

Veri-Tek International, Corp.  
Form S-3  
October 09, 2007  
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As filed with the Securities and Exchange Commission on October 9, 2007

Registration No. 333- \_\_\_\_\_

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-3**  
**REGISTRATION STATEMENT**

*Under*  
*THE SECURITIES ACT OF 1933*

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**VERI-TEK INTERNATIONAL, CORP.**

(Exact name of registrant as specified in its charter)

**Michigan**  
(State or other jurisdiction of  
incorporation or organization)

**42-1628978**  
(I.R.S. Employer  
Identification No.)

**Veri-Tek International, Corp.**

**7402 W. 100<sup>th</sup> Place**

**Bridgeview, Illinois 60455**

**(708) 430-7500**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**David H. Gransee**

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**Vice President and Chief Financial Officer**

**Veri-Tek International, Corp.**

**7402 W. 100<sup>th</sup> Place**

**Bridgeview, Illinois 60455**

**Phone: (708) 430-7500**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

*with copies to:*

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*and*

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**Foley & Lardner LLP**

**100 North Tampa Street, Suite 2700**

**Tampa, Florida 33602**

**Phone: (813) 229-2300**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement, as determined by the selling stockholders.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

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If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. "

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	1,500,000 shares	\$6.80(2)	\$10,200,000	\$314
Common Stock, no par value per share, issuable upon exercise of the Warrant issued to the placement agent	105,000 shares	\$7.18(3)	\$753,900	\$24
<b>TOTAL</b>	<b>1,605,000 shares</b>		<b>\$10,953,900</b>	<b>\$338</b>

- (1) In the event of a stock split, stock dividend, or similar transaction involving the common stock, in order to prevent dilution, the number of shares registered shall be automatically increased to cover additional shares in accordance with Rule 416(a) under the Securities Act.
- (2) The price is estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, based on the average of the high and low prices of the common stock as reported on the American Stock Exchange on October 3, 2007, which date was within five business days of the date of this filing.
- (3) The price is estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(g) under the Securities Act of 1933, and is \$7.18, the exercise price of the warrant issued to the placement agent.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**Prospectus**

**1,605,000 Shares**

**Common Stock**

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This prospectus covers a total of up to 1,605,000 shares of our common stock, no par value per share, that may be offered from time to time by the selling stockholders named in this prospectus. The shares being offered by this prospectus consist of:

up to 1,500,000 shares of our common stock; and

up to 105,000 shares issuable upon the exercise of the warrant issued to the placement agent.

This prospectus also covers any additional shares of common stock that may become issuable upon any anti-dilution adjustment pursuant to the terms of the above-described warrants by reason of stock splits, stock dividends, or similar events. The foregoing shares of stock and warrants were acquired by the selling stockholders in a private placement by us that closed on September 10, 2007.

We are registering these shares of our common stock for resale by the selling stockholders named in this prospectus, or their transferees, pledgees, donees or successors. We will not receive any proceeds from the sale of these shares by the selling stockholders. We may, however, receive proceeds if some or all of the warrants held by certain selling stockholders are exercised. These shares are being registered to permit the selling stockholders to sell shares from time to time, in amounts, at prices, and on terms determined at the time of offering. The selling stockholders may sell this common stock through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section entitled Plan of Distribution beginning on page 16. We are paying substantially all expenses incidental to the registration of these shares.

Our common stock is traded on the American Stock Exchange under the symbol VCC. On October 4, 2007, the last reported sale price of our common stock was \$6.80 per share.

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**Investing in our common stock involves risks. See Risk Factors beginning on page 3 for a discussion of these risks.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the sale of the common stock or determined that the information in this prospectus is accurate and complete. It is illegal for any person to tell you otherwise.**

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**The date of this prospectus is \_\_\_\_\_, 2007.**

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<b>ABOUT THIS PROSPECTUS</b>	

This prospectus is a part of the registration statement that we filed with the Securities and Exchange Commission. The selling stockholders named in this prospectus may from time to time sell the securities described in the prospectus. You should read this prospectus together with the more detailed information regarding our company, our common stock, and our financial statements and notes to those statements that appear elsewhere in this prospectus and any applicable prospectus supplement together with the additional information that we incorporate in this prospectus by reference, which we describe under the heading Incorporation of Certain Documents By Reference.

