

SOUTHWALL TECHNOLOGIES INC /DE/

Form SC 13D/A

February 06, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**

Washington, D.C. 20549

SCHEDULE 13D

**Under the Securities Exchange Act of 1934
(Amendment No. 1)***

SOUTHWALL TECHNOLOGIES INC.

(Name of Issuer)

COMMON STOCK

(Title of Class of Securities)

844 909 101

(CUSIP Number)

**Nicholas C. Unkovic, Esq., Squire, Sanders & Dempsey L.L.P.
600 Hansen Way, Palo Alto, CA 94304-1043; (650) 856-6500**

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

January 29, 2003

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ☐

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Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 844 909 101

1. **Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).**
Teijin Limited

2. **Check the Appropriate Box if a Member of a Group (See Instructions)**

N.A.

(a) ☐

(b) ☐

3. **SEC Use Only**

4. **Source of Funds (See Instructions)**

N.A.

5. **Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)**

N.A.

6. **Citizenship or Place of Organization**

Japan

7. **Sole Voting Power**

667,000

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

8. **Shared Voting Power**

696

9. **Sole Dispositive Power**

667,000

10. **Shared Dispositive Power**

696

11. **Aggregate Amount Beneficially Owned by Each Reporting Person**

667,696

12. **Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)**

13. **Percent of Class Represented by Amount in Row (11)**

5.3%

14. **Type of Reporting Person (See Instructions)**

CO

Item 1.

Security and Issuer

The class of equity securities to which this Statement relates is the Common Stock, \$0.001 par value, of Southwall Technologies Inc., a Delaware corporation ("Southwall"). The principal executive offices of Southwall are located at 1029 Corporation Way, Palo Alto, CA 94303.

Item 2.

Identity and Background

This Statement is being filed by Teijin Limited, a Japanese corporation ("Teijin"). The registered office of Teijin is at 6-7, Minami-honmachi 1-Chome, Chuo-ku, Osaka 541, JAPAN. Teijin is a US\$6 billion diversified chemicals and plastics, fibers, pharmaceutical and medical products, information systems and media company based in Osaka, Japan. Its operations include the manufacture and sale of polyester (PET) films which are used in a variety of applications. The name, business address, present principal occupation and citizenship of each executive officer and director of Teijin are set forth in Appendix A attached hereto, which is incorporated herein by reference.

During the last five years, neither Teijin nor, to the best knowledge of Teijin, any of its executive officers or directors, has been convicted in any criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding is or was subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws.

On January 29, 2003, the board of directors of Teijin approved a reorganization plan for Teijin. As a result of the reorganization, a new subsidiary corporation, Teijin Films Limited ("Teijin Films"), will be formed in Japan. Thereafter, Teijin will transfer certain assets to Teijin Films in exchange for all the shares of Teijin Films. The transferred assets will include Teijin's entire interest in 667,696 shares of the Common Stock of Southwall (the "Southwall Common Stock").

Item 3.

Source and Amount of Funds or Other Consideration

There will be no funds or other consideration required to be disclosed in connection with the planned transfer of 667,696 shares of the Southwall Common Stock from Teijin to Teijin Films referred to in Item 2 above.

Item 4.

Purpose of Transaction

State the purpose or purposes of the acquisition of securities of the issuer. Describe any plans or proposals which the reporting persons may have which relate to or would result in:

Teijin will hold the shares of Southwall for investment purposes in order to further its cooperative relationship with Southwall. Teijin currently does not intend to acquire control of Southwall, although it may buy or sell (from time to time in open market transactions) additional shares of the Southwall Common Stock. In determining whether to buy or sell additional shares of the Southwall Common Stock, Teijin intends to consider various factors, including Southwall's financial condition, business and prospects, price levels of the Southwall Common Stock, the business relationship between Teijin and Southwall, other opportunities available to Teijin, and general economic, money and stock market conditions. Depending upon, among other things, the matters referred to above, Teijin may determine to dispose of all or a portion of its shares of the Southwall Common Stock. Teijin currently has the right to nominate one of the six directors on Southwall's board of directors each year. Teijin and Teijin Films will discuss with Southwall concerning representation on Southwall's board of directors after the planned transfer and it is anticipated that Teijin will continue to keep the same right. At the time of this filing, Mr. Noriyuki Nakamura, President of Teijin Holdings USA Inc., serves as Teijin's representative on Southwall's board of directors, and his tenure will continue until April 1, 2003.

