

# **J.B. POINDEXTER & CO., INC.**

## **Financial Statements For The Quarter Ended March 31, 2004**

**Date of Report: May 17, 2004**

**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**  
(telephone number, including area code)

There were 3,059 shares of Common Stock, \$.01 par value, of the registrant outstanding as of May 1, 2004.

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

**J.B. POINDEXTER & CO., INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Dollars in thousands)**

<b>ASSETS</b>	<b>March 31, 2004</b>	<b>December 31, 2003</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Current assets</b>		
Cash including restricted cash of \$79,778 and \$1,351, respectively.....	\$ 83,734	\$ 1,351
Accounts receivable, net of allowance for doubtful accounts of \$784 and \$929, respectively.....	50,166	39,299
Inventories, net.....	37,074	35,243
Deferred income taxes.....	1,190	1,470
Prepaid expenses and other.....	<u>7,577</u>	<u>1,892</u>
<b>Total current assets</b> .....	<b>179,741</b>	<b>79,255</b>
Property, plant and equipment, net.....	40,925	41,057
Goodwill.....	16,816	16,816
Deferred income taxes.....	5,486	5,203
Other assets.....	<u>7,802</u>	<u>6,088</u>
<b>Total assets</b> .....	<b><u>\$250,770</u></b>	<b><u>\$148,419</u></b>
<b>LIABILITIES AND STOCKHOLDER'S DEFICIT</b>		
<b>Current liabilities</b>		
Current portion of long-term debt.....	\$ 76,404	\$ 2,435
Borrowings under the revolving credit facilities.....	-	20,081
Borrowings under the revolving credit agreement.....	1,849	-
Accounts payable.....	28,286	25,874
Accrued compensation and benefits.....	6,084	6,953
Accrued income taxes.....	635	599
Accrued interest.....	5,102	1,255
Other accrued liabilities.....	<u>7,880</u>	<u>6,791</u>
<b>Total current liabilities</b> .....	<b><u>126,240</u></b>	<b><u>63,988</u></b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion.....	125,392	85,604
Employee benefit obligations and other.....	3,933	3,636
Net liabilities of discontinued operations.....	<u>335</u>	<u>579</u>
<b>Total noncurrent liabilities</b> .....	<b><u>129,660</u></b>	<b><u>89,819</u></b>
<b>Stockholder's deficit</b>		
Common stock, par value \$0.01 per share (3,059 shares issued).....	31	31
Capital in excess of par value of stock.....	19,455	19,455
Cumulative other comprehensive income.....	(110)	(82)
Accumulated deficit.....	<u>(24,506)</u>	<u>(24,792)</u>
<b>Total stockholder's deficit</b> .....	<b><u>(5,130)</u></b>	<b><u>(5,388)</u></b>
<b>Total liabilities and stockholder's deficit</b> .....	<b><u>\$250,770</u></b>	<b><u>\$148,419</u></b>

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

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

	<b>For the Three Months</b>	
	<b>Ended March 31,</b>	
	<b>(Unaudited)</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>
Net sales.....	\$134,015	\$89,900
Cost of sales.....	<u>116,867</u>	<u>77,465</u>
Gross profit.....	17,148	12,435
Selling, general and administrative expense .....	10,384	8,236
Loss on extinguishment of debt.....	<u>2,213</u>	<u>-</u>
Operating income .....	4,551	4,199
Interest expense .....	<u>4,029</u>	<u>3,345</u>
Income before income taxes .....	522	854
Income tax provision .....	<u>222</u>	<u>390</u>
Income before discontinued operations.....	300	464
Loss from discontinued operations, net of tax.....	<u>14</u>	<u>151</u>
Net income .....	<u>\$ 286</u>	<u>\$ 313</u>