**You should rely only on the information contained in, or incorporated by reference in, this prospectus and in any accompanying prospectus supplement. We have not authorized anyone to provide you with information different from that contained in, or incorporated by reference in, this prospectus. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents or that any document incorporated by reference is accurate as of any date other than its filing date. You should not consider this prospectus to be an offer or solicitation relating to the securities in any jurisdiction in which such an offer or solicitation relating to the securities is not authorized. Furthermore, you should not consider this prospectus to be an offer or solicitation relating to the securities if the person making the offer or solicitation is not qualified to do so, or if it is unlawful for you to receive such an offer or solicitation.**

Unless the context requires otherwise, in this prospectus, we use the terms Veri-Tek, our company, we, us, our and similar references to refer Veri-Tek International, Corp. and its subsidiaries.

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**VERI-TEK INTERNATIONAL, CORP.**

*The Securities and Exchange Commission, or SEC, allows us to incorporate by reference certain information that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will update automatically, supplement and/or supersede this information. Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. You should read the following summary together with the more detailed information regarding our company, our common stock and our financial statements and notes to those statements appearing elsewhere in this prospectus or incorporated herein by reference.*

**Overview**

Historically, we 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. As the result of two recent acquisitions, we are a leading provider of engineered lifting solutions including boom truck cranes, rough terrain forklifts and special mission oriented vehicles. Through our Manitex subsidiary, we market a comprehensive line of boom trucks and sign cranes. Our boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including roads, bridges and commercial construction. Through our Manitex Lifting subsidiary, we sell 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 Lifting's rough terrain forklifts are used in both commercial and military applications.

On March 29, 2007, our Board of Directors approved a plan to sell our testing and assembly equipment segment in order to focus management's attention and financial resources on our lifting equipment segment. As a result, beginning in 2007, our testing and assembly equipment segment was accounted for as a discontinued operation.

On August 1, 2007, we consummated the transactions contemplated by an Asset Purchase Agreement between us and EuroMaint Industry, Inc., a Delaware corporation ( EuroMaint ), dated July 5, 2007. Under the terms of the Asset Purchase Agreement, we sold certain of our testing and assembly equipment assets for a purchase price of \$1.1 million plus the assumption of certain of our liabilities relating thereto.

As of September 30, 2007, our testing and assembly operations have been closed and all operating activities of the segment have been discontinued. All inventory and fixed assets of the segment have been liquidated. However, the segment is continuing to collect open accounts receivable.

Our principal executive offices are located at 7402 W. 100<sup>th</sup> Place, Bridgeview, Illinois 60455, and our telephone number is (708) 430-7500. Our website is [www.veri-tek.com](http://www.veri-tek.com) and all of our filings with the Securities and Exchange Commission are available free of charge on our website. Information contained on our website is not incorporated by reference into this prospectus and such information should not be considered to be part of this prospectus.

We are subject to a number of risks, which you should be aware of before you decide to buy our common stock. These risks are discussed more fully in the "Risk Factors" section of this prospectus.

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All references to years in this prospectus, unless otherwise noted, refer to our fiscal years, which end on December 31. For example, a reference to 2006 or fiscal 2006 means the 12-month period that ended December 31, 2006.

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**RISK FACTORS**

*An investment in our common stock involves risk. You should carefully consider the risks we describe below before deciding to invest in our common stock. The market price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. In assessing these risks, you should also refer to the other information included in this prospectus and in the documents incorporated or deemed incorporated by reference in this prospectus. This discussion contains forward-looking statements. See *Forward-Looking Statements* for a discussion of uncertainties, risks and assumptions associated with these statements.*

**Risks Related to Our Operations**

*Our business is sensitive to increases in interest rates.*

Our 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.

In addition, while overall economic growth has slowed, business investment and manufacturing continue to perform strongly. If interest rates continue to rise, it becomes more costly for our customers to borrow money to pay for the equipment they buy from us. Should the U.S. Federal Reserve Board decide to increase rates, prospects for business investment and manufacturing could deteriorate sufficiently to impact sales opportunities.

