Veri-Tek International, Corp.
Form 10-K
March 27, 2008
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UNITED STATES

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 31, 2007

Commission File No.: 001-32401

VERI-TEK INTERNATIONAL, CORP.

(Exact name of registrant as specified in its charter)

Michigan	**42-1628978**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
7402 W. 100th Place	
Bridgeview, Illinois	**60455**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (708) 430-7500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	**American Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 x

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

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The aggregate market value of the shares of common stock, no par value (Common Stock) held by non-affiliates of the registrant as of June 30, 2007 was approximately $32.4 million based upon the closing price for the Common Stock on the American Stock Exchange on such date. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant s Common Stock outstanding as of March 06, 2008 was 9,809,340.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the registrant s Proxy Statement for its 2008 Annual Meeting (the 2008 Proxy Statement) to be filed with the Commission within 120 days after the end of its fiscal year ended December 31, 2007.

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PART I

References to the Company, Veri-Tek, we, our and us refer to Veri-Tek International, Corp., together in each case with our subsidiaries an any predecessor entities unless the context suggests otherwise.

Forward-Looking Statements

When reading this section of this Annual Report on Form 10-K, it is important that you also read the financial statements and related notes thereto. This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements and are based upon management s present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future. We use words such as anticipate, estimate, plan, project, continuing, ongoing, expect, believe, intend, may, will, should, could, and similar expressions to identify forward-loo Forward-looking statements in this Annual Report on Form 10-K include, without limitation: (1) projections of revenue, earnings, capital structure and other financial items, (2) statements of our plans and objectives, (3) statements regarding the capabilities and capacities of our business operations, (4) statements of expected future economic performance and (5) assumptions underlying statements regarding us or our business. Our actual results may differ from information contained in these forward looking-statements for many reasons, including those described below and in the section entitled Item 1A. Risk Factors :

(1) difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;

(2) the cyclical nature of the markets we operate in;

(3) increases in interest rates;

(4) government spending;

(5) the performance of our competitors;

(6) shortages in supplies and raw materials;

(7) our ability to meet financial covenants required by our debt agreements;

(8) product liability claims, intellectual property claims, and other liabilities;

(9) the volatility of our stock price;

(10) future sales of our common stock;

(11) the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions; and

(12) currency transactions (foreign exchange) risks and the risk related to forward currency contracts.

The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law.

ITEM 1. BUSINESS

The Company is a leading provider of engineered lifting solutions. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex subsidiary it markets a comprehensive line of boom trucks and sign cranes. Manitex s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. The Manitex Liftking subsidiary sells a complete line of rough terrain forklifts and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking s rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet the Company s unique customer needs and requirements. The Company s specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

Historically, the Company also designed, developed, and built specialty testing and assembly equipment for the automotive and heavy equipment industries that identifies defects through the use of signature analysis and in-process verification. Against the background of the operating losses generated in recent history by the Testing & Assembly Equipment segment operations based at Wixom, Michigan, the Company conducted a strategic review of these operations. On March 29, 2007, our Board of Directors approved a plan to sell our Testing & Assembly Equipment segment s operating assets including its inventory, machinery, equipments and patents. On August 1, 2007, the assets used in connection with the Company s diesel engine testing equipment were sold to EuroMaint Industry, Inc., a Delaware corporation (EuroMaint). As of August 31, 2007, all operations of the former Testing and Assembly Equipment segment had ceased. As a result of discontinuing our former Testing and Assembly Equipment segment, the Company again operates in only a single business segment, Lifting Equipment.

On September 10, 2007, the Company closed a $9.0 million private placement of its common stock (the 2007 Private Placement) pursuant to the terms of a security purchase agreement entered into among the Company and certain institutional investors on August 30, 2007 (the 2007 Securities Purchase Agreement). Pursuant to the 2007 Securities Purchase Agreement, Veri-Tek issued 1,500,000 shares of its common stock. The Company also issued warrants (as described below) to the investment banker who acted as its exclusive placement agent for the 2007 Private Placement. In connection with the 2007 Private Placement, the Company incurred investment banking fees of $0.6 million and legal fees and expenses of approximately $0.2 million The Company s net cash proceeds after fees and expenses were $8.2 million with $8.0 million and $0.2 million being allocated to common stock and warrants, respectively. The proceeds from the 2007 private placement were used to reduce bank debt and will decrease interest expense in the future.

In connection with the 2007 Private Placement, the Company has filed a registration statement on Form S-3 to register the resale of shares issued in the 2007 Private Placement and the shares underlying the warrants. The registration statement was declared effective on October 15, 2007.

History

The Company s predecessor was founded in 1993. In October 2003, our predecessor company was purchased by Veri-Tek International Corp., formerly known as Quantum-Veri-Tek, Inc., a Michigan corporation incorporated on October 17, 2003 and an affiliate of Quantum Value Partners, LP, pursuant to an asset purchase agreement. The Company acquired in October 2003 operated in a single line of business. It designed and manufactured testing and assembly equipment used primarily in the manufacture of driveline components in the automotive and heavy equipment industries. We have referred to this operation in the past as our Testing and Assembly Equipment segment.

