1px dashed black;"/>		
Net (Loss) Income	\$ (41,224)	\$ (3,843)
	=====	=====
Basic Shares Outstanding	13,778	13,757
Stock Options Calculated Under the Treasury Stock Method	--	--
	-----	-----
Total Shares	13,778	13,757
	=====	=====
Diluted (Loss) Earnings Per Share	\$ (2.99)	\$ (0.28)
	=====	=====

31

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

### NOTE L--INCOME TAXES

Components of income tax provision (benefit) reflected in the consolidated statements of income are as follows:

	FISCAL YEARS		
(Dollars in thousands)	2002	2001	2000
	-----	-----	-----

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Current:			
Federal	\$ 70	\$ (53)	\$ 983
State and local	34	164	614
	-----	-----	-----
	104	111	1,597
Deferred:			
Federal	3,561	(1,379)	6,156
State and local	235	(332)	747
	-----	-----	-----
	3,796	(1,711)	6,903
	-----	-----	-----
Total	\$ 3,900	\$ (1,600)	\$ 8,500
	=====	=====	=====

The components of deferred taxes included in the balance sheets as of December 28, 2002 and December 29, 2001 are as follows:

(Dollars in thousands)	FISCAL YEARS	
	2002	2001
	-----	-----
Deferred tax assets:		
Net operating loss carryforwards (Federal & State)	\$ 12,031	\$ 10,094
Goodwill	12,164	--
Other accruals, credits and reserves	8,329	8,499
General business and alternative minimum tax credits	2,163	3,078
Post-retirement benefits other than pensions	5,179	5,738
	-----	-----
Total deferred assets	39,866	27,409
Less valuation allowance	(370)	--
	-----	-----
Total deferred assets	39,496	27,409
Deferred tax liabilities:		
Tax in excess of book depreciation	5,861	5,437
Pensions	6,777	6,649
	-----	-----
Total deferred tax liabilities	12,638	12,086
	-----	-----
Total net deferred tax assets	\$ 26,858	\$ 15,323
	=====	=====

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

NOTE L--INCOME TAXES--CONTINUED

During 2002 the Company established a valuation allowance of \$370,000 against available general business credits based upon projected earnings and the availability to use these credits. The Company has available federal net

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

operating loss carryforwards totaling approximately \$32.6 million, which expire in the years 2008 to 2022. The Company also has available general business tax credit carryforwards of \$1.4 million, which expire through 2018 and alternative minimum tax credit carryforwards of approximately \$0.9 million, which may be carried forward indefinitely.

The provision for income taxes is different than the amount computed using the applicable statutory federal income tax rate with the differences summarized below:

	FISCAL YEARS		
(Dollars in thousands)	2002	2001	2000
Tax expense at statutory rates	\$3,124	\$ (1,905)	\$10,482
Adjustment due to:			
Change in valuation allowance	370	--	(2,600)
State and local income taxes	22	(225)	1,146
Non-deductible goodwill	--	734	268
Other	384	(204)	(796)
	\$3,900	\$ (1,600)	\$ 8,500
	=====	=====	=====

In 2002 the Company received an income tax refund of \$1,385,000. Income taxes paid in 2001 and 2000 were \$1,256,000 and \$904,000, respectively.

### NOTE M--BUSINESS SEGMENTS

The Company's reportable segments are as follows:

**CARLON -- INDUSTRIAL, RESIDENTIAL, COMMERCIAL, TELECOMMUNICATIONS AND UTILITY CONSTRUCTION:** The major customers served are electrical contractors and distributors, original equipment manufacturers, electric power utilities, cable television (CATV), telephone and telecommunications companies. The principal products sold by this segment include electrical and telecommunications raceway systems and a broad line of nonmetallic enclosures, electrical outlet boxes and fittings. Examples of the applications for the products included in this segment are multi-cell duct systems and HDPE conduit designed to protect underground fiber optic cables, allowing future cabling expansion and flexible conduit used inside buildings to protect communications cable.

**LAMSON HOME PRODUCTS -- CONSUMER:** The major customers served are home centers and mass merchandisers for the "do-it-yourself" home improvement market. The products included in this segment are electrical outlet boxes, liquidtight conduit, electrical fittings, door chimes and lighting controls.