*Our company's business is sensitive to government spending.*

Many of our 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, or other infrastructure projects could cause our revenues and profits to decrease.

*We are dependent upon third-party suppliers, making us vulnerable to supply shortages.*

We obtain materials and manufactured components from third-party suppliers. Any delay in our suppliers' abilities to provide us with necessary materials and components may affect our capabilities at a number of our manufacturing locations, or may require us to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting our 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. Specifically, we have recently had difficulty in obtaining some of our necessary components. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, results of operations and financial condition.

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

*Our level of indebtedness reduces financial flexibility and could impede our ability to operate.*

As of June 30, 2007, our long term debt was \$38.3 million and included: a line of credit, notes payable and capital lease obligations.



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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.

***We have debt outstanding and must comply with restrictive covenants in our debt agreements.***

Our existing debt agreements contain a number of significant covenants which may limit our ability to, among other things, borrow additional money, make capital expenditures, pay dividends, dispose of assets and acquire new businesses. These covenants also require us to meet certain financial tests. We are currently in compliance with all active covenants. A default, if not waived by our lenders, could result in acceleration of our debt and possibly bankruptcy.

***We 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 by our operations. Our projections of cash flow from operations and, consequently, future cash needs are subject to substantial uncertainty.

We are actively seeking additional sources of capital and seeking to restructure and/or modify existing indebtedness. The amount of funding that we seek and the timing of such fundraising efforts will depend on the extent to which we are able to increase revenues and the extent to which we can restructure or modify our debt. 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. If we raise additional funds by issuing equity securities, existing stockholders may be diluted.

***Our lifting equipment business is substantially dependent on the level of capital expenditures in the oil and gas industry and lower capital expenditures will adversely affect the results of its operations.***

The demand for our lifting equipment 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;



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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 our lifting equipment, lower margins, and possibly net losses.

***We have 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. Our failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on our stock price.***

During the past two years, management and our independent registered public accounting firm have identified material weaknesses in our 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, 2005 and 2006.

The material weaknesses in our internal control over financial reporting during the past two years 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. We restated our audited consolidated financial statements for the year ended December 31, 2005 to exclude the impact of the potential conversion of convertible subordinated debt, which was anti-dilutive, from weighted average diluted common shares outstanding and recalculated diluted loss per share to reflect the change in weighted average diluted common shares outstanding. As a result, weighted average diluted common shares outstanding was decreased to 4,339,649 and 804,100 from 4,365,932 and 1,003,963 for the years 2005 and 2004, respectively. The change in outstanding weighted average diluted common shares outstanding, however, did not change the (\$.052) diluted loss per share that was originally reported for 2005. The change in the weighted average diluted common shares for 2004 increased the diluted loss per share to (\$4.30) from (\$3.44) which was originally reported for 2004. We also restated our 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 were included in our Form 8-K/A filed on September 19, 2006 as follows: (1) pro forma consolidated statements of income for the year ended December 31, 2005 and the six-month period ended June 30, 2006 are revised to include income taxes in the pro forma consolidated statement of income; (2) the description in the introductory paragraph to our pro forma

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financial statements has been revised to clarify that these financial statements give effect to the purchase of membership interests of QVM, LLC and to describe the terms of such transaction; (3) our pro forma financial statements have been revised to only include the portion of QVM, LLC's income statement through the line item income from continuing operations; (4) note (g) to our pro forma financial statements giving effect to the application of the cash balance of the acquirer to pay down debt of the acquiree has been deleted; (5) our pro forma financial statements have been adjusted to give effect to the interest expense relating to the \$1.1 million promissory note issued to the members of QVM, LLC; (6) the earnings per share information included in our pro forma financial statements was revised to reflect the anti-dilutive shares related to our convertible debt, which resulted in basic earnings per share being equal to diluted earnings per share; and (7) certain auditor's reports relating to interim financial information have been deleted and remaining reports and auditor's consents have been revised. Below is a reconciliation of the change in pro forma net income (loss) for the six months ended June 30, 2006 and the twelve months ended December 31, 2005:

