

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2003

OR

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

For the transition period from _____ to _____

Commission file number 33-75154

J.B. POINDEXTER & CO., INC.

(Exact name of registrant as specified in its charter)

Delaware 76-0312814
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

**1100 Louisiana
Suite 5400
Houston, Texas**

77002
(Address of principal executive offices)
(Zip code)

713-655-9800
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10Q and is therefore filing this form with reduced disclosure format.

There were 3,059 shares of Common Stock, \$.01 par value, of the registrant outstanding as of May 1, 2003.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****J.B. POINDEXTER & CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)**

| | March 31, 2003 | December 31, 2002 |
|--|---------------------------|------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets | | |
| Restricted cash..... | \$ 996 | \$ 112 |
| Accounts receivable, net of allowance for doubtful accounts of \$903 and \$828, respectively..... | 30,397 | 23,175 |
| Inventories, net | 26,204 | 23,103 |
| Deferred income taxes | 1,547 | 1,540 |
| Prepaid expenses and other | <u>1,340</u> | <u>1,130</u> |
| Total current assets | 60,484 | 49,060 |
| Property, plant and equipment, net..... | 37,290 | 39,189 |
| Net assets of discontinued operations | - | 321 |
| Goodwill, net | 16,816 | 16,816 |
| Deferred income taxes | 6,353 | 6,548 |
| Other assets..... | <u>3,346</u> | <u>3,405</u> |
| Total assets | <u>\$124,289</u> | <u>\$115,339</u> |
| LIABILITIES AND STOCKHOLDER'S DEFICIT | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 626 | \$ 982 |
| Borrowings under the revolving credit facilities..... | 16,485 | 15,866 |
| Accounts payable..... | 16,972 | 13,310 |
| Accrued compensation and benefits..... | 5,291 | 4,850 |
| Accrued income taxes..... | 156 | 165 |
| Accrued interest..... | 4,208 | 1,528 |
| Other accrued liabilities..... | <u>7,702</u> | <u>6,440</u> |
| Total current liabilities | <u>51,440</u> | <u>43,141</u> |
| Noncurrent liabilities | | |
| Long-term debt, less current portion | 86,732 | 86,891 |
| Other Long-Term Liabilities | 3,393 | 3,356 |
| Net liabilities of discontinued operations | <u>312</u> | <u>-</u> |
| Total noncurrent liabilities | <u>90,437</u> | <u>90,247</u> |
| Stockholder's deficit | | |
| Common stock and paid-in-capital..... | 16,486 | 16,486 |
| Cumulative other comprehensive income | (470) | (618) |
| Accumulated deficit..... | <u>(33,604)</u> | <u>(33,917)</u> |
| Total stockholder's deficit..... | <u>(17,588)</u> | <u>(18,049)</u> |
| Total liabilities and stockholder's deficit | <u>\$124,289</u> | <u>\$115,339</u> |

The accompanying notes are an integral part of these consolidated financial statements.

J.B. POINDEXTER & CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)

For the Three Months
Ended March 31,

2003 **2002**
(Unaudited)

| | | |
|---|---------------|------------------|
| Net sales..... | \$89,898 | \$79,678 |
| Cost of sales..... | <u>77,167</u> | <u>68,924</u> |
| Gross profit..... | 12,731 | 10,754 |
| Selling, general and administrative expense | 8,657 | 10,226 |
| Other income | <u>(125)</u> | <u>(16)</u> |
| Operating income | 4,199 | 544 |
| Interest expense | <u>3,345</u> | <u>3,257</u> |
| Income (loss) before income taxes | 854 | (2,713) |
| Income tax provision (benefit) | <u>390</u> | <u>(940)</u> |
| Income (loss) before discontinued operations..... | 464 | (1,773) |
| Loss from discontinued operations..... | <u>151</u> | <u>604</u> |
| Net income (loss)..... | <u>\$ 313</u> | <u>\$(2,377)</u> |

The accompanying notes are an integral part of these consolidated financial statements.