**PVC PIPE:** This business segment primarily supplies electrical, power and communications conduit to the electrical distribution, telecommunications, consumer and power utility markets. The electrical and telecommunications conduit is made from PVC resin and is used to protect wire or fiber optic cables supporting the infrastructure of power or telecommunications systems.

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

33

THE LAMSON & SESSIONS CO. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

NOTE M--BUSINESS SEGMENTS--CONTINUED

(Dollars in thousands)	2002	2001	2000
	-----	-----	-----
<b>NET SALES</b>			
Carlton	\$149,037	\$188,161	\$142,
Lamson Home Products	71,486	62,128	63,
PVC Pipe	93,952	102,383	142,
	-----	-----	-----
	\$314,475	\$352,672	\$348,
	=====	=====	=====
<b>OPERATING INCOME (LOSS)</b>			
Carlton	\$ 14,395	\$ 14,585	\$ 21,
Lamson Home Products	10,324	3,724	1,
PVC Pipe	(784)	(11,220)	20,
Corporate Office	(5,426)	(906)	(9,
	-----	-----	-----
	\$ 18,509	\$ 6,183	\$ 34,
	=====	=====	=====
<b>DEPRECIATION AND AMORTIZATION</b>			
Carlton	\$ 7,507	\$ 12,080	\$ 5,
Lamson Home Products	1,954	2,508	2,
PVC Pipe	2,212	3,431	3,
	-----	-----	-----
	\$ 11,673	\$ 18,019	\$ 11,
	=====	=====	=====
<b>IDENTIFIABLE ASSETS</b>			
Carlton	\$ 83,750	\$153,194	\$184,
Lamson Home Products	27,222	28,157	31,
PVC Pipe	35,862	45,684	61,
Corporate Office (includes deferred tax and pension assets)	66,871	46,786	42,
	-----	-----	-----
	\$213,705	\$273,821	\$320,
	=====	=====	=====

Operating income in 2002 in the Carlton and Lamson Home Products business segments exclude the amortization of goodwill whereas 2001 and 2000 operating income includes the amortization of goodwill (see Note B).

The reduction in Carlton identifiable assets includes the write-off of \$60.0 million in goodwill (see Note B) while the Corporate Office assets increased by the related \$13.7 million of deferred tax assets.

Substantially all sales are made within North America. Net sales to a single customer within the Carlton and PVC Pipe segments totaled approximately 15.0% in 2002, 14.0% in 2001 and 17.0% in 2000 of consolidated net sales. Net sales to a single customer within the Lamson Home Products segment totaled approximately

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

10.0% of consolidated net sales in 2002.

34

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE M--BUSINESS SEGMENTS--CONTINUED

(Dollars in thousands)	2001 OPERATING INCOME (LOSS)	NET CHARGE (GAIN)	2001 OPERATING INCOME (LOSS) EXCLUDING NET CHARGE (GAINS)
	-----	-----	-----
Carlton	\$ 14,585	\$ 3,762	\$ 18,347
Lamson Home Products	3,724	1,149	4,873
PVC Pipe	(11,220)	661	(10,559)
Corporate Office	(906)	(2,400)	(3,306)
	-----	-----	-----
	\$ 6,183	\$ 3,172	\$ 9,355
	=====	=====	=====

The above schedule shows the operating results by segment excluding the restructuring and impairment charge of \$7.7 million and net gains of \$4.6 million recorded in 2001.