	<b>Pro forma</b>	<b>Pro forma</b>
	<b>Six Months Ended</b>	<b>Year Ended</b>
	<b>June 30, 2006</b>	<b>December 31, 2005</b>
<b>Pro forma Net Income (Loss) from Continuing Operation</b>		
Before restatement	\$ (1,336,499)	\$ 2,359,613
(1) Income tax on Pro forma Adjustment	6,341	91,631
(3) Exclude discontinued operations		(3,954,696)
(4) Deleted paydown of debt	21,494	(180,079)
(5) Interest on Acquisition debt	(40,142)	(65,370)
<b>After Restatement</b>	<b>\$ (1,348,806)</b>	<b>\$ (1,748,901)</b>
<b>Earnings (Loss) per Share</b>		
<b>Basic</b>		
Before Restatement	\$ (0.26)	\$ 0.52
After Restatement	\$ (0.26)	\$ (0.38)
<b>Diluted</b>		
Before Restatement	\$ (0.26)	\$ 0.51
After Restatement	\$ (0.26)	\$ (0.38)
<b>Weighted Average Common Shares</b>		
Basic (Before and After Restatement)	5,109,875	4,574,524
<b>Diluted</b>		
Before Restatement	5,109,875	4,600,807
After Restatement	5,109,875	4,574,524

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We cannot assure you that additional significant deficiencies or material weaknesses in our 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 we encounter in their implementation, could result in additional significant deficiencies or material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our 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 our 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 our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

### ***We may face limitations on our ability to integrate acquired businesses.***

We have completed two acquisitions of substantial size. The successful integration of new businesses depends on our ability to manage these new businesses and cut excess costs. While we believe we have successfully integrated these acquisitions to date, we cannot ensure that these acquired companies will operate profitably or that the intended beneficial effect from these acquisitions will be realized. Further, in connection with acquisitions, we may need to consolidate or restructure our acquired or existing facilities, which may require expenditures for severance obligations related to reductions in workforce and other charges resulting from the consolidations or restructurings, such as write-down of inventory and lease termination costs.

### ***If we are unable to manage our anticipated growth effectively, our business could be harmed.***

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

### ***Our company relies on key management.***

Our 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 us, which expires on December 31, 2008. The loss of his services could have a significant and negative impact on our business. In addition, we rely on the management and leadership skills of other senior executives. Some of these executives are not bound by employment agreements. We could be harmed by the loss of key personnel in the future.

### ***Other companies might claim that we infringe their intellectual property rights, which could cause us to incur significant expenses or prevent us from selling our technology.***

Although we are not aware of any claims that we infringe anyone's intellectual property rights, our success depends, in part, on our ability to operate without infringing valid, enforceable patents or proprietary rights of third parties or breaching any licenses that may relate to our technology and products. Future patents issued to third parties, however, could contain claims that conflict with our patents and that compete with our products and technologies, and third parties could assert infringement claims against us. Any litigation or interference proceedings, regardless of their outcome, may be costly and may require significant time and attention of our management and technical personnel. Litigation or interference proceedings could also force us to:

stop or delay using our technology;

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stop or delay our customers from selling, manufacturing or using products that incorporate the challenged intellectual property;

pay damages; or

enter into licensing or royalty agreements that may be unavailable on acceptable terms.

Any of these events could have adverse effects on our results of operations and could damage our business.

***We may be unable to effectively respond to technological change, which could have a material adverse effect on our results of operations and business.***

The market for our products is characterized by rapidly changing technology. Our future success will depend upon our ability to enhance our current products and to develop and introduce new products that keep pace with technological developments and evolving industry standards and respond to changes in customer requirements. If we fail to anticipate or respond adequately to technological developments and customer requirements, or experience significant delays in product development or introduction, our business, results of operations and financial condition will be negatively affected.

***Our company's business is affected by the cyclical nature of its markets.***

The demand for our products depends upon the general economic conditions of the markets in which we compete. Our sales depend in part upon our 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 our products, which may reduce our profits. We have taken a number of steps to reduce our fixed costs and diversify our 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.

