

SPARTAN MOTORS INC
Form 10-Q
May 08, 2008

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

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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

For the transition period from _____ to _____

Commission File Number: **0-13611**

SPARTAN MOTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or Other Jurisdiction of
Incorporation or Organization)

38-2078923
(I.R.S. Employer
Identification No.)

1000 Reynolds Road
Charlotte, Michigan
(Address of Principal Executive Offices)

48813
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(517) 543-6400**

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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<u>Class</u>	<u>Outstanding at May 1, 2008</u>
Common stock, \$.01 par value	<u>32,407,869</u> shares

SPARTAN MOTORS, INC.

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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are not historical facts. These statements are called "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve important known and unknown risks, uncertainties and other factors and can be identified by phrases using "estimate," "anticipate," "believe," "project," "expect," "intend," "predict," "potential," "future," "may," "should" and similar expressions or words. Our future results, performance or achievements may differ materially from the results, performance or achievements discussed in the forward-looking statements. There are numerous factors that could cause actual results to differ materially from the results discussed in forward-looking statements, including, among others:

Changes in existing products liability, tort or warranty laws or the introduction of new laws, regulations or policies that could affect our business practices. These laws, regulations or policies could impact our industry as a whole, or could impact only those portions in which we are currently active, for example, laws regulating the design or manufacture of emergency vehicles or regulations issued by the National Fire Protection Association; in either case, our profitability could be adversely impacted due to an industry-wide market decline or due to our inability to compete with other companies that are unaffected by these laws, regulations or policies.

Changes in environmental regulations. These regulations could have a negative impact on our earnings; for example, laws mandating improved emissions standards could increase our research and development costs, increase the cost of components and lead to the temporary unavailability of engines.

Rapidly rising material and component costs and the Company's ability to mitigate such cost increases based upon our supply contracts or to recover such cost increases with increases in selling prices of its products. Such increases in costs could have an adverse impact on our earnings.

Changes in relationships with major customers. An adverse change in our relationship with major customers would have a negative impact on our earnings and financial position.

Economic, legal and other factors could impact our customers' ability to pay accounts receivable balances due from them. In the ordinary course of business, customers are granted terms related to the sale of goods and services delivered to them. These terms typically include a period of time between when the goods and services are tendered for delivery to the customer and when the customer needs to pay for these goods and services. The amounts due under these payment terms are listed as accounts receivable on our balance sheet. Prior to collection of these accounts receivable, our customers could encounter drops in sales, large legal settlements, or other factors which could impact their ability to continue as a going concern and which could affect the collectability of these amounts. Writing off uncollectible accounts receivable could have a material adverse effect on our earnings and cash flow as the company has major customers with material accounts receivable balances at any given time.

Changes in economic conditions, including changes in interest rates, financial market performance and our industry. These types of changes can impact the economy in general, resulting in a downward trend that impacts not only our business, but all companies with which we compete; or, the changes can impact only those parts of the economy upon which we rely in a unique fashion, including, by way of example:

Credit availability can impact our direct customers' and our direct customers' dealer network's ability to finance their operations, including inventory levels of our product. In addition, the condition of the housing market can cause liquidity issues for motorhome retail customers.

Factors that impact our attempts to expand internationally, such as the introduction of trade barriers in the United States or abroad.

Increasing oil prices and the availability of oil may have an adverse impact on the RV market.

Armed conflicts and other military actions. The considerable political and economic uncertainties resulting from these events could adversely affect our order intake and sales.

Our sales of specialty chassis for military vehicles depend on U.S. government contracts awarded to our customers. Multi-year U.S. government contracts generally are not fully funded at inception and are subject to termination. Currently, we derive a large portion of our revenue from the sale of specialty chassis for military vehicles. Our customers for these specialty chassis have prime contracts with military agencies of the U.S. government. There are unique risks associated with U.S. government contracts, and by extension, subcontracts. Changes in the congressional appropriations process, program funding levels, and unforeseen world events can interrupt, delay, or terminate the funding for any program or contract. Other risks particular to government contracts and subcontracts include:

U.S. government contracts generally permit the government to terminate a contract, in whole or in part, for convenience. If a contract is terminated the government will pay the prime and subcontractors for work performed and related termination costs.