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

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

	<b>For the Three Months</b>	
	<b><u>Ended March 31,</u></b>	
	(Unaudited)	
	<b><u>2004</u></b>	<b><u>2003</u></b>
Net income.....	\$ 286	\$ 313
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization .....	2,318	2,199
Debt issuance costs.....	221	102
Non-cash provision for excess and obsolete inventory .....	672	158
Non-cash provision for doubtful accounts receivable.....	176	88
Loss on extinguishment of debt.....	2,213	-
Deferred federal income tax (benefit) provision .....	(3)	195
Operating cash flows from discontinued operations .....	(19)	240
Other .....	(11)	49
Change in assets and liabilities, net of the effect of discontinued operations:		
Accounts receivable.....	(11,052)	(7,236)
Inventories .....	(2,518)	(3,197)
Prepaid expenses and other .....	251	(302)
Accounts payable.....	2,302	4,280
Accrued compensation and benefits.....	(642)	208
Accrued income taxes.....	36	(32)
Other accrued liabilities.....	<u>4,851</u>	<u>3,948</u>
Net cash (used in) provided by operating activities .....	<u>(919)</u>	<u>1,013</u>
Cash flows provided by (used in) investing activities:		
Acquisition of property, plant and equipment.....	(2,125)	(835)
Discontinued operations .....	<u>-</u>	<u>935</u>
Net cash (used in) provided by investing activities:.....	<u>(2,125)</u>	<u>100</u>
Cash flows (used in) provided by financing activities:		
Net (payments), proceeds from revolving lines of credit and short-term debt.....	(18,286)	718
Proceeds from long-term debt .....	125,000	-
Payments of long-term debt and capital leases.....	(11,242)	(514)
Discontinued operations .....	-	(331)
Other financing activities .....	(10,124)	-
Change in restricted cash.....	<u>(78,426)</u>	<u>(884)</u>
Net cash provided by (used in) provided by financing activities.....	<u>6,922</u>	<u>(1,011)</u>
Effect of exchange rate changes on cash .....	<u>78</u>	<u>(102)</u>
Change in cash.....	3,956	-
Cash beginning of period.....	<u>-</u>	<u>-</u>
Cash end of period.....	<u>\$3,956</u>	<u>\$ -</u>

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

**J.B. POINDEXTER & CO., INC.**

**(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”), Morgan Olson Corporation (“Morgan Olson”), Truck Accessories Group, Inc., (“Truck Accessories”), 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 (“Specialty Manufacturing”).

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, 2004 are not necessarily indications of the results that may be expected for the year ended December 31, 2004. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2003 filed with the Securities and Exchange Commission on Form 10-K.

On March 15, 2004 the Company acquired from John Poindexter (see Note 7), the sole shareholder of the Company, the stock of Morgan Olson, a step van and truck body manufacturing company that he acquired effective July 14, 2003. The historical financial statements of the Company have been restated to reflect the merger on a basis similar to a pooling of interests so as to combine the financial statements of both companies for the period they were under common control.

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

	<b>For the Three Months Ended March 31,</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Net Sales:</b>		
Morgan .....	\$ 71,730	\$ 47,235
Morgan Olson .....	16,167	-
Truck Accessories .....	31,436	29,516
Specialty Manufacturing Group .....	<u>14,682</u>	<u>13,149</u>
Net Sales .....	<u>\$134,015</u>	<u>\$ 89,900</u>
 <b>Operating Income (Loss):</b>		
Morgan .....	\$ 4,823	\$ 2,737
Morgan Olson .....	427	-
Truck Accessories .....	1,897	1,625
Specialty Manufacturing Group .....	419	593
JBPCO (Corporate) .....	<u>(3,015)</u>	<u>(756)</u>
Operating Income .....	<u>\$ 4,551</u>	<u>\$ 4,199</u>

**J.B. POINDEXTER & CO., INC.**

<b>Total Assets as of:</b>	<b>March 31, 2004</b>	<b>December 31, 2003</b>
Morgan .....	\$ 66,115	\$ 53,156
Morgan Olson .....	21,506	25,949
Truck Accessories .....	43,865	41,727
Specialty Manufacturing Group .....	29,229	26,611
JBPCO (Corporate) .....	<u>90,055</u>	<u>976</u>
Total Assets .....	<u>\$ 250,770</u>	<u>\$148,419</u>

Morgan has two customers (truck leasing and rental companies) that together accounted for approximately 40% and 47% of Morgan's net sales during each of the three months ended March 31, 2004 and 2003, respectively. Sales related to Specialty Manufacturing are concentrated with international oil field service companies, with one customer that accounted for approximately 21% and 16% of Specialty Manufacturing's net sales during each of the three months ended March 31, 2004 and 2003, respectively.

Morgan Olson manufactures step van and truck bodies at its two locations in Sturgis, Michigan that are mounted on truck chassis provided by its customers. It was acquired effective July 14, 2003 and will be operated as separate segment. Morgan buys certain raw materials and services such as group health insurance on behalf of Morgan Olson and charges them at cost. For the three months ended March 31, 2004 Morgan charged Morgan Olson approximately \$667,000.

The JBPCO (Corporate) costs of \$3,015,000 for the three months ended March 31, 2004 included the loss on extinguishment of debt of \$2,213,000.