***We operate in a highly competitive industry and our company is particularly subject to the risks of such competition.***

We compete in a highly competitive industry and the competition which we encounter has an effect on our 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 our company, we are particularly subject to the risks inherent in competing with them and may be put at a competitive disadvantage. To compete successfully, our products must excel in terms of quality, price, product line, ease of use, safety and comfort, and we must also provide excellent customer service. The greater financial resources of our competitors may put us at a competitive disadvantage. If competition in our industry intensifies or if our current competitors enhance their products or lower their prices for competing products, we may lose sales or be required to lower our prices. This may reduce revenue from our products and services, lower our gross margins, or cause us to lose market share. We 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.

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### ***We face product liability claims and other liabilities due to the nature of our business.***

In our lines of business, numerous suits have been filed alleging damages for accidents that have occurred during the use or operation of our products. We are 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. We do not believe that the final outcome of such matters will have a material adverse effect on our consolidated financial position; however any liabilities not covered by insurance could have an adverse effect on our 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**

#### ***Our principal stockholders, executive officers and directors hold a significant percentage of our common stock, and these stockholders may take actions that may be adverse to your interests.***

Our principal stockholders, executive officers and directors beneficially own, in the aggregate, approximately 48% of our common stock as of September 17, 2007. As a result, these stockholders, acting together, will be able to significantly influence all matters requiring stockholder 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 our 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 price of our common stock is highly volatile.***

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

the degree to which we successfully implement our business strategy;

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actual or anticipated variations in quarterly or annual operating results;

changes in recommendations by the investment community or in their estimates of our revenues or operating results;

failure to meet expectations of industry analysts;

speculation in the press or investment community;

strategic actions by our competitors;

announcements of technological innovations or new products by us or our competitors; and

changes in business conditions affecting us and our customers.

The market prices of securities of companies without consistent earnings have been highly volatile. This volatility has often been unrelated to the operating performance of these companies. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been brought against the company. If a securities class action suit is filed against us, whether or not meritorious, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

***Future sales of our common stock by existing stockholders in the public market, or the possibility or perception of such sales, could depress our stock price.***

Sales of a large number of shares of our common stock, or the availability of a large number of shares for sale, could adversely affect the market price of our common stock and could impair our ability to raise funds in additional stock offerings. Approximately 9,805,875 of our shares are eligible for sale in the public market, approximately 667,859 of which are subject to applicable volume limitations and other restrictions set forth in Rule 144 under the Securities Act.

**If our internal controls over financial reporting are inadequate or our independent auditors are unable to certify as to their adequacy, our business and reputation would be harmed, which could lower our stock price.**

We are evaluating our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder. Section 404 requires a reporting company such as ours to, among other things, annually review and disclose its internal controls over financial reporting, and evaluate and disclose changes in its internal controls over financial reporting quarterly. We will be required to comply with Section 404 as of December 31, 2008. We will continue to perform the system and process evaluation and testing required (and any necessary remediation) in an effort to timely comply with management certification and auditor attestation requirements of Section 404. In the course of our ongoing evaluation, we may identify areas of our internal controls requiring improvement, and plan to design enhanced processes and controls to address these and any other issues that might be identified through this review. As a result, we expect to incur additional expenses and diversion of management's time. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our



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operations and may not be able to ensure that the process is effective or that the internal controls are or will be effective in a timely manner. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent auditors may not be able to certify as to the effectiveness of our internal control over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission. As a result, there could be an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could lower our stock price and reduce the value of your investment.

***Anti-takeover provisions of our Articles of Incorporation and Amended and Restated Bylaws and provisions of Michigan law could delay or prevent a change of control that you may favor.***

Our Articles of Incorporation and Amended and Restated Bylaws and Michigan law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to you. These provisions could discourage potential takeover attempts and could adversely affect the market price of our shares. Because of these provisions, you might not be able to receive a premium on your investment. These provisions:

authorize our board of directors, with approval by a majority of our independent directors but without requiring stockholder consent, to issue shares of blank check preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent a takeover attempt;

limit our stockholders' ability to call a special meeting of our stockholders; and

limit our stockholders' ability to amend, alter or repeal our bylaws.