#### NOTE N--RESTRUCTURING, IMPAIRMENT CHARGE AND NET GAINS

Due to the dramatic downturn in the economy in 2001, especially in the telecommunications infrastructure market, the Company evaluated all of the Company's facilities and equipment to reduce excess capacity by eliminating or consolidating assets to more efficiently service its markets and lower its fixed cost base. As a result of this evaluation the Company recognized a \$7.7 million restructuring and impairment charge in the fourth quarter of 2001. Included in this charge is approximately \$3.5 million related to the elimination of approximately 15.0% of the Company's HDPE capacity through disposal of several excess extrusion lines. The Company had also approved the shutdown and sale of one of its facilities. The facility (asset held for sale at December 29, 2001) written down by \$1.7 million (included in the \$3.5 million charge) to its estimated fair value. In addition, several underperforming product lines in the Carlton and PVC Pipe segments were eliminated during the fourth quarter of 2001 resulting in a \$2.9 million charge. Approximately \$0.9 million of this charge is for obsolete inventory which is included in cost of products sold while the remainder is primarily the write-off and disposal of related manufacturing assets. Also included in the charge is \$0.9 million for the write-off of corporate fixed assets that are obsolete. Finally, the Company reduced its salary workforce by approximately 17.0% in 2001 of which approximately 10.0% occurred in the fourth quarter resulting in a \$0.4 million charge, representing severance payments which were paid in the first half of 2002.

The Company recognized net gains of \$4.6 million in 2001 relating to the resolution of litigation (\$1.6 million), changes in accounting estimates for



## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

legal and environmental liabilities (\$2.3 million) and the sale of a non-strategic business (\$0.7 million).

Due to deteriorating real estate market conditions, as of December 28, 2002, the Company continues to carry one of its facilities as an asset held for disposal. Management believes this property will be sold within the next year. The asset had been written down in 2001 to its estimated fair value with no adjustment deemed necessary in 2002.

35

### THE LAMSON & SESSIONS CO. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED

#### NOTE O--SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(Dollars in thousands, except per share data)

	NET SALES	GROSS PROFIT	INCOME (LOSS) BEFORE EFFECT OF ACCOUNTING CHANGE	NET INCOME (LOSS)	BASIC EARNINGS (LOSS) PER COMMON SHARE		DILU P
					INCOME (LOSS) BEFORE EFFECT OF ACCOUNTING CHANGE	NET INCOME (LOSS)	INC BEFOR ACCOU
<b>Fiscal 2002:</b>							
First quarter	\$ 68,083	\$11,479	\$ (756)	\$ (47,006)	\$ (0.05)	\$ (3.41)	
Second quarter	89,198	19,499	2,408	2,408	0.17	0.17	
Third quarter	82,381	18,226	2,594	2,594	0.19	0.19	
Fourth quarter	74,813	12,772	780	780	0.06	0.06	
<b>TOTAL</b>	<b>\$314,475</b>	<b>\$61,976</b>	<b>\$ 5,026</b>	<b>\$ (41,224)</b>	<b>\$ 0.36*</b>	<b>\$ (2.99)</b>	
<b>FISCAL 2001:</b>							
First quarter	\$ 88,641	\$16,336	\$ 696	\$ 696	\$ 0.05	\$ 0.05	
Second quarter	96,751	17,679	701	701	0.05	0.05	
Third quarter	90,554	13,602	(1,921)	(1,921)	(0.14)	(0.14)	
Fourth quarter	76,726	13,783	(3,319)	(3,319)	(0.24)	(0.24)	
<b>TOTAL</b>	<b>\$352,672</b>	<b>\$61,400</b>	<b>\$ (3,843)</b>	<b>\$ (3,843)</b>	<b>\$ (0.28)</b>	<b>\$ (0.28)</b>	

Fiscal 2002 first quarter net income (loss) and basic and diluted earnings (loss) per common share were adjusted from previously reported results to reflect the cumulative effect of the change in accounting for goodwill effective the first day of fiscal 2002 (see Note B).

Included in the results of each quarter in 2001 is approximately \$900 in goodwill amortization net of tax (\$0.07 per share), which was discontinued in 2002 with the adoption of SFAS No. 142.

\* Earnings per share were computed on a stand-alone quarterly basis for each respective quarter. Therefore, the sum of the Basic and Diluted Earnings Per Common Share Before Effect of Accounting Change in 2002 do not equal

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

the year's total due to rounding.