The government may also terminate a contract for default in the event of a breach by the contractor. If a contract is terminated for default, the government in most cases pays for only the work it has accepted. The loss of anticipated funding or the termination of multiple or large programs could have an adverse effect on our future sales and earnings.

In general, future sales under multiyear contracts are conditioned on the continuing availability of congressional appropriations. Congress typically appropriates funds on a fiscal-year basis, even though contract performance may extend over many years. Changes in appropriations in subsequent years may impact the funding available for these programs. Delays or changes in funding can impact the timing of available funds or lead to changes in program content.

Contracts and subcontracts for U.S. government programs are subject to various procurement laws and regulations. The government may suspend us from receiving new contracts pending resolution of alleged violations of these laws or regulations.

U.S. defense spending has historically been cyclical. Rising budget deficits, increased military expenditures, and increasing costs for domestic programs could ultimately impact government spending on military vehicles. Changes in military strategies, tactics, and conditions on the ground in Iraq and Afghanistan may lead to the reduction, delay, or termination of the vehicle programs that we support. Reductions in our existing vehicle programs, unless offset by other programs and opportunities, could adversely affect our ability to sustain and grow our future sales and earnings.

Changes to the U.S. Department of Defense's Mine Resistant Ambush Protected ("MRAP") vehicle program may have an adverse effect on our earnings. Since 2005, the Company has derived significant revenue from the sale of specialty chassis for use in the U.S. Department of Defense's MRAP vehicle program. This program began in response to the need for better armored vehicles to protect U.S. soldiers from improvised explosive devices. The Department of Defense, through the various branches of the U.S. military, is expected to complete currently planned purchases of MRAP vehicles by 2009. There is no guarantee that the U.S. government will continue the MRAP program, or that a successor program, if any, would present opportunities for the Company. Whether we receive future orders for military vehicle chassis will depend upon the military's need and funding for vehicles and whether we are successful in submitting competitive bids for our chassis to prime contractors. The Company intends to pursue other opportunities pertaining to military vehicles, including service to existing vehicles and sales for foreign military use, but there can be no assurance that earnings from these opportunities will be realized.

Factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission.

This list provides examples of factors that could affect the results described by forward-looking statements contained in this Report. However, this list is not intended to be exhaustive; many other factors, including the risk factors disclosed in Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q and of the Company's Annual Report on Form 10-K for the year ended December 31, 2007, could impact our business and it is impossible to predict with any accuracy which factors could adversely affect the Company. Although we believe that the forward-looking statements contained in this Report are reasonable, we cannot provide you with any guarantee that the anticipated results will be achieved. All forward-looking statements in this Report are expressly qualified in their entirety by the cautionary statements contained in this section and you are cautioned not to place undue reliance on the forward-looking statements contained in this Report. In addition to the risks listed above, other risks may arise in the future, and we disclaim any obligation to update information contained in any forward-looking statement.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,297,736	\$ 13,527,867
Accounts receivable, less allowance for doubtful accounts of \$1,696,000 in 2008 and \$802,000 in 2007	171,707,513	132,906,559
Inventories	95,461,307	103,075,789
Deferred income tax assets	6,924,832	6,924,832
Other current assets	2,127,236	1,978,322
Total current assets	281,518,624	258,413,369
Property, plant, and equipment, net	59,292,410	56,673,215
Goodwill	2,457,028	2,457,028
Deferred income tax assets	775,000	775,000
Other assets	260,211	345,327
Total assets	\$ 344,303,273	\$ 318,663,939

See Accompanying Notes to Condensed Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (Continued)

	March 31, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 71,789,607	\$ 90,769,512
Accrued warranty	11,536,209	10,823,532
Accrued customer rebates	1,993,716	1,962,765
Accrued compensation and related taxes	8,748,349	10,430,556
Accrued vacation	1,951,144	1,758,354
Deposits from customers	6,163,027	5,539,824
Other current liabilities and accrued expenses	4,162,678	3,366,825
Taxes on income	7,026,184	551,074
Current portion of long-term debt	523,175	522,666
	113,894,089	125,725,108
Other non-current liabilities	1,025,000	1,025,000
Long-term debt, less current portion	84,564,390	62,695,454
Shareholders' equity:		
Preferred stock, no par value: 2,000,000 shares authorized (none issued)	--	--
Common stock, \$0.01 par value; 40,000,000 shares authorized; issued 32,407,644 shares and 32,352,679 shares in 2008 and 2007, respectively	324,076	323,527
Additional paid in capital	63,468,543	62,648,429
Retained earnings	81,027,175	66,246,421
	144,819,794	129,218,377
Total shareholders' equity	144,819,794	129,218,377
Total liabilities and shareholders' equity	\$ 344,303,273	\$ 318,663,939