The last two years has seen significant strategic change for the Company. In fiscal 2006, we completed two acquisitions that introduced boom trucks, sign cranes and lifting equipment into our operations as a second business segment. On July 31, 2007, the Company further expanded its Lifting Equipment segment by purchasing the Noble Forklift Product Line. The Noble Forklift Product Line is comprised of four rough terrain forklifts in several configurations, and are being produced in the Company s existing facilities located in Georgetown, Texas and Woodbridge, Ontario. Although the revenues for the Noble Forklift Product were not significant in 2007, the Company believes that the acquisition will allow the Company to increase its market penetration in the future.

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Discontinued Operations

As stated above, on March 29, 2007, the Company s Board of Directors approved a plan to sell the Company s Testing and Assembly Equipment segment in order to focus management s attention and financial resources on the Company s Lifting Equipment segment. The plan to sell the Testing and Assembly Equipment segment followed a strategic review made by the Company triggered by a recent history of significant operating losses by Testing & Assembly Equipment segment.

In connection with the preparation of our 2006 year-end financial statements, the Board determined that certain assets used in connection with our Testing and Assembly Equipment segment were impaired. Accordingly, we recorded an impairment charge of $6.6 million (See Note 26 to our consolidated financial statements.)

On July 5, 2007 the Company entered into an Asset Purchase Agreement with EuroMaint Industry, Inc., a Delaware corporation (EuroMaint). Under the terms of the Asset Purchase Agreement, the Company agreed to sell and EuroMaint agreed to purchase certain assets of the Company used in connection with the Company s diesel engine testing equipment business. EuroMaint also assumed and agreed to pay, perform and discharge when due certain obligations of the Company arising in connection with the operation of the Company s diesel engine testing equipment business. In addition to the assumption of those certain assumed liabilities, EuroMaint agreed to pay to the Company the aggregate purchase price of $1.1 million. This transaction was completed on August 1, 2007. As of August 31, 2007, all operations of the Company s Testing and Assembly Equipment segment operations had ceased. The Testing and Assembly Equipment segment operated from a leased facility. The lease termination date for this facility was August 31, 2007. (See Note 5 to our consolidated financial statements.)

As a result of the Company s decision to sell the Testing and Assembly Equipment segment, the results of this operation have been reported as a discontinued operation for all periods presented in the Consolidated Financial Statements. As result of discontinuing our Testing and Assembly Equipment segment, the Company again operates in only a single business segment, Lifting Equipment.

Summary of Recent Acquisitions

Effective July 3, 2006, the Company completed the purchase of Manitex, Inc. (Manitex) via an acquisition of all of the membership interests in Quantum Value Management, LLC (an entity owned by certain stockholders of the Company). On November 30, 2006, the Company, through its wholly owned subsidiary, Manitex Liftking, ULC, an Alberta unlimited liability corporation (Manitex Liftking), completed the acquisition (the Liftking Acquisition) of all of the operating assets of Liftking Industries, Inc., an Ontario, Canada corporation (Liftking). As the result of these two acquisitions, the Company is a leading provider of engineered lifting solutions including boom truck cranes, rough terrain forklifts and special mission oriented vehicles. Through the Company s Manitex subsidiary, it markets a comprehensive line of boom trucks and sign cranes. The Company s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including roads, bridges and commercial construction. Through the Company s Manitex Liftking subsidiary, it sells a complete line of rough terrain forklifts and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking s rough terrain forklifts are used in both commercial and military applications.

On July 3, 2006, pursuant to the Purchase Agreement, dated as of May 16, 2006 and as amended on July 3, 2006 with Quantum Value Management, LLC (QVM or the Parent) and all of the members of the Parent (the Members), the Company purchased from the Members all the outstanding membership interest of the Parent (the Acquisition). The Company acquired Manitex through its acquisition of all the membership interest in the Parent. The consideration (the Consideration) paid in connection with the Acquisition was approximately $1,998, consisting of (i) 234,875 shares of the Company common stock valued at $916, and (ii) a Non-Negotiable Subordinated Promissory Note for approximately $1,072. (See Note 17 to our consolidated financial statements.) Manitex is headquartered in Georgetown, Texas.

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On November 30, 2006, the Company, through its wholly owned subsidiary, Manitex Liftking, ULC, an Alberta limited liability company (Manitex Liftking) completed the acquisition of all of the operating assets of Liftking Industries, Inc. an Ontario, Canada corporation (Liftking). The aggregate consideration paid in connection with this acquisition was approximately $7.1 million. The consideration paid included cash of $3.3 million, 266,000 exchangeable shares of common stock of Manitex Liftking, valued at $1.0 million and a non-negotiable subordinated promissory note for approximately $2.8 million. (See Note 17 to our consolidated financial statements.) Manitex Liftking is headquartered in Woodridge (Toronto), Ontario.

On July 31, 2007, the Company entered into an asset purchase agreement with GT Distribution, LLC (GT Distribution), a related party, pursuant to which GT Distribution transferred all of its rights and interest in the Noble Forklift Product Line (the Product Line) to the Company in exchange for the discharge of obligations and trade payables of GT Distribution and certain of its subsidiaries totaling $4.2 million and assumption by the Company of certain liabilities associated with the Product Line. The Noble product line, which is comprised of four rough terrain forklifts in several configurations, will be produced in our two current production facilities which are located in Woodbridge, Ontario and Georgetown, Texas. The results for the Noble Forklift Product line Acquisition have been included in the accompanying consolidated statement of operations from the date of the Acquisition.