36

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(Dollars in thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND OTHER
YEAR ENDED DECEMBER 28, 2002			
Allowances deducted from assets:			
Trade receivable allowances	\$ 2,122	\$ 676	\$ 874 (A)
Inventory obsolescence reserve	1,754	782	1,789 (B)
Other current and long-term assets	989	--	523 (D)
Accounts and loss reserves included in current and long-term liabilities	5,374	--	412 (C)
YEAR ENDED DECEMBER 29, 2001			
Allowances deducted from assets:			
Trade receivable allowances	\$ 2,394	\$ 422	\$ 694 (A)
Inventory obsolescence reserve	1,039	2,043	1,328 (B)
Other current and long-term assets	800	492	303
Accounts and loss reserves included in current and long-term liabilities	3,968	1,750	344 (C)
YEAR ENDED DECEMBER 30, 2000			
Allowances deducted from assets:			
Trade receivable allowances	\$ 2,078	\$ 817	\$ 501 (A)
Inventory obsolescence reserve	1,030	1,396	1,387 (B)
Other current and long-term assets	450		(350)
Accounts and loss reserves included in current and long-term liabilities	3,680	500	212 (C)

Note A -- Principally write-off of uncollectible accounts and disputed items, net of recoveries.

Note B -- Principally the disposal of obsolete inventory.

Note C -- Principally payments on contractual obligations for previously-owned businesses.

Note D -- Principally the disposal of fixed assets.

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

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Directors

The information set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held April 30, 2003 is hereby incorporated by reference.

(b) Executive Officers -- See Part I.

(c) Compliance with Section 16(a) of the Exchange Act.

37

The information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held April 30, 2003 is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" in the Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held April 30, 2003 is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the captions "Ownership of the Company's Common Shares," "Election of Directors" and "Security Ownership of Management" in the Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held April 30, 2003 is hereby incorporated by reference.

The table below sets forth certain information regarding the following equity compensation plans of the Company as of December 28, 2002: 1988 Incentive Equity Performance Plan (As Amended as of October 19, 2000) (the "1988 Plan"), 1998 Incentive Equity Plan (As Amended and Restated as of April 27, 2001) (the "1998 Plan"), Nonemployee Directors Stock Option Plan (As Amended and Restated as of July 19, 2001) (the "Directors Option Plan"), Deferred Compensation Plan for Nonemployee Directors (As Amended and Restated as of October 18, 2001) (the "Directors Deferred Plan") and Deferred Compensation Plan for Executive Officers (As Amended and Restated as of October 18, 2001) (the "Executive Officers Deferred Plan"). All of those plans have been approved by shareholders, except the Directors Deferred Plan and the Executive Officers Deferred Plan.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER REMAINING FUTURE EQUITY PLANS SECURITIES
-----	-----	-----	-----
	(a)	(b)	

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Equity compensation plans approved by security holders	2,358,850	\$6.68
Equity compensation plans not approved by security holders	0	N/A
Total	2,358,850	\$6.68

- (1) Includes 570,105 Common Shares remaining available under the 1998 Plan, which authorizes the Governance, Nominating and Compensation Committee to make awards of Option Rights, Appreciation Rights, Restricted Shares, Deferred Shares, Performance Shares and Performance Units; and 53,000 Common Shares remaining available under the Directors Option Plan, which provides for annual awards of stock options.
- (2) The Directors Deferred Plan and the Executive Officers Deferred Plan provide for the issuance of Common Shares, but do not provide for a specific amount available under the plans. Descriptions of those plans are set forth below.

### DIRECTORS DEFERRED PLAN

The Directors Deferred Plan provides Directors the opportunity to defer their annual retainers and meeting fees. Such deferred fees may be invested, at each Director's election, in either a money market fund or in Common Shares of the Company. If a Director elects to have this deferred compensation invested in Common Shares, the director will receive an additional sum, also invested in Common Shares, equal to 25.0% of the deferred amount.

38

### EXECUTIVE OFFICERS DEFERRED PLAN

The Executive Officers Deferred Plan provides designated executive officers and other key employees of the Company the opportunity to defer bonus compensation payable to them under the Company's annual incentive compensation program. Such deferred compensation is invested in deferred Common Shares of the Company. If a participant elects to have his or her bonus deferred, the Company will issue Restricted Shares under the 1998 Plan to such participant in the amount of 20.0% of the deferred annual incentive compensation.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the past fiscal year, the Company, in the normal course of business, utilized the services of the law firm of Jones Day, in which Mr. Coquillette, a director of the Company, is a partner. The Company plans to continue using the services of the firm in 2003.