J.B. POINDEXTER & CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

| | For the Three Months | |
|---|-------------------------------|--------------------|
| | <u>Ended March 31,</u> | |
| | (Unaudited) | |
| | <u>2003</u> | <u>2002</u> |
| Net income (loss)..... | \$ 313 | \$ (2,377) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 2,199 | 2,456 |
| Debt issuance costs..... | 102 | 100 |
| Non-cash provision for excess and obsolete inventory | 158 | 183 |
| Non-cash provision for doubtful accounts receivable..... | 88 | 291 |
| Gain on sale of property, plant and equipment..... | 2 | - |
| Deferred federal income tax benefit..... | 195 | (1,355) |
| Decrease accrued pension liability | - | (23) |
| Operating cash flows from discontinued operations | 240 | 1,014 |
| Other | 47 | (7) |
| Change in assets and liabilities, net of the effect of discontinued operations: | | |
| Accounts receivable..... | (7,236) | (6,500) |
| Inventories | (3,197) | (2,945) |
| Prepaid expenses and other | (302) | 483 |
| Accounts payable..... | 4,280 | 1,348 |
| Accrued compensation and benefits..... | 208 | (693) |
| Accrued income taxes..... | (32) | (8) |
| Other accrued liabilities..... | <u>3,948</u> | <u>2,894</u> |
| Net cash provided by (used in) operating activities | <u>1,013</u> | <u>(5,139)</u> |
| Cash flows provided by (used in) investing activities: | | |
| Acquisition of property, plant and equipment..... | (835) | (1,555) |
| Discontinued operations | <u>935</u> | <u>(44)</u> |
| Net cash provided by (used in) investing activities:..... | <u>100</u> | <u>(1,599)</u> |
| Cash flows (used in) provided by financing activities: | | |
| Net proceeds from revolving lines of credit and short-term debt..... | 718 | 7,584 |
| Payments of long-term debt and capital leases..... | (514) | (608) |
| Discontinued operations | (331) | 40 |
| Change in restricted cash..... | <u>(884)</u> | <u>(98)</u> |
| Net cash (used in) provided by financing activities | <u>(1,011)</u> | <u>6,918</u> |
| Effect of exchange rate changes on cash..... | <u>(102)</u> | <u>(180)</u> |
| Change in cash..... | - | - |
| Cash beginning of period..... | - | - |
| Cash end of period..... | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these consolidated financial statements.

J.B. POINDEXTER and CO., INC. AND SUBSIDIARIES

(1) **Organization and Business.** J.B. Poindexter & Co., Inc. (“JBPCO”) and its subsidiaries (the “Subsidiaries”, and, together with JBPCO, the “Company”), operate primarily manufacturing businesses. Operating subsidiaries consist of Morgan Trailer Mfg. Co., (“Morgan”), Truck Accessories Group, Inc., (“TAG”), and Magnetic Instruments Corp., (“MIC Group”). MIC Group has one subsidiary; Universal Brixius Inc., (“Universal”) which together with MIC Group and EFP Corporation (“EFP”) comprise the Specialty Manufacturing Group (“SMG”).

The consolidated financial statements included herein have been prepared by the Company, without audit, following the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the information furnished reflects all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted following such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented understandable. Operating results for the three-month period ended March 31, 2003 are not necessarily indications of the results that may be expected for the year ended December 31, 2003. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2002 filed with the Securities and Exchange Commission on Form 10-K.

(2) **Segment Data.** The following is a summary of the business segment data (in thousands):

| | For the Three Months Ended March 31, | |
|-------------------------------------|---|---------------------|
| | <u>2003</u> | <u>2002</u> |
| Net Sales: | | |
| Morgan | \$ 47,235 | \$ 33,305 |
| TAG | 29,514 | 32,562 |
| Specialty Manufacturing Group | <u>13,149</u> | <u>13,811</u> |
| Net Sales | <u>\$89,898</u> | <u>\$79,678</u> |
| Operating Income (Loss): | | |
| Morgan | \$ 2,737 | \$(802) |
| TAG | 1,625 | 1,760 |
| Specialty Manufacturing Group | 593 | 1,007 |
| JBPCO (Corporate) | <u>(756)</u> | <u>(1,421)</u> |
| Operating Income | <u>\$ 4,199</u> | <u>\$ 544</u> |
| Total Assets as of: | March 31, | December 31, |
| | <u>2003</u> | <u>2002</u> |
| Morgan | \$ 52,379 | \$ 45,490 |
| TAG | 43,637 | 42,346 |
| Specialty Manufacturing Group | 28,828 | 28,018 |
| JBPCO (Corporate) | <u>(555)</u> | <u>(515)</u> |
| Total Assets | <u>\$124,289</u> | <u>\$115,339</u> |