Total Assets as of March 31, 2004 increased \$102.4 million compared to December 31, 2003 due primarily to cash proceeds of \$79.8 million that were part of the proceeds from the sale of \$125.0 million of 8.75% Senior Notes (see Note 6) that were held in escrow to repay the Senior Secured Notes of \$75.9 million and due to a \$10.9 million increase in receivables as a result of higher sales.

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
Net income.....	\$286	\$313
Foreign currency translation (loss) gain .....	<u>(28)</u>	<u>148</u>
Comprehensive income .....	<u>\$258</u>	<u>\$461</u>

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

	<b>March 31, 2004</b>	<b>December 31, 2003</b>
FIFO Basis Inventory		
Raw Materials.....	\$ 23,811	\$21,170
Work in Process.....	7,488	8,489
Finished Goods.....	<u>5,775</u>	<u>5,584</u>
Total Inventory .....	<u>\$ 37,074</u>	<u>\$35,243</u>

## J.B. POINDEXTER & CO., INC.

**(5) Revolving Credit Agreements.** On March 15, 2004 concurrently with the senior note offering discussed in Note 6, the Company entered into a new secured revolving credit agreement (the “Revolving Credit Agreement”) that expires March 15, 2008. The Revolving Credit Agreement currently provides for borrowings by the Company and its Subsidiaries of up to \$30 million, which may be increased to \$50 million at the Company’s option. The Agreement allows the Company to borrow funds and provides for the guarantee of letters of credit, up to the lesser of \$30 million or an amount based on the sum of: 1) advance rates applied to the total amounts of eligible accounts receivable and inventories of the Subsidiaries and 2) up to \$20 million secured by the fixed assets of the Company. The advance rates are 85% for receivables and 60% for inventory excluding work in process. The Revolving Credit Agreement provides for borrowings of up to \$20 million secured by the fixed assets of the Subsidiaries subject to the completion of an appraisal of those assets. The availability of funds secured by the fixed assets will amortize to zero over 60 months for that portion secured by machinery and equipment and 120 months for real estate. The Revolving Credit Agreement provides for borrowing at variable rates of interest, based on either LIBOR (London Interbank Offered Rate, 1.1% at March 31, 2004) plus a margin of 1.75% or U.S. prime rate (4.00% at March 31, 2004). Interest is payable monthly including a fee of 0.375% on the portion of the maximum amount of borrowings of \$50 million that remain unused during the period. The Subsidiaries are also guarantors of the Senior Notes defined at Note 6.

The Revolving Credit Agreement contains provisions allowing the lender to accelerate debt repayment upon the occurrence of an event the lender determines to represent a material adverse change. The Revolving Credit Agreement also contains restrictive covenants, which, among other things, restrict the use of proceeds from the sale of assets, the ability of the Company to incur additional debt and restrict certain corporate activities. At March 31, 2004, the Company was in compliance with all covenants of the Revolving Credit Agreement. The Company believes that it has adequate resources to meet its working capital and capital expenditure requirements consistent with past trends and practices. The Company is restricted in its ability to pay dividends under the terms of the Revolving Credit Agreement. In the event that the Company’s borrowing availability is below \$20,000,000 the Company’s cash balances will become restricted.

As of March 31, 2004 the Company borrowed \$1.8 million to fund operations and had unused borrowing availability of approximately \$28.2 million under the Revolving Credit Agreement. As of December 31, 2003, the Company had borrowed \$13.9 million under a previous revolving credit facility, with unused borrowing availability of \$19.9 million. Morgan Olson had borrowed \$6.2 million under a revolving credit facility as of December 31, 2003. The Company repaid the borrowings under the previous revolving credit facilities on March 15, 2004, and has therefore classified the borrowings under these credit facilities as current liabilities.

**(6) Long Term Debt and Note Offering and Subsequent Events.** On March 15, 2004 the Company completed the note offering of \$125 million, 8.75% Senior Notes due in 2014 (the “Senior Notes”) with interest payable semiannually. The proceeds, net of costs, of the note offering of approximately \$121.6 million were used to: (1) redeem the Company’s 2007, 12.5% Senior Secured Notes (“Old Notes”) in the amount of \$79.8 million including accrued interest through the redemption date of April 15, 2004 of \$3.9 million, (2) repay outstanding revolver debt of the Company of \$22.0 million including interest, (3) repay outstanding term and revolver debt of Morgan Olson (see Note 7) of \$14.0 million including accrued interest and prepayment penalties, (4) repay Universal’s outstanding term loan of \$773,000 including accrued interest, (5) provide cash collateral for stand by letters of credit of \$6.1 million. The cash collateral for stand-by letters of credit was included in other current assets as of March 31, 2004 and will be refunded upon issuance of replacement letters of credit secured by the Revolving Credit Agreement. The deferred loan costs related to the retired Old Notes of \$2.2 million were expensed during the quarter ended March 31, 2004.