General Corporate Information

The Company s principal executive offices are located at 7402 W. 100th Place, Bridgeview, Illinois 60455 and our telephone number is (708) 430-7500. The Company s website address is www.veri-tek.com. Information contained on our website is not incorporated by reference into this report and such information should not be considered to be part of this report.

Information About the Business

Our Industry and Market Opportunity

The Company is a leading provider of engineered lifting solutions. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex subsidiary it markets a comprehensive line of boom trucks and sign cranes. Manitex s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. The Manitex Liftking subsidiary sells a complete line of rough terrain forklifts and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking s rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet unique customer needs and requirements. The Company s specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

Boom Truck

A boom truck is a straight telescopic boom crane outfitted with a hook and winch which is mounted on a standard flatbed commercial (Class 7 or 8) truck chassis. Relative to other lifting equipment, boom trucks provide increased versatility capable of transporting relatively large payloads from site to site at highway speeds. A boom truck is usually sold with outriggers, pads and devices for reinforcing the chassis in order to improve safety and stability. Although produced in a wide range of models and sizes, boom trucks can be broadly distinguished by their normal lifting capability as light, medium, and heavy-cranes. Various models of medium or heavy-lift boom trucks can safely lift loads from 15 to 50 tons and operating radii can exceed 100 . Another advantage of the boom truck includes the ability to provide occasional manlift capabilities at a very low cost to height ratio. While it is not uncommon to see a very old boom truck, most replacement cycles seem to trend to seven years.

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The Company sells its boom trucks through a network of approximately thirty full service dealers in United States and Canada. A number of our dealers maintain a rental fleet of their own. Boom cranes can be rented for either short or long-term periods. The market for boom cranes has historically been cyclical. Sales of boom cranes grew from 1992, to a peak, in 1998 of 2,719 units. Since then, the market has experienced periods of declines and recovery. Unit sales were the lowest in 2003 when only 1,445 units were sold. In 2006, the demand for boom trucks exceeded the industry capacity to produce the product. In 2006, the industry delivered approximately 2,700 units. Although the industry deliveries for 2007 remained strong at approximately 2,500 units, the demand softened somewhat and allowed the industry to catch up to demand. Although the industry s unit shipments decreased modestly from 2006 to 2007, the Company unit shipments were up approximately 10% for 2007. The Company currently expects overall industry demand for 2008 to decline.

The Company is the third leading producer of boom trucks in North America with approximately 20% of all unit sales. Market share based on revenues is even higher because the Company s sales are skewed to boom trucks with higher lifting capacity. Although the Company offers a complete line of boom trucks from light to heavy capacity cranes, we believe it is an advantage to be skewed towards the heavier lifting capacity. The heavier capacity cranes have somewhat higher margins and are believed to be less cyclical. Markets that drive demand for boom trucks include power distribution, oil and gas recovery, and new home construction. The new home construction market, which uses lower capacity cranes, is probably the most cyclical and is where our market share is the lowest. We believe that oil and gas recovery, with the future development of Canadian oil sands, offers the best chance for long-term growth, and is a market where Manitex s products are well represented.

Sign Cranes

A sign crane is similar to a boom truck in that it is a straight telescopic boom crane mounted on a commercially available chassis, but it differs in application. Whereas a boom truck is primarily utilized as a lifting device and occasionally for manlift applications, the sign crane application is the inverse. It is primarily utilized in manlift applications and occasionally used as a relatively low capacity crane. Historically these cranes possess maximum lifting capacities of three tons and working heights to 140 feet. Only recently has a sign crane been introduced with a maximum capacity of 12 tons. As the primary application revolves around putting people into the air to erect and service signs, the sign crane possesses advanced basket capabilities. Baskets automatically level throughout boom movement, and all utilities necessary to perform erection and service work are provided at the basket. These can include weld leads, gas, air, water and electricity. It is very common for a sign crane to be utilized for 10 to 15 years. Larger fleet replacements seem to be at five years.

Over the last 10 years, there has been significant consolidation among companies erecting and servicing highway signage. Three companies now control the large majority of the business. Each possesses several hundred units in its fleet and none has experienced a purchase cycle over the last several years. Sales to any of these customers are performed on a direct basis and not through a dealer network. Currently, the Company has no contracts to supply sign cranes to any of these three companies.

The Company offers its sign cranes through a network of dealers who sell to family run and smaller sized business. We are not aware of any centralized reporting agency exists to size this industry, but management estimates a market size of 375 machines. This represents a wholesale market of approximately $30 million when the value of the chassis is excluded and $55 million when included based on Company s sales, the Company s believes its market share in this segment is approximately 9%.

Trolley Boom Unloader

A trolley boom unloader is a piece of equipment mounted on a Class 7 or 8 chassis, possessing a straight boom of either fixed length or telescopic orientation. Primary application is the delivery of concrete, precast and masonry supplies to construction sites. Product may then be placed at elevated, ground level or subterranean locations at the preference of the construction crews. A trolley boom is differentiated from a standard crane in that it possesses an under boom trolley, which serves at the lifting device and travels the length of the boom. This feature allows product located very close to the center of rotation to be lifted and unloaded without elevating the boom. Time to unload is reduced, and overhead obstructions are minimized. Capacities are sized around single lifts of various construction materials and are generally of lower capacity than boom trucks.