Morgan has two customers (truck leasing and rental companies) that together accounted for approximately 47% and 45% of Morgan’s net sales during each of the three months ended March 31, 2003 and 2002, respectively. Sales related to SMG are concentrated with international oil field service companies, with one customer that accounted for

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approximately 16% and 12% of SMG's net sales during each of the three months ended March 31, 2003 and 2002, respectively.

(3) **Comprehensive Income (loss).** The components of comprehensive income (loss) were as follows (in thousands):

| | For the Three Months Ended March 31, | |
|---|---|--------------------|
| | <u>2003</u> | <u>2002</u> |
| Net income (loss)..... | \$313 | \$ (2,377) |
| Foreign currency translation gain (loss) | <u>148</u> | <u>(180)</u> |
| Comprehensive income (loss) | <u>\$461</u> | <u>\$(2,557)</u> |

(4) **Inventories.** Consolidated inventories, net, consisted of the following (in thousands):

| | <u>March 31, 2003</u> | <u>December 31, 2002</u> |
|-----------------------|----------------------------------|-------------------------------------|
| FIFO Basis Inventory | | |
| Raw Materials..... | \$ 15,740 | \$13,506 |
| Work in Process..... | 5,470 | 4,606 |
| Finished Goods..... | <u>4,994</u> | <u>4,991</u> |
| Total Inventory | <u>\$ 26,204</u> | <u>\$23,103</u> |

(5) **Revolving Loan Agreements.** At March 31, 2003 and December 31, 2002, the Company had total borrowing availability of approximately \$36,704,000 and \$30,312,000 respectively, of which \$4,080,000 was used to secure letters of credit. Additionally as of March 31, 2003 and December 31, 2002, \$16,485,000 and \$15,866,000 respectively, had been borrowed to fund operations, resulting in unused availability of \$16,139,000 and \$10,366,000 respectively.

(6) **Discontinued Operations.** The Gem Top division of TAG was sold effective February 28, 2003 and treated as a discontinued operation during the year ended December 31, 2002. During the three months ended March 31, 2003 and 2002, net sales of the Gem Top division were \$918,000 and \$1,996,000, respectively and operating losses were \$228,000 and \$93,000, respectively.

(7) **Income Taxes.** The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards (SFAS) No. 109. Under SFAS No. 109, deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted tax rates. The income tax provision (benefit) for the three months ended March 31, 2003 and 2002 differ from amounts computed based on the federal statutory rate as a result of state and foreign taxes.

The Company records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and on-going prudent and feasible tax planning strategies in assessing the need for the valuation allowance, should the Company determine that it is more likely than not to be able to realize the deferred tax assets in the future in excess of the net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. Likewise, should the Company determine that it is more likely than not to be unable to realize all or part of the net deferred tax asset in the future, an adjustment to the valuation allowance would reduce income in the period such determination was made.

(8) Contingencies.

Claims and Lawsuits. The Company is involved in certain claims and lawsuits arising in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

Warranty. Morgan provides product warranties for periods of up to five years. TAG provides a warranty period, exclusive to the original truck owner, which is, in general but with exclusions, one year for parts, five years for paint and lifetime for structure. A provision for warranty costs is included in cost of sales when goods are sold based on historical experience and estimated future claims. The Company had accrued warranty costs of \$2,552,000 and \$2,519,000 at March 31, 2003 and December 31, 2002, respectively. During the three months ended March 31, 2003 and 2002, the Company charged to expense \$582,000 and \$594,000 and made warranty payments of \$549,000 and \$667,000, respectively.