The Company’s obligations under the Senior Notes are guaranteed by each wholly-owned subsidiary of the Company (the “Subsidiary Guarantors”). Each guarantee is a senior unsecured obligation of the Subsidiary providing such Guarantee. The Senior Notes Indenture contains restrictive covenants, which, among other things, restrict the ability of the Company and its Restricted Subsidiaries to dispose of assets, incur debt and restrict certain corporate

## **J.B. POINDEXTER & CO., INC.**

activities. The Subsidiary Guarantors are also borrowers under the Revolving Credit Agreement, see Note 5.

The proceeds from the Senior Note offering of \$79.8 million were deposited into escrow on March 15, 2004 and included in Restricted Cash as of March 31, 2004. The required 30 day notice of the Company's intent to redeem the Old Notes was effective March 15, 2004 and on April 15, 2004 debt of \$75.9 million was repaid with interest of \$3.9 million through that date.

On May 17, 2004 the Company completed an offer to sell an additional \$30 million of Senior Notes. The additional notes were issued at par and with the same terms as the original issue. Net proceeds from the additional offering of approximately \$29.5 million increased the Company's cash balance.

**(7) Acquisition.** Concurrently with the Senior Notes offering discussed at Note 6, the Company acquired from John Poindexter, the sole shareholder of the Company, the stock of Morgan Olson, a truck body manufacturing company that he acquired effective July 14, 2003.

Morgan Olson, located in Sturgis, Michigan manufactures walk-in truck bodies in the United States. Morgan Olson also manufactures and supplies service parts for its van truck bodies under long-term contracts with the United States Postal Service. Mr. Poindexter acquired certain assets of Morgan Olson from Grumman Olson in a bankruptcy proceeding and contributed those assets to the Company concurrently with the Senior Notes offering. Mr. Poindexter paid approximately \$13.9 million for the assets including \$3 million in cash that he contributed as equity of Morgan Olson and assumed certain liabilities of approximately \$1.5 million. The purchase price was allocated to the assets based on the estimated fair values as of the date of acquisition. There was no goodwill recorded with the acquisition. The historical financial statements of the Company have been restated to reflect the merger on a basis similar to a pooling of interests so as to combine the financial statements of both companies for the period they were under common control.

**(8) 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, 2004 and 2003 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. The Company has recorded a valuation allowance of \$1.9 million as of March 31, 2004 and December 31, 2003. 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.

### **(9) 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. Truck Accessories 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. Morgan Olson provides a warranty period, which is one year or 12,000

## **J.B. POINDEXTER & CO., INC.**

miles for components, three years or 6,000 miles for paint and five years or 50,000 miles for the van body 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 \$3.2 million at March 31, 2004 and December 31, 2003. During the three months ended March 31, 2004 and 2003, the Company charged to expense \$435,000 and \$582,000 and made warranty payments of \$407,000 and \$549,000, respectively.

***Environmental Matters.*** The Company's operations are subject to numerous environmental statutes and regulations, including laws and regulations affecting its products, the materials used in and wastes generated by manufacturing the Company's products and the investigation and cleanup of contaminated sites. 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 or that impose workplace health and safety requirements. Pursuant to these laws, some of the Company's operations require permits which may restrict the Company's operations and which are subject to renewal, modification or revocation by issuing authorities. The Company also generates hazardous and 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. Further, the Company cannot ensure that it has been or will be at all times in compliance with all of these requirements, including those related to reporting or permit restrictions or that the Company will not incur material fines, penalties, costs or liabilities in connection with such requirements or a failure to comply with them. The Company expects that the nature of its operations will continue to make it subject to increasingly stringent environmental and workplace health and safety regulatory standards and to the increasingly stringent enforcement of those 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.

In a memorandum dated January 10, 2002 issued by the Georgia Environmental Protection Division ("EPD"), Truck Accessories was notified that it may be a potentially responsible party ("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 January 29, 2003, the United States Environmental Protection Agency ("USEPA") notified Truck Accessories 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. The Company is engaged in settlement discussions to resolve these and other potential claims. USEPA has proposed a penalty of \$11,045. The Company has accrued expenses of \$20,000 and has implemented four Supplemental Environmental Projects, undertaken in connection with this matter, that require approximately \$125,000 of capital expenditures.