Any of the provisions described above could delay or make more difficult transactions involving a change in control of our company or our management.

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**FORWARD-LOOKING STATEMENTS**

When reading this prospectus, it is important that you also read the financial statements and related notes thereto. This prospectus and the documents incorporated by reference in this prospectus contain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this prospectus, 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, should, could, and similar expressions to identify forward-looking statements. Forward-looking statements in this prospectus 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 in the section entitled "Risk Factors," and the following:

- (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) servicing our indebtedness and increases in interest rates;
- (4) government spending;
- (5) material weaknesses in our internal controls over financial reporting;
- (6) the performance of our competitors;
- (7) the availability of additional funding on acceptable terms;
- (8) shortages in supplies and raw materials;
- (9) our ability to meet financial covenants required by our debt agreements;
- (10) product liability claims, intellectual property claims, and other liabilities;
- (11) the volatility of our stock price;
- (12) future sales of our common stock; and
- (13) the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions.

The risks described in our prospectus 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.

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**USE OF PROCEEDS**

The selling stockholders will receive all of the proceeds from the sale of the common stock offered by this prospectus. We will not receive any of the proceeds from the sale of common stock by the selling stockholders, although we may receive proceeds from the exercise of warrants by certain selling stockholders, if exercised. We cannot guarantee that the selling stockholders will exercise any warrants.

**Table of Contents****SELLING STOCKHOLDERS**

On behalf of the selling stockholders named in the table below (including their donees, pledgees, transferees or other successors-in-interest who receive any of the shares covered by this prospectus), we are registering, pursuant to the registration statement of which this prospectus is a part, 1,605,000 shares of our common stock, 105,000 of which are issuable upon exercise of the warrant issued to the placement agent. The common stock was issued by us to the selling stockholders in a private placement that closed on September 10, 2007. We are registering the shares being offered under this prospectus pursuant to a Registration Rights Agreement, dated August 30, 2007, that was entered into between us and the selling stockholders in connection with the private placement.

We are registering the shares to permit the selling stockholders to offer these shares for resale from time to time. The selling stockholders may sell all, some or none of the shares covered by this prospectus. All information with respect to beneficial ownership has been furnished to us by the selling stockholders. For more information, see the section of this prospectus entitled "Plan of Distribution."

The table below lists the selling stockholders and information regarding their ownership of common stock as of September 17, 2007:

Name of Selling Stockholder	Number of Shares Beneficially Owned Prior to Offering(1)	Number of Shares Registered for Sale(1)(2)	Shares Owned After Sale of Registered Shares(2)(11)	
			Number	Percentage
Skylands Quest LLC <sup>(3)</sup>	17,800	17,800		
Skylands Special Investment LLC <sup>(3)</sup>	52,300	52,300		
Skylands Special Investment II LLC <sup>(3)</sup>	9,800	9,800		
Harbour Holdings Ltd. <sup>(3)</sup>	120,100	120,100		
Lake Street Fund, L.P. <sup>(10)</sup>	485,000 <sup>(4)</sup>	100,000	385,000	3.88%
Alder Capital Partners I, L.P. <sup>(5)</sup>	179,400	179,400		
Alder Offshore Master Fund, LP <sup>(5)</sup>	70,600	70,600		
Sunrise Equity Partners, L.P. <sup>(10)</sup>	228,600 <sup>(6)</sup>	60,000	168,600	1.71%
Pierce Diversified Strategy Master Fund LLC, Ena <sup>(7)</sup>	16,750	16,750		
Enable Opportunity Partners LP <sup>(7)</sup>	33,500	33,500		
Enable Growth Partners LP <sup>(7)</sup>	284,750	284,750		
The Pinnacle Fund, LP	1,340,475 <sup>(8)</sup>	555,000	785,475	8.01%
Roth Capital Partners, LLC	259,000 <sup>(9)</sup>	105,000	154,000	1.55%

(1) Includes the number of shares of common stock issued in the September 10, 2007 private placement as well as the shares issuable pursuant to the warrants issued to the placement agent.

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