Environmental Matters. The Company's operations are subject to numerous environmental statutes and regulations, including laws and regulations affecting its products and the materials used in and wastes generated by manufacturing the Company's products. In addition, certain of the Company's operations are subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water of the United States. The Company also generates non-hazardous wastes. The Company has received notices of noncompliance, from time to time, with respect to its operations, which are typically resolved by correcting the conditions and the payment of minor fines, none of which individually or in the aggregate has had a material adverse effect on the Company. However, the Company expects that the nature of its operations will continue to make it subject to increasingly stringent environmental regulatory standards. Although the Company believes it has made sufficient capital expenditures to maintain compliance with existing laws and regulations, future expenditures may be necessary, as compliance standards and technology change. Unforeseen significant expenditures required to maintain such future compliance, including unforeseen liabilities, could limit expansion or otherwise have a material adverse effect on the Company's business and financial condition.

Since 1989, Morgan has been named as a potentially responsible party ("PRP") with respect to the generation of hazardous materials alleged to have been handled or disposed of at two federal superfund sites in Pennsylvania and one in Kansas. Although a precise estimate of liability cannot currently be made with respect to these sites, the Company currently believes that its proportionate share, if any, of the ultimate costs related to any necessary investigation and remedial work at those sites will not have a material adverse effect on the Company. To date, Morgan's expenditures related to those sites have not been significant. The Company has not recorded a liability related to this matter.

In a memorandum dated January 10, 2002 and written by the Georgia Environmental Protection Division ("EPD"), TAG was notified that it may be a PRP in a Georgia state superfund site. Although a precise estimate of liability cannot currently be made with respect to this site, the Company currently believes that its proportionate share, if any, of the ultimate costs related to any necessary investigation and remedial work at this site will not have a material adverse effect on the Company. The Company has not recorded a liability related to this matter.

On October 4, 2001, the United States Environmental Protection Agency ("USEPA") filed an administrative complaint against TAG. The USEPA claimed that the Company failed to timely file certain forms allegedly required pursuant to Section 313 of the Emergency Planning and Community Right-to-Know Act, and regulations promulgated thereunder. The USEPA originally sought a penalty of \$59,000 for issues that arose in 1996. TAG self disclosed

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issues in other years and has now resolved these claims and the Consent Order and Final Agreement (CAFO) with USEPA Region V was signed October 24, 2002. The settlement proposed an initial penalty of \$161,769, which was reduced to \$35,910 that was paid and TAG has implemented two Supplemental Environmental Projects, undertaken in connection with the settlement of this enforcement action, that require approximately \$100,000 of capital expenditures.

On January 29, 2003, USEPA notified Century that it had reviewed a self-disclosure regarding failure to file certain forms allegedly required pursuant to Section 313 of the Emergency Planning and Community Right-to-Know Act, and regulations promulgated thereunder. USEPA is proposing a penalty of \$139,786. The Company is engaged in settlement discussions to resolve these and other potential claims. Although a precise estimate of liability cannot currently be made with respect to the alleged violation, the Company has accrued expenses of \$16,000 related to this matter.

During a Phase II Environmental Assessment in November 2002 at KWS Manufacturing, in preparation for its sale, two areas of potential contamination were identified. As a part of the sale agreement, a Phase III project was undertaken to determine the exact level of contamination and potential remediation, if necessary. The Company has entered into a "Voluntary Clean Up Project" with the Texas Commission on Environmental Quality that is expected to be completed by August 2003. Although a precise estimate of liability cannot currently be made with respect to the contamination levels or potential remediation, the Company has reserved approximately \$50,000 that it currently believes is adequate to cover the ultimate costs of this matter.

Self-Insured Risks. The Subsidiaries utilize a combination of insurance coverage and self-insurance programs for property, casualty, workers' compensation, and employee health care. The Company has reserves recorded to cover the self-insured portion of these risks based on known facts and historical trends and management believes that such reserves are adequate and the ultimate resolution of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

(9) Subsequent Events. Effective May 12, 2003, the Company sold the Morgan facility located in Monterrey, Mexico. The Company received cash proceeds of approximately \$910,000 that were used to pay down borrowings under the Revolving Loan Agreement. There was no gain or loss on the transaction.