This very mature industry was initiated in the 1950 s and to this day, remains the most efficient means to rapidly take product from a truck and place it a short distance away from the truck. However, its position in the construction industry has been significantly degraded over the last fifteen years by more flexible complementary equipment including articulating cranes and portable fork lifts.

Sales to this industry occur through a mature distribution network. Regional bias for the product makes it attractive in the Midwest and Northeast. The Company estimates that the total annual market for the trolley boom unloaders is estimated between 100-175 units and revenues between $4-$7 million. The Company and one competitor have historically split the market for trolley boom unloaders. The demand for trolley boom unloaders was low in 2007 due to the slump in residential housing construction. The Company s sales were further impacted as the contract manufacturer that produced trolley boom unloaders for the Company went out of business in 2007. The impact of a decrease in both the overall market and the Company s market share resulted in a significant decline in trolley boom unloader sales in 2007. The Company has the technical and production capability to produce the product in its Georgetown facility. The Company expects to resume production of trolley boom unloaders in the second quarter of 2008. The Company expects to regain the market share lost due to the disruption of supply over time.

Rough Terrain Forklifts

Manitex Liftking manufactures a complete range of straight mast forklifts with capacities from 6,000 to 50,000 lb. and lift heights from 10 to 32 feet. All Manitex Liftking straight mast forklifts feature exceptional ground clearance, easy access to service points, ergonomic controls and easy operation. Manitex Liftking also produces a series of tag along forklifts that mount to trucks with lifting capacity ranging from 4,000 to 6,000 pounds. These mounted forklifts are ideal for bricklaying, landscaping, construction or any other application that requires a forklift to tag along. The forklifts feature an easy to mount system, which allows an operator to securely mount or dismount the forklift quickly.

Manitex Liftking also produces a line of dynaluggers that are specially designed and built to handle heavier loads, with lifting capacities to 30,000 pounds. Dynaluggers are similar to forklifts except they have a boom similar to a crane which is raised and lowered by a hydraulic cylinder. The dynaluggers can be outfitted with either a forklift type or claw type lifting attachment. These strongly built vehicles can be used for a variety of applications, including forestry (pulpwood, saw logs, short wood, tree length, lumber, sawdust and chips), pole handling and pipe handling.

Manitex Liftking also produces a line of four wheel drive telehandlers with telescopic 3-section booms that lift, extend and tilt with lifting capacity to 12,000 pounds. All Manitex Liftking telescopic forklifts have been specially designed for the construction and mining industries to perform on all types of terrain and in all types of weather.

The Company sells its rough terrain forklifts through a network of approximately fifty dealers in the United States and Canada.

Military

Manitex Liftking military forklifts are used worldwide during both periods of conflict and peace. Manitex Liftking military units are working for national militaries including the United States, Canada, and Britain. The Company exported military products (including products sold to the U.S.) are sold through the Canadian Commercial Corporation which has direct contracts with various foreign (outside of Canada) government

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agencies. The U.S. Department of Defense alone has hundreds of Manitex Liftking vehicles in the Navy, Army and Air Force that they depend on daily. These vehicles range from small shipboard approved forklifts to the biggest articulating, rough-terrain forklift in the world.

Manitex Liftking military forklifts have innovative features that allow them to meet strict military standards and perform in almost any terrain. These features include the patented hydraulically removable counterweight that permits aircraft transportability of the forklift without exceeding the load limits of the aircraft. The water fording capability of some Manitex Liftking vehicles allow continuous operation in water depths of up to 5 feet (1.5 meters), providing true all-terrain operation. The Company believes that these features have helped position Manitex Liftking as the product of choice for rough terrain military forklifts.

All of Manitex Liftking s shipboard approved vehicles are structurally engineered to withstand a depth charge explosion while on an aircraft carrier, and still be fully operational. The detachable mast and 2-piece operator s cab on some of Manitex Liftking s bigger vehicles allow easy disassembly to satisfy height restrictions while being transported by road or rail. Attachments such as fork rollers and standard ISO container handlers further increase the versatility of a Manitex Liftking forklift.

Manitex Liftking s forklifts are built to exacting military standards including compliance with the quality controls required by ISO 9001. Before being shipped each machine is thoroughly tested on a military approved endurance track located adjacent to Manitex Liftking s military vehicle manufacturing plant. There are a limited number of test tracks in North America, and having a military approved test track is an advantage.

Mission Oriented Vehicles and Specialized Carriers

Special mission oriented vehicles and specialized carriers are designed and built to meet the Company s unique customer needs and requirements. The Company s specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill.

The transporters, used in ship building, are one example of a specialized carrier built by Manitex Liftking. The ship builder will construct a segment of the hull on our transporter. When the section of the hull is complete, the ship builder will move the section to the already completed portion of the hull and attach it. Manitex Liftking has built transporters capable of transporting 300,000 pounds. The Company has a salesman who sells our specialized products directly to the end customer.