Except as discussed above, Teijin does not have any plans or proposals which relate to or would result in any of the following:

- (a) The acquisition by any person of additional securities of Southwall or the disposition of securities of Southwall;
- (b) An extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Southwall or any of its subsidiaries, if any;
- (c) A sale or transfer of a material amount of assets of Southwall or any of its subsidiaries;
- (d) Any change in the present board of directors or management of Southwall, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board;
- (e) Any material change in the present capitalization or dividend policy of Southwall;
- (f) Any other material change in Southwall's business or corporate structure;
- (g) Changes in Southwall's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition or control of Southwall by any person;
- (h) Causing a class of securities of Southwall to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association;
- (i) A class of equity securities of Southwall becoming eligible for termination of registration pursuant to Section 12(g) (4) of the Act; or
- (j) Any action similar to any of those enumerated above.

Item 5.

Interest in Securities of the Issuer

- (a) Teijin purchased 667,000 shares of the Southwall Common Stock at a price of \$7.50 per share, for an aggregate purchase price of \$5,002,500, pursuant to a Basic Agreement Regarding Stock Purchase Between Southwall/Teijin dated April 9, 1997, which is described in item 6 below. Teijin also received warrants in 1997 to purchase 158,000 shares of the Southwall Common Stock at \$9.00 per share. These warrants were not exercised and expired on May 30, 2000. As the result of a Compensation Agreement dated around July 1, 1999 entered into between Teijin and Mr. Hideo Nakamori (the "Compensation Agreement"), Teijin shares dispositive and voting power with respect to 696 shares of the Southwall Common Stock owned of record by Mr. Hideo Nakamori. As of the date of the filing of this Amendment No. 1, Teijin is a beneficial owner of a total of 667,696 shares of the Southwall Common Stock, which represents 5.3% of total outstanding shares of Southwall. After the planned transfer, due to its parent-subsidary relationship with Teijin Films, the owner, Teijin will be a beneficial owner of 667,696 shares of the Southwall Common Stock (5.3%).
- (b) Number of shares as to which such person has:
 - (i) Sole power to vote or direct the vote: -667,000-
 - (ii) Shared power to vote or to direct the vote: -696-
 - (iii) Sole power to dispose or to direct the disposition of: -667,000-
 - (iv) Shared power to dispose or to direct the disposition of: -696-
- (c) Teijin has not engaged in any transactions in the Southwall Common Stock during the past 60 days.
- (d) No other person has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the 667,696 shares of the Southwall Common Stock.
- (e) Not applicable.

Item 6.

Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Teijin purchased 667,000 shares of the Southwall Common Stock pursuant to a Basic Agreement Regarding Stock Purchase Between Southwall/Teijin dated April 9, 1997 (the "Basic Agreement"). The Basic Agreement also sets forth a general framework for areas in which Teijin and Southwall may collaborate in the future. Detailed descriptions of the terms of the Basic Agreement and a copy of the Basic Agreement are contained in Teijin's Schedule

13D dated April 9, 1997.

Teijin agreed to guarantee a Japanese bank loan to Southwall. In consideration of the guarantee, Teijin received warrants in 1997 to purchase 158,000 shares of the Southwall Common Stock at \$9.00 per share. These warrants were not exercised and expired on May 30, 2000. The Teijin guarantee was collateralized by certain inventory and equipment located in Southwall's Tempe manufacturing facility, to the extent necessary to provide 120% net book value coverage of the outstanding loan balance (the Southwall Collateral). The interest rate on the loan is re-set semi-annually at LIBOR plus 1.0% (5.25% at September 30, 2001, and 3.14% at September 29, 2002). Southwall is also subject to certain financial covenants under the guarantee. Southwall pays Teijin semi-annually a loan guarantee service fee equal to 0.5625% of the outstanding balance. The loan requires semi-annual payments of interest only during the first four years, followed by semi-annual installments plus interest, beginning in May 2001, for the remaining three-and-one-half year term. On December 31, 2001, Southwall was not in compliance with certain of the financial covenants with Teijin pertaining to this loan. Southwall received a waiver from Teijin and the Japanese bank of any defaults that may exist through and including September 30, 2003 arising out of Southwall's failure to comply with the financial covenants of the guarantee agreement relating to minimum quick ratio, tangible net worth and maximum debt/tangible net worth. The waiver was conditioned on Southwall's agreement to prepay \$2.5 million of the debt from the proceeds of its public offering.