Effective May 5, 2003 Beltrami, an un-restricted, non-guarantor subsidiary of Morgan, purchased certain assets, primarily inventory, of a truck body manufacturer, located in California, for the purposes of serving new customers in the region. Beltrami paid approximately \$400,000, in cash, for the assets and assumed certain liabilities of approximately \$240,000. Concurrently with the acquisition, Beltrami entered into a 2 year non-compete agreement with the former owner and a former officer of the company pursuant to which they will be paid for not competing with Morgan. Beltrami will pay an aggregate of approximately \$380,000 each year under the terms of the non-compete.

(10) Recently Issued Accounting Standards.

In April 2002, the FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections*. This statement eliminates the requirement under SFAS 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of the related income tax effect. This statement also amends SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions to be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary items in APB 30. The statement is effective for fiscal years beginning after May 15, 2002. The Company adopted SFAS 145 effective January 1, 2003. Since the Company has not extinguished any debt since the adoption of this statement, it has had no

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impact on the Company's consolidated financial position or results of operations.

In July 2002, the FASB issued SFAS 146, *Obligations Associated with Disposal Activities*, which is effective for disposal activities initiated after December 15, 2002. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)." Under this statement the liability for a cost associated with an exit or disposal activity would be recognized and measured at its fair value when it is incurred rather than at the date of commitment to an exit plan. Under SFAS 146, severance pay would be recognized over time rather than in advance provided the benefit arrangement requires employees to render future service beyond a "minimum retention period", which would be based on the legal notification period, or if there is no such requirement, 60 days, thereby allowing a liability to be recorded over the employees' future service period. The Company adopted SFAS 146 effective with disposal activities initiated after December 15, 2002. The Company has not engaged in any applicable disposal activities since adopting this statement and consequently this statement had no impact on the consolidated results of operations or consolidated balance sheet of the Company.

In December 2002, the FASB issued Interpretation ("FIN") 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Since the Company did not issue a guarantee or modify an existing guarantee during the three months ended March 31, 2003, the adoption of this statement did not have a significant impact on its consolidated financial position and results of operations.

In January 2003 the FASB issued FIN 46, *Consolidation of Variable Interest Entities*. FIN 46 requires that companies that control another entity through interests other than voting interest should consolidate the controlled entity. Interpretation 46 currently applies to variable interest entities created after January 31, 2003 and to variable interest entities in which a company obtains an interest after that date. Since the Company had no such interests arising subsequent to or before January 31, 2003, this interpretation has had no impact on our consolidated results of operations or consolidated balance sheet to date.

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

The Company operates in industries that are dependent on various factors reflecting general economic conditions, including corporate profitability, consumer spending patterns, sales of truck chassis and new pickup trucks, and levels of oil and gas exploration.

Results of Operations

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

Net sales increased \$10.2 million, or 13% to \$89.9 million for the three months ended March 31, 2003 compared to \$79.7 million during the three months ended March 31, 2002. Morgan's net sales increased 42% or \$13.9 million on a 38% increase in unit shipments to approximately 6,400 units. Shipment of product to consumer rental companies that historically are completed in the first and second quarters of the year changed little compared to the same period in 2002. However, shipments of commercial units increased 49% as Morgan's major fleet customers and dealers increased new truck purchases from Morgan. TAG's net sales decreased \$3.0 million or 9% to \$29.5 million on an 8% decrease in units shipped. SMG's net sales decreased \$0.7 million or 5% to \$13.1 million as a \$0.5 million

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increase in sales to customers in the energy industry was offset by decreased sales to customers in the consumer products related businesses.

Morgan's backlog at March 31, 2003 was \$51.7 million compared to \$46.3 million at December 31, 2002 and \$37.4 million at March 31, 2002. The increase was due to additional commercial unit orders during the first quarter of 2003 compared to both the last quarter of 2002 and the first quarter of 2002. SMG's backlog at March 31, 2003 was \$17.7 million compared to \$18.1 million at December 31, 2002 and \$16.8 million at March 31, 2002 as higher activity from customers in the energy industry was offset by lower non-energy orders as of December 31, 2002. TAG's backlog of approximately 2 weeks production was \$4.6 million at March 31, 2003 compared to \$3.4 million as of December 31, 2002 and \$3.6 million as of March 31, 2002.

Cost of sales increased 12% to \$77.2 million for the three months ended March 31, 2003 compared to \$68.9 million during the three months ended March 31, 2002. Gross profit increased 18% to \$12.7 million (14% of net sales) during the three months ended March 31, 2003 compared to \$10.8 million (14% of net sales) for the three months ended March 31, 2002. Gross profit at Morgan increased \$3.6 million or 149% to \$6.0 million or 13% of sales compared to 7% of sales during 2002, primarily due to higher volume of sales and the associated improved absorption of overhead. TAG's gross profit decreased \$0.9 million to \$4.3 million (15% of net sales) compared to \$5.2 million (16% of net sales) during the three months ended March 31, 2002 period as a result of the reduced absorption of overhead on lower volume. SMG's gross profit decreased \$0.8 million to \$2.4 million (18% of net sales) compared to \$3.2 million (23% of net sales) during the three months ended March 31, 2002 primarily due to increased raw material costs on non-oil related business.

Selling, general and administrative expenses decreased \$1.5 million or 16% to \$8.7 million (10% of net sales) for the three months ended March 31, 2003 compared to \$10.2 million (13% of net sales) during the three months ended March 31, 2002. Selling, general and administrative expenses decreased to 7% of sales at Morgan compared to 10% for the three months ended March 31, 2002. Selling, general and administrative expense decreased \$0.7 million or 21% at TAG, due to reductions in administrative personnel and associated costs. Corporate expenses for the 2003 period declined \$0.7 million or 47% primarily as a result of headcount reductions and their associated costs.

Operating income increased \$3.7 million to \$4.2 million (5% of net sales) for the three months ended March 31, 2003 compared to \$0.5 million (1% of net sales) during the three months ended March 31, 2002. Morgan's operating income increased \$3.5 million to \$2.7 million for the period due to higher sales. TAG's operating income decreased to \$1.6 million (6% of net sales) compared to \$1.8 million (5% of net sales) during 2002. SMG's operating income decreased \$0.4 million, as increased profits from sales to customers in the energy business were offset by reductions in non-oil related profits. During the three months ended March 31, 2003, SMG recorded income of approximately \$125,000, included in Other Income, from benefits paid under a life insurance policy held on a former employee.

Interest expense was \$3.3 million for the three months ended March 31, 2003 and 2002 despite a \$2.2 million or 2% increase in average borrowings as a result of a lower overall effective interest rate.

During the year ended December 31, 2002 the Company treated certain operations as discontinued and sold or terminated those operations during the year with the exception of the Gem Top division of TAG that was sold effective February 28, 2003. Operating losses related to Gem Top were \$0.2 million for the three months ended March 31, 2003.

The income tax provision (benefit) for the three months ended March 31, 2003 and 2002 differ from amounts computed based on the federal statutory rate due to state and foreign taxes.

Liquidity and Capital Resources

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Operating activities during the three months ended March 31, 2003 generated cash of \$1.0 million compared to using cash of \$5.1 million during the same period in 2002. Working capital at March 31, 2003 was \$9.0 million compared to \$5.9 million at December 31, 2002. The increase was primarily due to increased receivables at Morgan in response to the increase in sales.

The ability to borrow under the Revolving Loan Agreement depends on the amount of eligible collateral, which, in turn, depends on certain advance rates applied to the value of accounts receivables and inventory. At May 1, 2003, the Company had unused available borrowing capacity of approximately \$19.7 million under the terms of the Revolving Loan Agreement. Borrowings under the Revolving Loan Agreement at March 31, 2003 were \$16.5 million compared to \$15.9 million at December 31, 2002 and \$15.6 million at March 31, 2002. Borrowings at March 31, 2002 included borrowings of \$1.5 million related to discontinued operations.

Capital expenditures for the three months ended March 31, 2003 were \$0.8 million compared to \$1.6 million during the same period in 2002.

At March 31, 2003 and December 31, 2002, the Consolidated EBITDA coverage Ratio, as defined in the 2004 12.5% Senior Notes Bond Indenture, was less than 2:1. As a result, the Company is limited in its ability to incur additional borrowings, excluding borrowings under the Revolving Loan agreement, enter into capital leases, provide certain guarantees or incur liens on its assets. The Company's Revolving Loan Agreement and Senior Notes Indenture restrict the ability of the Company to dispose of assets, incur debt, pay dividends, and undertake certain corporate activities. The Company is in compliance with the terms of the Revolving Loan Agreement and the Indenture.

The Company continually evaluates the most efficient use of its capital and contemplates various strategic options, which may include, without limitation, restructuring its business, indebtedness or capital structure. Accordingly, the Company or its subsidiaries may from time to time consider, among other things, purchasing, refinancing or otherwise retiring certain outstanding indebtedness (whether in the open market or by other means), public or private issuances of debt or equity securities, joint venture transactions, new borrowings, tender offers, exchange offers or any combination thereof, although there can be no assurances that such financing sources will be available on commercially reasonable terms. There can be no assurances that these strategic options, if pursued, will be consummated.

The Company believes that it has adequate resources to meet its working capital and capital expenditure requirements consistent with past trends and practices. Operating cash flows are a principal source of liquidity to the Company and the diverse nature of the operations of the Company, in management's opinion, reduces exposure to economic factors such as the current manufacturing recession. Additionally, the Company believes that its borrowing availability under the Revolving Credit Agreement and potentially available sources of long-term financing will satisfy the Company's cash requirements for the coming year, given its anticipated additional capital expenditures, working capital requirements and its known obligations. On April 17, 2003 the Company submitted an offer to its bondholders of record to exchange the \$85 million, 12.5% Senior Notes, due May 2004 for \$85 million, 12.5% Senior Notes due May 2007 (New Notes). The expiration date for the exchange offer is May 28, 2003. The offer contemplates a consent fee of 3% payable upon exchange, provides the New Note holders a security interest in principally all the fixed assets of the Company and further restricts the Company from incurring debt and from making certain restricted payments. Unless otherwise refinanced, the Company's cash flow may be insufficient to pay the Senior Notes when due and there can be no assurances that any refinancing will be successfully completed.

Critical Accounting Policies

J.B. POINDEXTER and CO., INC. AND SUBSIDIARIES

A discussion of critical accounting policies is included in the Company 2002 Annual Report on Form 10-K. There have been no material changes in critical accounting policies since the date of that filing, or during the quarter ended March 31, 2003

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Forward-looking statements in this report, including without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (1) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (2) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

Item 3. *Other Information*

The registrant meets the conditions set forth in General Instructions H (1)(a) and (b) of Form 10Q and is therefore filing this form with reduced disclosure format.

Item 4. *Controls and Procedures*

On February 21, 2003, our Chief Executive Officer and Chief Financial Officer performed an evaluation of the Company's disclosure controls and procedures, which have been designed to permit the Company to effectively identify and timely disclose important information. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequently to the last time such controls were evaluated, including no corrective actions with respect to significant deficiencies and material weaknesses in such controls.

PART II. OTHER INFORMATION

Item 5. *Exhibits and Reports on Form 8-K*

4.2.6 Sixth Supplemental Indenture dated as of February 28, 2003

10.1.21 Amendment No. 16 to the Loan and Security Agreement by and among Congress Financial Corporation and J.B. Poindexter & Co., Inc dated March 26, 2003.

Certifications

I, John B. Poindexter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J.B. Poindexter & Co., Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

J.B. POINDEXTER and CO., INC. AND SUBSIDIARIES

Date: May 15, 2003

/s/John B. Poindexter
Chief Executive Officer

I, Robert S. Whatley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J.B. Poindexter & Co., Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly

J.B. POINDEXTER and CO., INC. AND SUBSIDIARIES

affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/Robert S. Whatley
Principal Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J.B. POINDEXTER & CO., INC.
(Registrant)

Date: May 15, 2003

By: R.S. Whatley _____
R. S. Whatley, Principal Financial and
Accounting Officer