Customers

The source of the Company s revenues are summarized below:

	2007	2006
Boom trucks	62%	78%
Sky cranes	4%	6%
Trolley boom unloaders	1%	3%
Rough terrain forklifts	8%	1%
Military forklifts	8%	%
Mission oriented vehicles and specialized carriers	2%	%
Part sales	15%	12%
Total Revenue	100%	100%

In 2007, no customers accounted for 10% or greater of the Company s revenue. Two customers, H&E Equipment and Acme Lift accounted for 14% and 11% respectively, of the Company s 2006 revenue. The Company had no revenues from continuing operations prior July 3, 2006.

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Raw Materials

The Company both purchases and fabricates components used in production. Manitex fabricates cranes which are mounted on truck chassis, which are either purchased by the Company or supplied by the customer. The Company purchases steel and a variety of machined parts and subassemblies including weldments, cylinders, winches, and cables. Manitex Liftking builds rough terrain forklifts, and other specialized carriers. Manitex Liftking fabricates its own cylinders, masts, and frames using quality steel and the most modern technology. Manitex Liftking purchases engines, transmissions, axles, tires and rims.

Lead times for our components vary from several weeks to many months. The Company is vulnerable to an interruption of supply in instances when only one supplier has been qualified and qualification and supply source changes can exceed a year. The Company has been working on qualifying secondary sources to assure supply and to reduce costs. The degree to which our supply base can respond to changes in the market demand directly affects our ability to increase production and the Company attempts to maintain some additional inventory in order to react to unexpected increases in demand. In 2007, there were no shortages of raw materials that adversely affected production. The Company, however, has had its production in the past constrained at times by the ability of the weldments supplier to deliver sufficient quantities when needed.

Patents and Trademarks

The Company protects its trade names and trademarks through registration. Its technology consists of bill of materials, drawings, plans, vendor sources and specifications and although the Company s technology has considerable value, it does not generally have patent protection. Competitors will occasionally patent a unique feature; however, the broader technology does not have patent protection. The Company has (on rare occasions) filed for patent protection on a specific feature. In the future, the Company will consider seeking patent protection on any new design features believed to present a significant future benefit.

The Company owns and uses several trademarks relating to its brands that have significant value and are instrumental to the Company s ability to market its products. The Company s most significant trademarks are its mark Manitex (presently registered with the United States Patent and Trademark Office until 2017), and its mark LIFTKING (presently registered with the Canadian Intellectual Property Office until 2009). The Manitex and LiftKing trademarks are critically important to the marketing and operation of the Company s business, as a signifcant number of our products are sold under those names.

Seasonality

Traditionally, the Company s peak selling periods for cranes and commercial rough terrain forklifts are in the first half of a calendar year as a result of the need to have new equipment available for the spring, summer and fall construction season. The boom truck industry operated at full capacity during 2006 and operated at near full capacity again in 2007. Seasonality is reduced when the industry is operating at full capacity. The Company currently expects overall industry demand for boom trucks to decline in 2008. Even with the decline in 2008, the Company does not expect to see a significant seasonal effect in 2008.

The segment s military, special mission oriented vehicles and specialized carriers business is dependent on the receipt of customers orders. The timing of customer orders can be expected to result in fluctuations in revenues from period to period. The expected fluctuations, however, are not of a seasonal nature.

Competition

The market for the Company s cranes and commercial rough terrain forklifts is highly competitive. The Company competes based on product design, quality of products and services, product performance, maintenance costs and price. Several competitors have greater financial, marketing, manufacturing and distribution resources than we do.

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Military forklifts, special mission oriented vehicles and specialized carriers are highly engineered products and, therefore, only face limited competition.

The Company s boom cranes compete with cranes manufactured by National Crane, Terex, Weldco Beales, Elliott and Altec. The Company s sky cranes compete with cranes manufactured by Elliott, Wilke, and Radocy. Steel Master, with 50% of the market, is the only major competitor that produces trolley boom unloaders.

The Company competes with Case New Holland, Sellick, Harlo, Manitou, Mastercraft, and Load Lifter in selling rough terrain forklifts.

Backlog

The backlog at December 31, 2007 was approximately $45.1 million, compared to a backlog of approximately $59.0 million at December 31, 2006. The Company expects to ship product to fulfill its existing backlog within the next twelve months.

Research and Development

The company spent $0.8 million and $0.2 million on company-sponsored research and development activities for 2007 and 2006, respectively. The Company continuing operations commenced with the acquisition of Manitex in July 2006. As such, there were no research and development expenditures related to continuing operations for 2005.

Geographic Information

For the years ended December 31, 2007, and 2006, approximately $20.4 million and $5.1 million, respectively, of revenue was derived from sales outside the United States, of which $17.9 million and $4.5 million, respectively, was derived from Canada, $2.2 million and $.5 million from Mexico, and $.3 million and less than $0.1 million from other various countries outside the United States. The Company had no revenues from continuing operations in 2005.

The percentage of our revenue by country for the past three years is as follows:

	2007	2006	2005
United States	81%	88%	
Canada	17	11	
Mexico	2	1	
	100%	100%	

The information regarding revenue, the basis for attributing revenue from external customers to individual countries, and long-lived assets Note 16. Geographic Information to our consolidated financial statements, is hereby incorporated by reference into this Part I, Item 1.