In October 2003, Truck Accessories was notified that it may be a potentially responsible party at a United States Environmental Protection Agency Superfund Site in California. The Company has executed a tolling agreement with the EPA and has been invited to attend a de minimis potentially responsible party settlement conference being held by the EPA. Although the Superfund statute provides for joint and several liability and a precise estimate of liability cannot be determined at this time, the Company currently believes that our proportionate share, if any, of the ultimate cost related to any necessary investigation and remedial work at the site will not have a material adverse effect on the Company.

A self-audit conducted in 2002 revealed that a machine shop operated by MIC Group may have failed to file

## **J.B. POINDEXTER & CO., INC.**

certain forms required pursuant to Section 313 of the Emergency Planning and Community Right-to-Know Act, and regulations promulgated thereunder. The Company disclosed this matter to the EPA, completed all required reports and filed them with the appropriate agencies in 2002. Recently, the EPA requested additional information, which the Company has provided. At this time the Company does not know whether the EPA will seek to penalize the Company for these reporting violations.

During a Phase II Environmental Assessment in November 2002 at KWS 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 November 2003. Although a precise estimate of liability cannot currently be made with respect to the contamination levels or potential remediation, the Company has incurred approximately \$70,000, of expenses as of December 31, 2003, and currently believes that to be the ultimate cost of this matter. Costs incurred over and above \$50,000 should be reimbursable to the company by the previous owner of KWS.

On February 20, 2004, the EPA sent a request for information to the Truck Accessories facility in Milton, Pennsylvania, pursuant to the EPA's authority under the Resource Conservation Recovery Act, which is the federal statute regulating the handling of hazardous waste. The request was for information and documents related to the Milton facility's handling and recordkeeping related to hazardous waters. Included with the information request was a copy of a September 2003 inspection report on which the EPA and the Pennsylvania Department of Environmental Protection investigators indicated non-compliance by Truck Accessories with some Resource Conservation Recovery Act standards. Truck Accessories is gathering the information necessary to respond to the request. At this time, the Company does not know if the EPA or the Pennsylvania Department will take enforcement action against Truck Accessories, and it cannot estimate the financial impact of such an enforcement action, if any, which could be material.

Morgan Olson's two manufacturing sites in Sturgis, Michigan overlie, or are in close proximity to, a regional plume of volatile organic compound groundwater contamination. Available information indicates that one of the sites was a likely source of part of the groundwater contamination, and that groundwater contamination is present under the second site. In August 2003, Morgan Olson submitted applications for Baseline Environmental Assessment for each site to the Michigan Department of Environmental Quality. In October 2003, the Michigan Department accepted these applications and granted to Morgan Olson a liability exemption for any pre-acquisition releases of volatile organic compounds from these sites that may have contributed to the regional groundwater contamination subject to certain conditions, including an agreement not to use chlorinated solvents and to implement certain engineering controls to minimize future releases at the sites. Based on the granting of the liability exemption, Morgan Olson does not believe it has any responsibility for investigation or remediation of the regional groundwater contamination issue. However, the exemption does not apply to other applicable laws or regulations, and there can be no guarantee that newly discovered conditions or future activities at the sites will not result in significant costs.

***Self-Insured Risks.*** The Company utilizes 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.

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

We operate 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.

## **J.B. POINDEXTER & CO., INC.**

Effective March 15, 2004 we sold \$125 million of 8.75% Senior Notes due March 15, 2014 at par. Concurrent with this transaction Morgan Olson, a company owned by John Poindexter, was contributed to the Company. The acquisition was treated as a modified pooling of interests and the financial statements of the Company have been restated to reflect the acquisition as of July 14, 2003 and as a result the comparative period of 2003 does not include the results of operations of this company.

### **Results of Operations**

#### **Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003**

Net sales increased \$44.1 million, or 49% to \$134.0 million for the three months ended March 31, 2004 compared to \$89.9 million during the three months ended March 31, 2003. Morgan's net sales increased 52% or \$24.5 million on a 64% increase in unit shipments to approximately 10,500 units. Shipments of product to consumer rental companies that historically are completed in the first and second quarters of the year and command a lower unit price increased 131%. Shipments of commercial units increased 34% as Morgan's major fleet customers and dealers increased new truck purchases from Morgan. Truck Accessories' net sales increased \$1.9 million or 7% to \$31.4 million on a 2.5% increase in units shipped. Pick up truck sales, a leading indicator for the Truck Accessories' business, increased 6.2% during the quarter ended March 31, 2004 compared to the same period last year. Specialty Manufacturing's net sales increased \$1.5 million or 12% to \$14.7 million as machining services sales to both oil and non-oil customers increased by \$1.3 million or 16% for the 2004 quarter compared to 2003. During the quarter ended March 31, 2004 net sales included \$16.2 million of step van and parts and services sales by Morgan Olson. Morgan Olson completed a contract for step van bodies for use by the United States Postal Service ("USPS") during the quarter. Sales of step van bodies and sales of parts and services for the USPS were \$7.2 million and \$1.6 million respectively, for the quarter ended March 31, 2004. Morgan Olson will continue to provide parts and services for the step vans in use at the USPS.

Morgan's backlog at March 31, 2004 was \$79.8 million compared to \$72.0 million at December 31, 2003 and \$51.7 million at March 31, 2003. The increase from a year earlier was due to additional commercial unit orders during the first quarter of 2004 and the increase over December 31, 2003 was due also to increased commercial unit orders partially offset by a decrease in consumer rental backlog as a result of the completion of orders during the first quarter. Specialty Manufacturing's backlog at March 31, 2004 was \$11.7 million compared to \$11.2 million at December 31, 2003 and \$17.7 million at March 31, 2003. Truck Accessories' backlog of approximately 2 weeks production was \$4.3 million at March 31, 2004 compared to \$4.3 million as of December 31, 2003 and \$3.5 million as of March 31, 2003. Morgan Olson's backlog was \$4.5 million at March 31, 2004 compared to \$13.7 million at December 31, 2003. The decrease was due to the completion of a contract to provide step vans to the USPS.

Cost of sales increased 51% to \$116.9 million for the three months ended March 31, 2004 compared to \$77.5 million during the three months ended March 31, 2003. Gross profit increased 38% to \$17.1 million (13% of net sales) during the three months ended March 31, 2004 compared to \$12.4 million (14% of net sales) for the three months ended March 31, 2003. Gross profit at Morgan increased \$2.4 million or 40% to \$8.4 million or 12% of sales compared to 13% of sales during 2003, primarily due to higher volume of sales. The decrease in the gross margin percentage was due an increase in material costs of approximately \$2 million partially offset by the improved absorption of overhead on higher sales. Truck Accessories' gross profit increased \$0.4 million to \$4.7 million (15% of net sales) compared to \$4.3 million (15% of net sales) during the three months ended March 31, 2003 period as a result of lower material costs relative to sales. Specialty Manufacturing's gross profit increased slightly to \$2.2 million (15% of net sales) compared to \$2.1 million (16% of net sales) during the three months ended March 31, 2003. Morgan Olson contributed \$1.9 million or 12% of its net sales to the consolidated gross profits of the Company for the current quarter.

## **J.B. POINDEXTER & CO., INC.**

Selling, general and administrative expenses increased \$2.2 million or 26% to \$10.4 million (8% of net sales) for the three months ended March 31, 2004 compared to \$8.2 million (9% of net sales) during the three months ended March 31, 2003. Selling, general and administrative expenses decreased to 5% of sales at Morgan compared to 7% for the three months ended March 31, 2003 as Morgan maintained headcount at prior year levels. Morgan Olson's expenses were \$1.4 million or 9% of sales. Selling, general and administrative expense remained flat at 9% of net sales at Truck Accessories. Corporate expenses for the 2004 and 2003 periods were \$0.7 million.

Effective March 15, 2004, we repaid our old revolving loan facility and effective April 15, 2004 we repaid our 12.5% Senior Secured Notes due 2007 and as a result wrote off to expense the remaining deferred loan costs associated with those borrowings of \$2.2 million.

Operating income increased \$0.4 million to \$4.6 million (3% of net sales) for the three months ended March 31, 2004 compared to \$4.2 million (5% of net sales) during the three months ended March 31, 2003. Morgan's operating income increased \$2.1 million to \$4.8 million for the period due to higher sales. Truck Accessories' operating income increased to \$1.9 million (6% of net sales) compared to \$1.6 million (6% of net sales) during 2003 on higher sales. Specialty Manufacturing's operating income decreased \$0.2 million, as flat operating profits on sales of machining services were reduced by a \$0.2 million increase in operating losses from the manufacture of plastics based packaging products.

Interest expense was \$4.0 million for the three months ended March 31, 2004 compared to \$3.3 million during the first quarter of 2003. The increase was primarily as a result of approximately \$0.4 million of additional interest on the 2007 Senior Secured Notes that were retired on April 15, 2004, 30 days subsequent to issuing the new Senior Notes and \$0.5 million due to the additional \$125 million of Senior Notes issued on March 15, 2004.

The loss from discontinued operations of \$23,000 for the three months ended March 31, 2004 comprised primarily environmental costs and workers compensation insurance costs incurred by the KWS operations of Specialty Manufacturing that were discontinued during the year ended December 31, 2002.

The income tax provision (benefit) for the three months ended March 31, 2004 and 2003 differ from amounts computed based on the federal statutory rate due to state and foreign taxes.

### **Liquidity and Capital Resources**

*Operating activities.* Operating activities during the three months ended March 31, 2004 used cash of \$0.9 million compared to generating cash of \$1.0 million during the same period in 2003. Working capital at March 31, 2004 was \$55.3 million compared to \$15.3 million at December 31, 2003. The increase reflects the repayment of revolver borrowings of \$20.1 million as a result of the new Senior Notes offering and a \$11.1 million increase in receivables primarily at Morgan in response to the increase in sales. Also included in working capital as of March 31, 2004 was \$6.1 million cash collateral used to secure our letters of credit. The collateral will be returned upon the issuance of replacement letters of credit by our new secured revolving credit lender. The net investment in working capital excluding cash and cash collateral was \$6.8 million for the three months ended March 31, 2004 compared to \$2.3 million for the prior year period as a result of the 49% increase in sales and a lower increase in payables as we continue to take advantage of supplier discounts.

*Investing activities.* Capital expenditures for the three months ended March 31, 2004 were \$2.1 million compared to \$0.8 million during the same period in 2003. The increase was due primarily to improvements and enhancements to production facilities at Morgan and additional machine tools for the machining services operations of Specialty Manufacturing.

*Financing activities.* On March 15, 2004 we completed a refinancing of the Company with the issue of \$125 million, 8.75% Senior Notes due on March 15, 2014 the proceeds of which were used to repay existing debt including the

## **J.B. POINDEXTER & CO., INC.**

Senior Secured Notes due 2007 of \$75.8 million and borrowings under the revolving loan agreement of approximately \$21.9 million as of that date and Morgan Olson debt of \$13.9 million. Concurrently with issuing the new Senior Notes we entered into a new Revolving Credit Agreement that provides for borrowings up to \$30.0 million. The amount of the revolving credit facility may be increased at our option to \$50.0 million provided we are not in default of the Revolving Credit Agreement. Other financing activities included the costs associated with the issue of the New Notes of \$4.0 million and \$6.1 million of cash collateral required by our previous revolver lender to secure our letters of credit pending the issuance of replacements by the new revolver lender.

Effective May 17, 2004 we completed a \$30 million add-on to the Senior Notes, net proceeds of approximately \$29.5 million increased the cash balances of the Company.

The ability to borrow under the Revolving Credit 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, 2004, the Company had gross available borrowing capacity in excess of \$50 million based on eligible accounts receivable and inventory and unused available borrowing capacity of approximately \$24.8 million under the terms of the Revolving Credit Agreement. Borrowings under the Revolving Credit Agreement at March 31, 2004 were \$1.8 million compared to revolver borrowings under the previous credit facility of \$20.1 million at December 31, 2003.

At March 31, 2004 the Consolidated EBITDA coverage Ratio, as defined in the Senior Notes Indenture, was 2.8:1.

We continually evaluate the most efficient use of our capital and contemplate various strategic options, which may include, without limitation, restructuring our business, indebtedness or capital structure. Accordingly, we 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).

We believe that we have adequate resources to meet our working capital and capital expenditure requirements consistent with past trends and practices. Operating cash flows are an important source of liquidity to the Company and the diverse nature of the operations of the Company, in our opinion, reduces exposure to economic factors such as a manufacturing recession.

### **Management Changes**

On March 29, 2004, Robert Ostendorf resigned as president of Morgan and as a director of Morgan Olson. John Poindexter has been appointed as president of Morgan and Morgan Olson.

### **Critical Accounting Policies**

A discussion of critical accounting policies is included in the Company 2003 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, 2004

### **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**

**Quantitative and Qualitative Disclosures About Market Risk**

The Company is subject to certain market risks, including interest rate risk and foreign currency risk. The adverse effects of potential changes in these market risks are discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See the Notes to the Consolidated Financial Statements for a description of the Company's accounting policies and other information related to these financial instruments.

**Interest Rates**

*Variable-Rate Debt.* As of March 31, 2004 we had approximately \$1.8 million outstanding under our asset-based, revolving credit facilities. The interest rates on the revolving credit facilities are based upon a spread above either the Prime Interest Rate or the London Interbank Overnight Rate (LIBOR). Which rate used is determined at our option. The amount outstanding under this revolving credit facility will fluctuate throughout the year based upon working capital requirements. Based upon the monthly average of \$14.1 million outstanding under revolving credit facilities during the first quarter of 2004, a 1% change in the interest rate would have caused a change in interest expense of approximately \$141,000 on an annual basis. Variable rate borrowings provide flexibility regarding early repayment without penalties and lower overall cost as compared with fixed-rate borrowings.

*Fixed-Rate Debt.* As of March 31, 2004, we had \$125.0 million of 8.75% Senior Notes, long-term debt, outstanding (not including old notes held for redemption), with an estimated fair value of approximately \$127.6 million base upon their traded value at March 31, 2004. Market risk, estimated as the potential increase in fair value resulting from a hypothetical 1.0% decrease in interest rates, was approximately \$8.8 million as of March 31, 2004.

**Foreign Currency**

Raider Industries, a subsidiary of Truck Accessories, has two manufacturing plants in Canada, which generated revenues of approximately \$5.5 million during the three months ended March 31, 2004. The functional currency of Raider Industries is the Canadian Dollar. We do not currently employ risk management techniques to manage this potential exposure to foreign currency fluctuations; however, the majority of goods manufactured in Canada are exported and sold to customers in the United States. Therefore, a weakening of the United States Dollar in relation to the Canadian Dollar may have the effect of decreasing Raider Industries' gross margin, assuming that the United States sales price remains unchanged.

**Item 4. Controls and Procedures**

Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-15 of the Securities Exchange Act of 1934 ("Exchange Act") promulgated thereunder, our chief executive officer and chief financial officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of the Evaluation Date to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the required time periods. There have been no changes in our internal controls over financial reporting during the period covered by this report that were identified in connection with the evaluation referred to above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1 Legal Proceedings**

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.

**Item 2 Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

None

**Item 3 Defaults upon Senior Securities**

None

**Item 4 Submission of Matters to a Vote of Security Holders**

None

**Item 5 Other Information**

None

**Item 6 Exhibits and Reports on Form 8-K**

**(a) Exhibits**

- 4.1** Form of 8.75% Senior Note due 2014
- 4.2** Indenture dated as of March 15, 2004
- 10.1** Loan and Security Agreement Dated as of March 15, 2004 Among LaSalle Bank National Association, The Agent, The Financial Institutions From Time to Time party Hereto, The Lenders and J.B. Poindexter & Co., Inc.
- 10.1.1** 1st Amendment to the Loan and Security Agreement dated
- 10.2** Registration Rights Agreement dated March 15, 2004 Between the Company, the Guarantors and J. P. Morgan Securities and the Initial Purchasers.
- 10.2.1** Registration Rights Agreement dated March 17, 2004 Between the Company, the Guarantors and J. P. Morgan Securities.

The Company will provide any holder of senior notes with a copy of any of the above exhibits upon written request. Please mail such request to:

J.B. Poindexter & Co., Inc  
1100 Louisiana  
Suite 5400  
Houston, Texas 77002  
Attn: Secretary

(b) On February 25, 2004, the Company filed certain information disclosed in a confidential offering memorandum with the Securities and Exchange Commission under Items 5 and 9 of Form 8-K.

On March 23, 2004, the Company filed certain information disclosed at a high-yield bond conference with the Securities and Exchange Commission under Items 7 and 9 of Form 8-K.

**J.B. POINDEXTER & CO., INC.**

I, John B. Poindexter, certify that:

1. I have reviewed this quarterly report of J.B. Poindexter & Co., Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report and based on such evaluation; and
  - (c) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: May 17, 2004

/s/ John B. Poindexter

Name: John B. Poindexter

Title: Chairman, President & Chief Executive Officer

I, Robert S. Whatley, certify that:

1. I have reviewed this quarterly report of J.B. Poindexter & Co., Inc.;

**J.B. POINDEXTER & CO., INC.**

2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report and based on such evaluation; and
  - (c) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: May 17, 2004

/s/ Robert S. Whatley

Name: Robert S. Whatley  
Title: Chief Financial Officer