On July 8, 2002, Southwall completed a follow-on public offering of 3,500,000 shares of its common stock at a price of \$4.50 per share. On August 5, 2002, Southwall sold an additional 307,300 shares at a price of \$4.50 per share, when its underwriters exercised part of their overall allotment option. The net proceeds to Southwall from the offering and the over allotment option after deducting underwriting discounts and commission and offering expenses were approximately \$15.1 million. On November 6, 2002, Southwall used the net proceeds to prepay \$2.5 million of the Japanese bank loan, in addition to the scheduled principal payment of \$1.25 million, leaving an outstanding balance of \$2.5 million. Upon such prepayment, Teijin released its security interest in the Southwall Collateral except certain machines located at Southwall's Tempe plant.

Teijin and Mr. Hideo Nakamori entered into the Compensation Agreement on or about July 1, 1999. As a result of the Compensation Agreement, Teijin shares dispositive and voting power with respect to 696 shares of the Southwall Common Stock owned of record by Mr. Hideo Nakamori.

As a result of Teijin's beneficial ownership of 667,696 shares of the Southwall Common Stock, Teijin currently has the right to nominate one of the six directors on Southwall's board of directors each year. At the time of this filing, Mr. Noriyuki Nakamura, President of Teijin Holdings USA Inc., serves as Teijin's representative on Southwall's board of directors, and his tenure will continue until April 1, 2003.

On January 29, 2003, the board of directors of Teijin approved a reorganization plan for Teijin. As a result of the reorganization, a new subsidiary corporation Teijin Films will be formed in Japan. Thereafter, Teijin will transfer certain assets to Teijin Films in exchange for all the shares of Teijin Films. The transferred assets will include Teijin's entire interest in 667,696 shares of the Southwall Common Stock. Teijin and Teijin Films will discuss with Southwall concerning representation on Southwall's board of directors after the planned transfer and it is anticipated that Teijin will continue to nominate one of the six directors on Southwall's board of directors.

Item 7.

Material to Be Filed as Exhibits

N.A.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 6, 2003

TEIJIN LIMITED

Signature: /s/ Yukio Kobayashi

Name: Yukio Kobayashi

Title: Assistant to General Manager
Films Business Group
Teijin Limited

APPENDIX A

INFORMATION CONCERNING THE EXECUTIVE
OFFICERS AND DIRECTORS OF TEIJIN LIMITED

- (a) Shosaku Yasui
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Chairman of the Board
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Toru Nagashima
- (b) 6-7 Minami-hommachi 1-chome, Chuo-ku, Osaka 541-8587, JAPAN
- (c) President, Member of the Board, and CEO (Chief Executive Officer)
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Noriaki Nagashima
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Senior Managing Director; Member of the Board, and CTO (Chief Technology Officer)
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Akira Masuyama
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Senior Managing Director; Member of the Board, and CIO (Chief Information Officer)

Signature

- (d) N/A
- (e) N/A
- (f) Japan

- (a) Takashi Kishida
- (b) 6-7 Minami-hommachi 1-chome, Chuo-ku, Osaka 541-8587, JAPAN
- (c) Managing Director; Member of the Board, and CESHQ (Chief Environment, Safety and Health Officer)
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Mutsuhiko Yoshizumi
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Manager Director; Member of the Board, and CHO (Chief Human Resources Officer)
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Naoto Takano
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Director; Member of the Board, and CFO (Chief Financial Officer)
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Makoto Okitsu
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Director, Member of the Board
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Kiyoshi Tsutsumi
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Director; Member of the Board
- (d) N/A
- (e) N/A
- (f) Japan

- (a) Takanobu Fujii
- (b) 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8585, JAPAN
- (c) Director, Member of the Board
- (d) N/A
- (e) N/A

(f) Japan