Employees

As of December 31, 2007, the Company had 247 employees. The Company has not experienced any work stoppages and anticipates continued good employee relations. No employees are currently represented by labor unions or covered by collective bargaining agreements.

Governmental Regulation

The Company is subject to various governmental regulations, such as environmental regulations, employment and health regulations, and safety regulations. We have various internal controls and procedures designed to

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maintain compliance with these regulations. The cost of compliance programs is not material, but is subject to additions to or changes in federal, state or local legislation or changes in regulatory implementation or interpretation of government regulations.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks, together with the cautionary statement under the caption forward-looking statements and the other information included in this report. The risks described below are not the only ones the Company faces. Additional risks that are currently unknown to the Company or that the Company currently considers to be immaterial may also impair its business or adversely affect the Company s financial condition or results of operations. If any of the following risks actually occurs, the Company s business, financial condition or results of operation could be adversely affected.

The Company may require additional funding, which may not be available on favorable terms or at all.

Our future capital requirements will depend on the amount of cash generated or required by our current operations, as well as additional funds which may be needed to finance future acquisitions. Future cash needs are subject to substantial uncertainty.

We cannot guarantee that adequate funds will be available when needed, and if we do not receive sufficient capital, we may be required to alter or reduce the scope of our operations or to forego making future acquisitions. If we raise additional funds by issuing equity securities, existing stockholders may be diluted.

The Company s business is sensitive to increases in interest rates.

The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate.

If interest rates rise, it becomes more costly for the Company s customers to borrow money to pay for the equipment they buy from the Company. Should the U. S. Federal Reserve Board decide to increase rates, prospects for business investment and manufacturing could deteriorate sufficiently and impact sales opportunities.

The Company s business is sensitive to government spending.

Many of the Company s customers depend substantially on government spending, including highway construction and maintenance and other infrastructure projects by U.S. federal and state governments and governments in other nations. Any decrease or delay in government funding of highway construction and maintenance, other infrastructure projects could cause the Company s revenues and profits to decrease.

The Company s business is affected by the cyclical nature of its markets.

The demand for the Company s products depends upon the general economic conditions of the markets in which the Company competes. The Company s sales depend in part upon its customers replacement or repair cycles. Adverse economic conditions, including a decrease in commodity prices, may cause customers to forego or postpone new purchases in favor of repairing existing machinery. Downward economic cycles may result in reductions in sales of the Company s products, which may reduce the Company s profits. The Company has taken a number of steps to reduce its fixed costs and diversify its operations to decrease the negative impact of these cycles. There can be no assurance, however, that these steps will prevent the negative impact of poor economic conditions.

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The Company is dependent upon third-party suppliers, making us vulnerable to supply shortages.

The Company obtains materials and manufactured components from third-party suppliers. Any delay in the Company s suppliers abilities to provide the Company with necessary materials and components may affect the Company s capabilities at a number of our manufacturing locations, or may require the Company to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting the Company s suppliers including capacity constraints, labor disputes, the impaired financial condition of a particular supplier, suppliers allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair the Company s ability to deliver products to customers and, accordingly, could have a material adverse effect on business, results of operations and financial condition.

In addition, the Company purchases material and services from suppliers on extended terms based on the Company s overall credit rating. Negative changes in the Company s credit rating may impact suppliers willingness to extend terms and increase the cash requirements of the business.

The Company depends on it computer systems. If its computer systems do not perform in a satisfactory manner, it could be disruptive and or adversely affect the operations and results of operations of the Company, including the ability of the Company to report accurate and timely financial results.

The Company depends on it computer systems. If its computer systems do not perform in a satisfactory manner, it could be disruptive and or adversely affect the operations and results of operations of the Company, including the ability of the Company to report accurate and timely financial results. In the future, the Company may either install new releases for existing applications or replace existing systems. Systems implementations projects are often not successful. Even when projects are ultimately successful, the projects often require higher than anticipated financial and personal resources. In the future, should systems not be implemented successfully and within budget, or if the systems do not perform in a satisfactory manner, it could be disruptive and or adversely affect the operations and results of operations of the Company, including the ability of the Company to report accurate and timely financial results.

The Company s level of indebtedness reduces financial flexibility and could impede our ability to operate.

As of December 31, 2007, the Company s long term debt was $23.8 million and includes: lines of credit, notes payable, and capital lease obligations.

Our level of debt affects our operations in several important ways, including the following:

- a significant portion of our cash flow from operations is likely to be dedicated to the payment of the principal and interest on our indebtedness;
- our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited;
- we may be unable to refinance our indebtedness on terms acceptable to us or at all;
- our cash flow may be insufficient to meet our required principal and interest payments; and
- we may be unable to obtain additional loans as a result of covenants and agreements with existing debt holders.

The Company has debt outstanding and must comply with restrictive covenants in its debt agreements.

The Company s existing debt agreements contain a number of significant covenants which may limit its ability to, among other things, borrow additional money, make capital expenditures, pay dividends, dispose of assets and acquire new businesses. These covenants also require the Company to meet certain financial tests. The Company is currently in compliance with all active covenants. A default, if not waived by the

Company s lenders, could result in acceleration of the Company s debt and possibly bankruptcy.

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Certain of the Company s products are substantially dependent on the level of capital expenditures in the oil and gas industry and lower capital expenditures will adversely affect the results of the Company s operations.