### ITEM 14. CONTROLS AND PROCEDURES

As of December 28, 2002, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

39

### PART IV

#### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

Consolidated financial statements of The Lamson & Sessions Co. and Subsidiaries are included in Item 8 of this report:

1. Financial Statements

Consolidated Statements of Operations for Fiscal Years Ended 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for Fiscal Years Ended 2002, 2001 and 2000.

Consolidated Balance Sheets at December 28, 2002 and December 29, 2001.

Consolidated Statements of Shareholders' Equity for Fiscal Years Ended 2002, 2001 and 2000.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule

Schedule II -- Valuation and Qualifying Accounts and Reserves.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. The exhibits listed in the accompanying Exhibit Index and required by Item 601 of Regulation S-K (numbered in accordance with Item 601 of Regulation S-K) are filed or incorporated by reference as part of this Report.

(b) Reports on Form 8-K

1. The Company's Current Report on Form 8-K, dated October 31, 2002, relating to the certifications made by the Company's Chief Executive Officer and Chief Financial Officer with respect to the Company's Quarterly Report on Form 10-Q or the period ended September 28, 2002 pursuant to Section 906 of the Sarbanes-Oxley Act.

2. The Company's Current Report on Form 8-K, dated October 31, 2002, relating to the Company's earnings for the third quarter of 2002.

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

(c) Exhibits -- See 15(a)3.

40

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, on this February 27, 2003.

THE LAMSON & SESSIONS CO.

By /s/ James J. Abel

-----  
James J. Abel  
Executive Vice President, Secretary,  
Treasurer and Chief Financial Officer

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 indicated as of February 18, 2003.

SIGNATURE

TITLE

-----

-----

/s/ John B. Schulze  
-----  
John B. Schulze

Chairman of the Board, President  
and Chief Executive Officer  
(Principal Executive Officer)

/s/ James J. Abel  
-----  
James J. Abel

Executive Vice President, Secretary,  
Treasurer and Chief Financial Officer  
(Principal Financial Officer)

/s/ Lori L. Spencer  
-----  
Lori L. Spencer

Vice President and Controller  
(Principal Accounting Officer)

/s/ James T. Bartlett\*  
-----  
James T. Bartlett

Director

/s/ Francis H. Beam, Jr.\*  
-----

Director

Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Francis H. Beam, Jr.

/s/ Martin J. Cleary\* Director  
-----  
Martin J. Cleary

41

SIGNATURES -- CONTINUED

SIGNATURE -----	TITLE -----
/s/ William H. Coquillet* ----- William H. Coquillet	Director
/s/ John C. Dannemiller* ----- John C. Dannemiller	Director
/s/ George R. Hill* ----- George R. Hill	Director
/s/ A. Malachi Mixon, III* ----- A. Malachi Mixon, III	Director
/s/ D. Van Skilling* ----- D. Van Skilling	Director

\* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above-named directors of The Lamson & Sessions Co. and filed herewith as Exhibit 24 on behalf of The Lamson & Sessions Co. and each such person.

February 27, 2003

By /s/ James J. Abel  
-----  
James J. Abel, Attorney-in-fact

# Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

## CERTIFICATIONS

I, John B. Schulze, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of The Lamson & Sessions Co.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

42

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the



## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

February 27, 2003

/s/ John B. Schulze

-----  
John B. Schulze  
Chairman of the Board, President  
and Chief Executive Officer

### CERTIFICATIONS

I, James J. Abel, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of The Lamson & Sessions Co.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

43

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

February 27, 2003

/s/ James J. Abel

-----  
James J. Abel  
Executive Vice President, Secretary  
Treasurer and Chief Financial Officer

44

### EXHIBIT INDEX

Management Contracts and Compensatory Plans required to be filed pursuant to Item 14 of Form 10-K are identified with an asterisk (\*).

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
-----	-----
3(a)	Amended Articles of Incorporation of the Company (incorporated by reference to Exhibit 4(a) to the Company's Registration Statement on Form S-8 (Registration No. 333-32875) filed with the Securities and Exchange Commission on August 5, 1997).
3(b)	Amended Code of Regulations of the Company (incorporated by reference to Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (the "first quarter 2001 Form 10-Q")).
4(a)	Form of Rights Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on September 9, 1998).
4(b)	Rights Agreement, dated as of September 8, 1998, by and between the Company and National City Bank (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed with the

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

Securities and Exchange Commission on September 9, 1998).

- \*10(a) Form of Three-Year Executive Change-in-Control Agreement between the Company and certain executive officers (incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended January 1, 2000).
- \*10(b) Form of Two-Year Executive Change-in-Control Agreement between the Company and certain executive officers (incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended January 1, 2000).
- \*10(c) Form of Indemnification Agreement between the Company and the Directors and certain officers (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
- 10(d) Asset Purchase Agreement between Iochpe-Maxion Ohio, Inc. and The Lamson & Sessions Co. dated as of May 4, 1994 (incorporated by reference to Exhibit 10 to the Company's Current Report on Form 8-K dated as of May 27, 1994).
- 10(e) Share Purchase Agreement, dated as of August 20, 2000, by and among the Company, Pyramid Industries, Inc. and the shareholders of Pyramid Industries, Inc. (incorporated by reference to Exhibit 2 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 6, 2000).
- 10(f) Share Purchase Agreement, dated as of December 6, 2000, by and among the Company, Ameriduct Worldwide, Inc. and the shareholders of Ameriduct Worldwide, Inc. (incorporated by reference to Exhibit 2 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 2, 2001).

45

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
-----	-----
10(g)	Amended and Restated Credit Agreement, dated as of December 15, 2000, among the Company, the Guarantors party thereto, the Lenders party thereto, National City Bank, as Syndication Agent, Bank of America, N.A., as Documentation Agent and Harris Trust and Savings Bank as Administrative Agent (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2001 (the "third quarter 2001 Form 10-Q")).
10(h)	First Amendment to the Amended and Restated Credit Agreement, entered into as of August 1, 2001, among the Company, the Guarantors party thereto, the Lenders party thereto and Harris Trust and Savings Bank, as Administrative Agent for the Lenders (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001).
10(i)	Second Amendment to the Amended and Restated Credit Agreement, entered into as of October 31, 2001, among the Company, the Guarantors party

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

thereto, the Lenders party thereto and Harris Trust and Savings Bank, as Administrative Agent for the Lenders (incorporated by reference to Exhibit 10(b) to the third quarter 2001 Form 10-Q).

- 10(j) Third Amendment to the Amended and Restated Credit Agreement, entered into as of March 27, 2002, among The Lamson & Sessions Co., the Guarantors party thereto, the Lenders party thereto, and Harris Trust and Savings Bank, as Administrative Agent for the Lenders (incorporated by reference to Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarterly period ended March 30, 2002).
- 10(k) Fourth Amendment to the Amended and Restated Credit Agreement, entered into as of September 30, 2002, among The Lamson & Sessions Co., the Guarantors party thereto, the Lenders party thereto, and Harris Trust and Savings Bank, as Administrative Agent for the Lenders (incorporated by reference to Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarterly period ended September 28, 2002).
- 10(l) Mortgage and Security Agreement, dated October 29, 1993, between The Lamson & Sessions Co. and PFL Life Insurance Company (incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended January 1, 1994).
- \*10(m) Form of Amended and Restated Supplemental Executive Retirement Agreement dated as of March 20, 1990 between the Company and certain of its executive officers (incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 30, 1995).
- \*10(n) First Amendment to The Lamson & Sessions Co. Amended and Restated Supplemental Retirement Agreement, effective January 1, 2000 (incorporated by reference to Exhibit 10(ak) to the Company's Annual Report on Form 10-K for the year ended January 1, 2000).
- \*10(o) 1988 Incentive Equity Performance Plan (as amended and restated as of February 26, 1998) (incorporated by reference to Exhibit 4(c) of the Company's Registration Statement on Form S-3 (Registration No. 333-65795) filed with the Securities and Exchange Commission on October 16, 1998).
- \*10(p) Amendment No. 3 to The Lamson & Sessions Co. 1988 Incentive Equity Performance Plan (as amended and restated as of February 26, 1998) (incorporated by reference to Exhibit 10(am) to the Company's Annual Report on Form 10-K for the year ended January 1, 2000).

46

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
-----	-----
*10(q)	Amendment No. 4 to The Lamson & Sessions Co. 1988 Incentive Equity Performance Plan (as amended and restated as of February 26, 1998), dated as of October 19, 2000 (incorporated by reference to Exhibit 10(d) to the first quarter 2001 Form 10-Q).
*10(r)	Form of two-year non-qualified stock option agreement under the Company's 1988 Incentive Equity Performance Plan (incorporated by

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

reference to Exhibit 10(e) to the third quarter 2001 Form 10-Q).

- \*10(s) Form of three-year non-qualified stock option agreement under the Company's 1988 Incentive Equity Performance Plan (incorporated by reference to Exhibit 10(f) to the third quarter 2001 Form 10-Q).
- \*10(t) 1998 Incentive Equity Plan (as amended and restated as of April 27, 2001) (incorporated by reference to Appendix A of the Company's Proxy Statement dated March 23, 2001).
- \*10(u) Form of two-year non-qualified stock option agreement under the Company's 1998 Incentive Equity Plan (incorporated by reference to Exhibit 10(c) to the third quarter 2001 Form 10-Q).
- \*10(v) Form of three-year non-qualified stock option agreement under the Company's 1998 Incentive Equity Plan (incorporated by reference to Exhibit 10(d) to the third quarter 2001 Form 10-Q).
- \*10(w) The Company's Long-Term Incentive Plan (incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 28, 1996).
- \*10(x) Amendment No. 1 to The Lamson & Sessions Co. Long-Term Incentive Plan, effective January 1, 2000 (incorporated by reference to Exhibit 10(an) to the Company's Annual Report on Form 10-K for the year ended January 1, 2000).
- \*10(y) The Lamson & Sessions Co. Deferred Savings Plan (as amended and restated as of February 17, 1998 by Amendments 1-6) (incorporated by reference to Exhibit 4(c) to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 26, 1998 (Registration No. 333-46953)).
- \*10(z) Amendment No. 7 to The Lamson & Sessions Co. Deferred Savings Plan (incorporated by reference to Exhibit 10(a) to the first quarter 2001 Form 10-Q).
- \*10(aa) Amendment No. 8 to The Lamson & Sessions Co. Deferred Savings Plan (incorporated by reference to Exhibit 10(b) to the first quarter 2001 Form 10-Q).
- \*10(bb) Amendment No. 9 to The Lamson & Sessions Co. Deferred Savings Plan (incorporated by reference to Exhibit 10(c) to the first quarter 2001 Form 10-Q).
- \*10(cc) The Lamson & Sessions Co. Nonemployee Directors Stock Option Plan, as amended and restated as of July 19, 2001 (incorporated by reference to Exhibit 10(g) to the third quarter 2001 Form 10-Q).
- \*10(dd) Form of non-qualified stock option agreement under the Company's Nonemployee Directors Stock Option Plan (incorporated by reference to Exhibit 10(h) to the third quarter 2001 Form 10-Q).

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
-------------	-------------------------

-----

-----

## Edgar Filing: LAMSON & SESSIONS CO - Form 10-K

- \*10(ee) The Lamson & Sessions Co. Deferred Compensation Plan for Nonemployee Directors, as amended and restated as of October 18, 2001 (incorporated by reference to Exhibit 10(i) to the third quarter 2001 Form 10-Q).
- \*10(ff) The Lamson & Sessions Co. Deferred Compensation Plan for Executive Officers, as amended and restated as of October 18, 2001 (incorporated by reference to Exhibit 10(j) to the third quarter 2001 Form 10-Q).
- 21 Subsidiaries of the Registrant, filed herewith.
- 23 Consent of Independent Auditors, filed herewith.
- 24 Powers of Attorney, filed herewith.