See Accompanying Notes to Condensed Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2008	2007
Sales	\$ 264,094,756	\$ 142,882,064
Cost of products sold	223,465,142	118,190,505
Gross profit	40,629,614	24,691,559
Operating expenses:		
Research and development	4,687,555	3,789,579
Selling, general and administrative	12,539,581	9,482,122
Operating income	23,402,478	11,419,858
Other income (expense):		
Interest expense	(732,449)	(246,024)
Interest and other income	93,197	137,044
Earnings before taxes on income	22,763,226	11,310,878
Taxes on income	7,982,472	4,104,138
Net earnings	\$ 14,780,754	\$ 7,206,740
Basic net earnings per share	\$.46	\$ 0.23
Diluted net earnings per share	\$.45	\$ 0.22
Basic weighted average common shares outstanding	31,954,000	31,655,000
Diluted weighted average common shares outstanding	32,512,000	32,610,000

See Accompanying Notes to Condensed Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net earnings	\$ 14,780,754	\$ 7,206,740
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation	1,327,221	823,667
Gain on disposal of assets	(2,500)	--
Tax benefit from stock incentive plan transactions	(53,291)	(1,553,197)
Stock based compensation related to restricted stock	417,711	202,427
Decrease (increase) in operating assets:		
Accounts receivable	(38,800,954)	(16,622,907)
Inventories	7,614,482	(8,619,532)
Other assets	(63,798)	6,366,715
Increase (decrease) in operating liabilities:		
Accounts payable	(18,979,905)	5,620,968
Accrued warranty	712,677	1,811,741
Accrued compensation and related taxes	(1,682,207)	(2,952,397)
Accrued vacation	192,790	205,622
Accrued customer rebates	30,951	(1,084,907)
Deposits from customers	623,203	(326,479)
Other current liabilities and accrued expenses	795,852	1,203,295
Taxes on income	6,528,402	1,111,628
Total adjustments	(41,339,366)	(13,813,356)
Net cash used in operating activities	(26,558,612)	(6,606,616)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,946,416)	(7,038,639)
Proceeds from sale of property, plant and equipment	2,500	--
Net cash used in investing activities	(3,943,916)	(7,038,639)
Cash flows from financing activities:		
Proceeds from long-term debt	79,500,000	18,000,000
Payments on long-term debt	(57,630,555)	(22,091,354)
Proceeds from the exercise of stock options	349,661	3,639,848
Cash retained on taxes due to stock incentive plan transactions	53,291	1,553,197
Net cash provided by financing activities	22,272,397	1,101,691
Net decrease in cash and cash equivalents	(8,230,131)	(12,543,564)
Cash and cash equivalents at beginning of period	13,527,867	13,834,892

Cash and cash equivalents at end of period	<u>\$ 5,297,736</u>	<u>\$ 1,291,328</u>
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See Accompanying Notes to Condensed Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2007, as previously reported	32,352,679	\$323,527	\$62,648,429	\$66,246,421	\$129,218,377
Issuance of common stock and the tax benefit of stock incentive plan transactions	61,428	614	402,338	--	402,952
Cancellation of restricted stock	(6,463)	(65)	65	--	--
Stock based compensation expense related to restricted stock	--	--	417,711	--	417,711
Net earnings	--	--	--	14,780,754	14,780,754
Balance at March 31, 2008	32,407,644	\$324,076	\$63,468,543	\$81,027,175	\$144,819,794

See Accompanying Notes to Condensed Consolidated Financial Statements.

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Three Months Ended March 31, 2008
(amounts in thousands)

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Motorhome chassis sales	\$ 38,145	\$ --	\$ --	\$ 38,145
Fire truck chassis sales	29,737	--	(5,449)	24,288
EVTeam product sales	--	24,252	--	24,252
Other sales	177,410	--	--	177,410
Total Sales	\$ 245,292	\$ 24,252	\$ (5,449)	\$ 264,095
Interest expense (income)	\$ (51)	\$ 398	\$ 385	\$ 732
Depreciation expense	589	281	457	1,327
Taxes (credit) on income	8,820	(233)	(605)	7,982
Segment earnings (loss)	16,644	(436)	(1,427)	14,781
Segment assets	251,171	52,172	42,295	345,638

Three Months Ended March 31, 2007
(amounts in thousands)

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Motorhome chassis sales	\$ 56,154	\$ --	\$ --	\$ 56,154
Fire truck chassis sales	30,624	--	(6,531)	24,093
EVTeam product sales	--	21,400	--	21,400
Other sales	41,235	--	--	41,235
Total Sales	\$ 128,013	\$ 21,400	\$ (6,531)	\$ 142,882
Interest expense	\$ --	\$ 308	\$ (62)	\$ 246
Depreciation expense	385	309	130	824
Taxes (credit) on income	4,701	(358)	(239)	4,104
Segment earnings (loss)	8,360	(722)	(431)	7,207
Segment assets	137,587	50,426	14,986	202,999

Note 6 - NEW AND PENDING ACCOUNTING STANDARDS

In June 2007, the Financial Accounting Standards Board (FASB) ratified the consensus reached by the Emerging Issues Task Force (EITF) on EITF issue 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 requires companies to recognize the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for non-vested equity-classified employee share-based payment awards as an increase in additional paid-in capital. The EITF should be applied prospectively to the income tax benefits of dividends on equity-classified employee share-based payment awards that

are declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. For the first quarter of 2008, EITF 06-11 did not have an effect on the Company's consolidated results of operations or its financial position. The Company does not expect this EITF to have a material impact on its future consolidated results of operation or its financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits entities to choose to measure eligible financial instruments at fair value. The objective of this statement is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 was effective for the Company beginning January 1, 2008. The Company does not expect the adoption of this statement to have a material impact on its consolidated results of operations or its financial position. Through March 31, 2008, the Company had not elected the fair value option for any of its financial assets or liabilities.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SFAS No. 157 was initially effective for the Company beginning January 1, 2008. In February 2008, the FASB approved the issuance of FASB Staff Position (FSP) FAS 157-2. FSP FAS 157-2 allows entities to electively defer the effective date of SFAS No. 157 until January 1, 2009 for nonfinancial assets and nonfinancial liabilities except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. Through March 31, 2008, SFAS No. 157 had no effect on the Company's consolidated results of operations or financial position with respect to its financial assets and liabilities. Effective January 1, 2009, the Company will apply the fair value measurement and disclosure provisions of SFAS No. 157 to its nonfinancial assets and liabilities measured on a nonrecurring basis. Such is not expected to have a material impact on the Company's consolidated results of operations or financial position. The Company measures the fair value of the following on a nonrecurring basis: (1) long-lived assets and (2) the reporting unit under step one of the Company's goodwill impairment test.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," to further enhance the accounting and financial reporting related to business combinations. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Therefore, the effects of the Company's adoption of SFAS No. 141(R) will depend upon the extent and magnitude of acquisitions after December 31, 2008.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

The Company was organized as a Michigan corporation on September 18, 1975, and is headquartered in Charlotte, Michigan. The Company began development of its first product that same year and shipped its first fire truck chassis in October 1975.

The Company is known as a leading, niche market engineer and manufacturer in the heavy-duty, custom vehicles marketplace. The Company has four wholly owned subsidiaries: Spartan Motors Chassis, Inc., located at the corporate headquarters in Charlotte, Michigan ("Spartan Chassis"); Crimson Fire, Inc., headquartered in Brandon, South Dakota ("Crimson"); Crimson Fire Aerials, Inc., located in Lancaster, Pennsylvania ("Crimson Aerials"); and Road Rescue, Inc., located in Marion, South Carolina ("Road Rescue").

Spartan Chassis is a leading designer, engineer and manufacturer of custom heavy-duty chassis. The chassis consist of a frame assembly, engine, transmission, electrical system, running gear (wheels, tires, axles, suspension and brakes) and, for fire trucks and some specialty chassis applications, a cab. Spartan Chassis customers are original equipment manufacturers ("OEMs") who complete their heavy-duty vehicle product by either mounting the body or apparatus on the Company's chassis or integrating the drive train with the armored body. Crimson and Road Rescue engineer and manufacture emergency vehicles built on chassis platforms purchased from either Spartan Chassis or outside sources. Crimson Aerials engineers and manufactures aerial ladder and waterway components for fire trucks.

The Company's business strategy is to further diversify product lines and develop innovative design, engineering and manufacturing expertise in order to be the best value producer of custom vehicle products. Spartan Chassis sells its custom chassis to three principal markets: fire truck, motorhome and specialty vehicles. Spartan Chassis focuses on certain custom niches within its three principal markets and believes that opportunities for growth remain strong for custom-built chassis and vehicles in each market.

The Company is an innovative team focused on building lasting relationships with its customers. This is accomplished by striving to deliver premium custom vehicles and services. The Company believes that it can best carry out its long-term business plan and obtain optimal financial flexibility by using a combination of borrowings under the Company's credit facilities, as well as internally or externally generated equity capital, as sources of expansion capital.

The Company recognizes that motorhome chassis sales are more sensitive to economic swings than that of the Company's other two principal chassis markets. Thus, in the past few years, management has placed special emphasis on further market penetration in the fire truck market and continued diversification into the specialty chassis market.

The Company expects future growth and earnings to come from:

The growing strength of the Spartan brands, including Spartan Chassis, Crimson Fire and Road Rescue.

EVTeam operational improvements as processes are reengineered to lower costs by eliminating non-value added activities.

Further market share gain in the Class A motorhome market as the Company's chassis continue to lead the way in design features such as stability, ride, durability and dependability.

Recent additions to manufacturing capacity for fire truck chassis cabs, specialty vehicles, and motorhome chassis, expanded our capability to fulfill current and future market needs.

In 2007, the Company unveiled the Furion which is the entry-level fire truck cab and chassis in the Spartan Chassis product line. The Furion is designed to bridge the market between custom and commercial vehicles.

Opportunities in the areas of specialty vehicles, service parts and micro-niche markets. The Company has received subcontract orders under the Mine Resistant Ambush Protected (MRAP) program, the Iraqi Light Armored Vehicle (ILAV) program, the Joint IED-Defeat Organization (JIEDDO) program, the Yemen Light Armored Vehicle (YLAV) program and the Special Operations Command (SOCOM) program. The Company's current backlog for these specialty vehicles will support production through most of 2008. There is an opportunity for increased service parts sales as the number of military vehicles in the field grows. The Company believes it is well positioned to seek additional military business, but this business is subject to unique risks and uncertainties identified in the "Forward Looking Statements" section of this Form 10-Q and disclosed in Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Potential for increased sales from our EVTeam due to the introduction of new technology such as the "Boomer", an innovative, low cost product that will provide an aerial waterway for fire departments looking for a cost effective solution. The Boomer also offers other features such as lifting and elevated lighting capabilities in addition to the necessary connections to operate vehicle extraction tools.

The Company believes the major strength of its business model is market diversity and customization, with a growing foundation in emergency rescue. The emergency rescue market is relatively less affected by geo-political events compared to the recreational vehicle market.

The following is a discussion of the major elements impacting the Company's financial and operating results for the three-month period ended March 31, 2008 compared to the three-month period ended March 31, 2007. The comments that follow should be read in conjunction with the Company's condensed consolidated financial statements and related notes contained in this Form 10-Q and in conjunction with the Company's annual report on Form 10-K filed with the Securities and exchange Commission on March 14, 2008.

RESULTS OF OPERATIONS

The following tables set forth, for the periods indicated, the components of the Company's business segment statements of operations, on an actual basis, as a percentage of sales:

	March 31, 2008			March 31, 2007		
	Business Segments		Consolidated	Business Segments		Consolidated
	Chassis	EVTeam		Chassis	EVTeam	
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of products sold	84.1%	93.3%	84.6%	81.7%	93.7%	82.7%
Gross profit	15.9%	6.7%	15.4%	18.3%	6.3%	17.3%
Operating expenses:						
Research and development	1.7%	2.0%	1.8%	&		