The demand for the our product in part depends on the condition of the oil and gas industry and, in particular, on the capital expenditures of companies engaged in the exploration, development, and production of oil and natural gas. Capital expenditures by these companies are influenced by the following factors:

- the oil and gas industry s ability to economically justify placing discoveries of oil and gas reserves in production;
- the oil and gas industry s need to clear all structures from the lease once the oil and gas reserves have been depleted;
- weather events, such as major tropical storms;
- current and projected oil and gas prices;
- the abilities of oil and gas companies to generate, access and deploy capital;
- exploration, production and transportation costs;
- the discovery rate of new oil and gas reserves;
- the sale and expiration dates of oil and gas leases and concessions;
- local and international political and economic conditions;
- the ability or willingness of host country government entities to fund their budgetary commitments; and
- technological advances.

Historically, prices of oil and natural gas and exploration, development and production have fluctuated substantially. A sustained period of substantially reduced capital expenditures by oil and gas companies will result in decreased demand for certain equipment produced by the Company, low margins, and possibly net losses.

The Company has had material weaknesses in internal control over financial reporting in the past and cannot assure you that additional material weaknesses will not be identified in the future. The Company s failure to implement and maintain effective internal control over financial reporting could result in material misstatements in the Company s financial statements which could require the Company to restate financial statements, cause investors to lose confidence in the Company s reported financial information and have a negative effect on the Company s stock price.

While management believes that the material weaknesses identified in the Company s internal control over financial reporting in 2005 and 2006 have been remediated, as of December 31, 2007, management concluded that the Company had a significant deficiency with respect to its internal control over financial reporting due to limited finance and accounting personnel to prepare and review financial statements and our preparation of consolidated financial statements is completed without the aid of consolidation software. During 2006 and 2005, management and the Company s independent registered public accounting firm identified material weaknesses in the Company s internal control over financial reporting as defined in the standards established by the American Institute of Certified Public Accountants that affected our financial statements for each of the two fiscal years ended December 31, 2006 and 2005. The material weaknesses in the Company s internal control over financial reporting during 2006 and 2005 related to the lack of effective controls relating to financial reporting and close procedures, the lack of controls and procedures to ensure the proper accounting for a complex financing transaction that included warrants, failure to consistently apply controls over non-routine and non-systematic transactions, and the lack of effective and adequate controls to ensure the consistent implementation of accounting policies and procedures across all subsidiaries to prevent inconsistent accounting for similar transactions. As described in the Company s Form 10-K/A filed on May 16, 2007, the Company restated its audited consolidated financial statements for the year ended December 31, 2005 to exclude the impact of the

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potential conversion of convertible subordinated debt. The Company also restated its unaudited pro forma consolidated statement of income for the year ended December 31, 2005 and the six-month period ended June 30, 2006 giving effect to the purchase of QVM, LLC, which are described in the Company s Form 8-K/A filed on September 19, 2006.

The Company cannot assure you that additional significant deficiencies or material weaknesses in its internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties the Company encounters in its implementation, could result in additional significant deficiencies or material weaknesses, cause the Company to fail to meet its periodic reporting obligations or result in material misstatements in its financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual audit or attestation reports regarding the effectiveness of the Company s internal control over financial reporting when required under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated under Section 404. The existence of a material weakness could result in errors in the Company s financial statements that could result in a restatement of financial statements, cause the Company to fail to meet its reporting obligations and cause investors to lose confidence in the Company s reported financial information, leading to a decline in the Company s stock price.

The Company may face limitations on its ability to integrate acquired businesses.

The Company has completed three acquisitions. The successful integration of new businesses depends on the Company s ability to manage these new businesses and cut excess costs. While the Company believes it has successfully integrated these acquisitions to date, the Company cannot ensure that these acquired companies will operate profitably or that the intended beneficial effect from these acquisitions will be realized.

If the Company is unable to manage anticipated growth effectively, the business could be harmed.

If the Company fails to manage growth, the Company s financial results and business prospects may be harmed. To manage the Company s growth and to execute its business plan efficiently, the Company will need to institute operational, financial and management controls, as well as reporting systems and procedures. The Company also must effectively expand, train and manage its employee base. The Company cannot assure you that it will be successful in any of these endeavors.

The Company relies on key management.

The Company relies on the management and leadership skills of David Langevin, Chairman and Chief Executive Officer (CEO). Mr. Langevin has a three year employment agreement with the Company which expires on December 31, 2008. The loss of his services could have a significant and negative impact on the Company s business. In addition, the Company relies on the management and leadership skills of other senior executives. Some of these executives are not bound by employment agreements. The Company could be harmed by the loss of key personnel in the future.

The Company s success depends upon the continued protection of its trademarks and the Company may be forced to incur substantial costs to maintain, defend, protect and enforce its intellectual property rights.

The Company s registered and common law trademarks, as well as certain of the Company s licensed trademarks, have significant value and are instrumental to the Company s ability to market its products. The Company s mark Manitex , and its mark Liftking are important to the Company s business as the majority of the Company s products are sold under those names. The Company has not registered all of its trademarks in the United States nor in the foreign countries where it does business. The Company cannot assure you that third parties will not assert claims against any such intellectual property or that the Company will be able to successfully resolve all such claims. If the Company has to change the names of any of its products, it may experience a loss of goodwill associated with its brand names, customer confusion and a loss of sales.

In addition, international protection of the Company s intellectual property may not be available in some foreign countries to the same extent permitted by the laws of the United States. The Company could also incur substantial costs to defend legal actions relating to use of its intellectual property, which could have a material adverse effect on the Company s business, results of operations or financial condition.

Our regular manufacturing process and services may expose us to intellectual property infringement and other claims, which could cause us to incur unanticipated costs and hurt our competitive position.

Providing manufacturing services can expose us to potential claims that the product design or manufacturing processes infringe third party intellectual property rights. In addition, we may be responsible for claims that components used in manufacturing infringe third party intellectual property rights. While the Company is not aware of any claims that it infringes the intellectual property rights of any third party, such claims, if made, could subject us to significant liability for damages, and potentially injunctive action and, regardless of merits, could be time-consuming and expensive to resolve.

The Company may be unable to effectively respond to technological change, which could have a material adverse effect on the Company s results of operations and business.

The markets served by the Company are not historically characterized by rapidly changing technology. Nevertheless, the Company s future success will depend in part upon the Company s ability to enhance its current products and to develop and introduce new products. If the Company fails to anticipate or respond adequately to competitors product improvements and new production introductions, future results of operations and financial condition will be negatively affected.

The Company operates in a highly competitive industry and the Company is particularly subject to the risks of such competition.

The Company competes in a highly competitive industry and the competition which the Company encounters has an effect on its product prices, market share, revenues and profitability. Because certain competitors have substantially greater financial, production, research and development resources and substantially greater name recognition than the Company, the Company is particularly subject to the risks inherent in competing with them and may be put at a competitive disadvantage. To compete successfully, the Company s products must excel in terms of quality, price, product line, ease of use, safety and comfort, and the Company must also provide excellent customer service. The greater financial resources of the Company s competitors may put it at a competitive disadvantage. If competition in the Company s industry intensifies or if the Company s current competitors enhance their products or lower their prices for competing products, the Company may lose sales or be required to lower its prices. This may reduce revenue from the Company s products and services, lower its gross margins or cause the Company to lose market share. The Company may not be able to differentiate our products from those of competitors, successfully develop or introduce less costly products, offer better performance than competitors or offer purchasers of our products payment and other commercial terms as favorable as those offered by competitors.

The Company faces product liability claims and other liabilities due to the nature of its business.

In the Company s lines of business numerous suits have been filed alleging damages for accidents that have occurred during the use or operation of the Company s products. The Company is self-insured, up to certain limits, for these product liability exposures, as well as for certain exposures related to general, workers compensation and automobile liability. Insurance coverage is obtained for catastrophic losses as well as those risks required to be insured by law or contract. The Company does not believe that the final outcome of such matters will have a material adverse effect on its consolidated financial position; however any liabilities not covered by insurance could have an adverse effect on the Company s financial condition.

We are subject to currency fluctuations.

Our revenues are generated in U.S. dollars and Canadian dollars while costs incurred to generate revenues are only partly incurred in the same currencies. In addition, we have a note payable for approximately $2.6 million Canadian dollars. Changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings.

We engage in hedging activities to mitigate the impact of the translation of foreign currencies on our financial results. Our hedging activities are designed to reduce and delay, but not to eliminate, the effects of foreign currency fluctuations. Factors that could affect the effectiveness of our hedging activities include accuracy of sales forecasts, volatility of currency markets, and the availability of hedging instruments. Since the hedging activities are designed to reduce volatility, they not only reduce the negative impact of a weaker U.S. dollar, but they also reduce the positive impact of a stronger U.S. dollar. Our future financial results could be significantly affected by the value of the U.S. dollar in relation to the foreign currencies in which we conduct business. The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities. There can be no assurance that our hedging activities will have the desired beneficial impact on our financial condition or results of operations. Moreover, no hedging activity can completely insulate us from the risks associated with changes in currency exchange rates.

Risks Relating to our Common Stock

The Company s principal shareholders, an executive officer and directors hold a significant percentage of the Company s common stock, and these shareholders may take actions that may be adverse to your interests.

The Company s principal shareholders, executive officers and directors beneficially own, in the aggregate, approximately 48% of the Company s common stock as of March 18, 2008. As a result, these shareholders, acting together, will be able to significantly influence all matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions such as mergers, consolidations, sales and purchases of assets. They also could dictate the management of the Company s business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such a transaction.

The cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 may negatively impact the Company s income.

The Company is subject to the rules and regulations of the SEC, including those rules and regulations mandated by the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of requires all reporting companies to include in their annual report a statement of management s responsibilities for establishing and maintaining adequate internal control over financial reporting, together with an assessment of the effectiveness of those internal controls. The costs to comply with these requirements will likely be significant and may adversely affect our operating results. Section 404 further requires that the reporting company s independent auditors attest to, and report on, this management assessment. The Company is not yet subject to the auditor attestation requirement of Section 404; however, the Company expects its expenses related to its internal and external auditors to be significant. If we fail to maintain a system of adequate controls, it could have an adverse effect on our business and stock price.

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The price of our common stock is highly volatile.

The trading price of the Company s common stock is highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond the Company s control, including: