CASE STEPHEN M
Form 3/A
April 13, 2011

FORM 3

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

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â CASE STEPHEN M
(Last) (First) (Middle)
C/O REVOLUTION LIVING LLC,Â 1717 RHODE ISLAND AVE., N.W. SUITE 1000
(Street)
WASHINGTON,Â DCÂ 20036
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
04/08/2011

3. Issuer Name **and** Ticker or Trading Symbol
ZIPCAR INC [ZIP]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)
04/08/2011

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

				Shares		or Indirect (I) (Instr. 5)	
Series F Convertible Preferred Stock	Â (1)	Â (2)	Common Stock	6,852,175	$ (1)	I	See Footnote (3)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CASE STEPHEN M C/O REVOLUTION LIVING LLC 1717 RHODE ISLAND AVE., N.W. SUITE 1000 WASHINGTON,Â DCÂ 20036	Â X	Â X	Â	Â
Revolution Living LLC 1717 RHODE ISLAND AVE., N.W. SUITE 1000 WASHINGTON,Â DCÂ 20036	Â X	Â X	Â	Â

Signatures

/s/ Ronald A. Klain, attorney-in-fact	04/12/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each share of Series F Convertible Preferred Stock will convert into 0.5 shares of common stock upon the closing of Zipcar, Inc.'s initial public offering of common stock. Reflects a 1-for-2 reverse stock split of the common stock of Zipcar, Inc., which became effective on March 29, 2011.

(2) Not Applicable.

(3) These are shares owned directly by Revolution Living LLC. Mr. Case is the Manager, Chairman and Chief Executive Officer of Revolution Living LLC. Mr. Case has the sole power to vote and dispose of the shares of the Issuer held by Revolution Living LLC.

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Remarks:

AllÂ informationÂ onÂ thisÂ reportÂ wasÂ previouslyÂ includedÂ onÂ aÂ FormÂ 3Â filedÂ onÂ AprilÂ 8,Â 2011.Â This

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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Fourth Quarter
25.71 20.65
Year Ended March 31, 2008

First Quarter
$33.68 $21.84
Second Quarter
34.30 22.55
Third Quarter
33.85 24.46

Fourth Quarter	33.34	22.00

On April 30, 2008, the closing price of our common stock on the Nasdaq Stock Market was $28.31 per share.

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PERFORMANCE GRAPH

The Performance Graph shown below compares the cumulative total shareholder return on our common stock based on its market price, with the total return of the S&P MidCap 400 Index and the Dow Jones US Diversified Industrials. The comparison of total return assumes that a fixed investment of $100 was invested on March 31, 2003 in our common stock and in each of the foregoing indices and further assumes the reinvestment of dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

*$100 invested on 3/31/2003 in stock or index-including reinvestment of dividends. Fiscal year ending March 31.

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www.researchdatagroup/S&P.htm

Explanation of Responses:

Item 6. Selected Financial Data

The consolidated balance sheets as of March 31, 2008 and 2007 and the related statements of income, cash flows and shareholders' equity for the three years ended March 31, 2008 and notes thereto appear elsewhere in this annual report. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by "Management's Discussion and Analysis of Results of Operations and Financial Condition," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this annual report.

	Fiscal Years Ended March 31,				
	2008	2007	2006	2005	2004
	(Amounts in millions, except per share data)				
Statements of Income Data:					
Net sales	$ 623.3	$ 589.8	$ 556.0	$ 514.8	$ 444.6
Cost of products sold	438.8	425.2	408.4	388.9	339.8
Gross profit	184.5	164.6	147.6	125.9	104.8
Selling expenses	72.0	61.7	54.3	52.3	48.3
General and administrative expenses	37.6	34.1	33.6	31.7	25.0
Restructuring charges (1)	1.2	0.1	1.6	0.9	1.2
Impairment loss (2)	2.5	—	—	—	—
Write-off/amortization of intangibles	0.1	0.2	0.2	0.3	0.4
Income from operations	71.1	68.5	57.9	40.7	29.9
Interest and debt expense	14.6	16.5	24.7	27.6	28.9
Other (income) and expense, net	(3.0)	(1.9)	5.0	(5.2)	(4.2)
Income before income taxes	59.5	53.9	28.2	18.3	5.2
Income tax expense (benefit)	22.7	20.5	(30.9)	2.2	4.0
Income from continuing operations	36.8	33.4	59.1	16.1	1.2
Income from discontinued operations (3)	0.5	0.7	0.7	0.6	—
Net income	$ 37.3	$ 34.1	$ 59.8	$ 16.7	$ 1.2
Diluted earnings per share from continuing operations	$ 1.92	$ 1.76	$ 3.56	$ 1.09	$ 0.08
Basic earnings per share from continuing operations	$ 1.96	$ 1.80	$ 3.69	$ 1.10	$ 0.08
Weighted average shares outstanding – assuming dilution	19.2	19.0	16.6	14.8	14.6
Weighted average shares outstanding – basic	18.7	18.5	16.1	14.6	14.6
Balance Sheet Data (at end of period):					
Total assets	$ 590.0	$ 565.6	$ 566.0	$ 480.9	$ 473.4

Total debt (4)	147.9	172.1	209.8	270.9	293.4
Total shareholders' equity	295.5	241.3	204.4	81.8	63.0
Other Financial Data:					
Net cash provided by operating activities	59.6	45.5	46.4	17.2	26.4
Net cash (used) provided by investing activities	(8.6)	(3.4)	(6.4)	3.1	4.3
Net cash used in financing activities	(28.6)	(39.9)	(4.2)	(21.9)	(21.5)
Capital expenditures	13.1	10.7	8.4	5.9	3.6
Cash dividends per common share	0.00	0.00	0.00	0.00	0.00

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(1) Refer to "Results of Operations" in "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" for a discussion of the restructuring charges related to fiscal 2008, 2007, and 2006. The fiscal 2005 restructuring charges consist of $0.5 million of costs related to facility rationalizations being expensed on an as incurred basis as a result of the project timing being subsequent to the adoption of SFAS No. 144. Fiscal 2005 also included $0.3 million of write-down on the net realizable value of a facility based on changes in market conditions and a reassessment of its net realizable value. During fiscal 2004, restructuring charges of $1.2 million were recorded related to various employee termination benefits and facility costs as a result of our continued closure, merging and reorganization and completion of two open projects from fiscal 2003.

(2) As a result of the recurring losses and decreasing cash flows associated with our Univeyor business, the Company recorded a $2.5 million impairment charge in accordance with SFAS 144 during fiscal 2008. Refer to Note 2 to our consolidated financial statements for additional information on Impairment of Long-Lived Assets.

(3) In May 2002, the Company sold substantially all of the assets of ASI. The Company received $20,600,000 in cash and an 8% subordinated note in the principal amount of $6,800,000 which is payable over 10 years beginning in August 2004. The full amount of this note has been reserved due to the uncertainty of collection. Principal payments received on the note are recorded as income from discontinued operations at the time of receipt. All interest and principal payments required under the note have been made to date. Refer to Note 3 to our consolidated financial statements for additional information on Discontinued Operations.

(4) Total debt includes long-term debt, including the current portion, notes payable and subordinated debt.

Item 7. Management's Discussion And Analysis Of Results Of Operations And Financial Condition

This section should be read in conjunction with our consolidated financial statements included elsewhere in this annual report. Comments on the results of operations and financial condition below refer to our continuing operations, except in the section entitled "Discontinued Operations."

EXECUTIVE OVERVIEW

We are a leading manufacturer and marketer of hoists, cranes, chain, conveyors, material handling systems, lift tables and industrial component parts serving a wide variety of commercial and industrial end-user markets. Our products are used to efficiently and ergonomically move, lift, position or secure objects and loads. Our Products segment sells a wide variety of powered and manually operated wire rope and chain hoists, industrial crane systems, chain, hooks and attachments, actuators and rotary unions. Our Solutions segment designs, manufactures, and installs application-specific or standard material handling systems and solutions for end-users to improve workstation and facility-wide work flow.

Founded in 1875, we have grown to our current size and leadership position through organic growth and the acquisition of 14 businesses between February 1994 and April 1999. We have developed our leading market position over our 132-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. In addition, the acquisitions significantly broadened our product lines and services and expanded our geographic reach, end-user markets and customer base. Ongoing operations include improving our productivity and increased penetration of the European, Latin American, and Asian marketplaces. We are executing those initiatives through our Lean Manufacturing efforts, new product development and expanded sales and marketing activities. Shareholder value will be enhanced through continued emphasis on the improvement of the fundamentals including

manufacturing efficiency, cost containment, efficient capital investment, market expansion and excellent customer satisfaction.

We maintain a strong North American market share with significant leading market positions in hoists, lifting and sling chain, and forged attachments. To broaden our product offering in markets where we have a strong competitive position as well as to facilitate penetration into new geographic markets, we continue expand our new product development activities. During fiscal 2008, this included the completion of our product line offering of wire rope hoist lines in accordance with international standards which began in fiscal 2006, to complement our current offering of hoist products designed in accordance with U.S. standards. Our efforts to expand our global sales will be accomplished through the introduction of certain of our products that historically have been distributed only in North America and also by introducing new products through our existing European distribution network. Furthermore, we continue to expand our on-the-ground sales forces as well as the distribution relationships in China to capture the anticipated growing demand for material handling products as that economy continues to industrialize. Our internal organization supports these strategic initiatives through division of responsibility for North America, Europe, Latin America and Asia Pacific. The investments in international markets and new products are part of our focus on our greatest opportunities for growth. We are also looking for opportunities for growth via acquisitions or joint ventures. The focus of our acquisition strategy centers on opportunities for international revenue growth and product line expansion in alignment with our existing core offering.

Management believes that the growth rate of total sales may moderate in future periods due to more difficult comparisons with our fiscal 2008 periods and a slower rate of U.S. economic growth. We monitor such indicators as U.S. Industrial Capacity Utilization, which increased since July 2003, as an indicator of anticipated demand for our product in the U.S. In addition, we continue to monitor leading indicators of the potential impact of global and U.S. trends, including energy costs, steel price fluctuations, rising interest rates, currency impact and activity in a variety of end-user markets around the globe.

We constantly explore ways in which to enhance our operating margins and leverage as well as further improve our productivity and competitiveness. We have specific initiatives related to improved customer satisfaction, reduction of defects, shortened lead times, improved inventory turns and on-time deliveries, reduction of warranty costs, and improved working capital utilization. The initiatives are being driven by the continued implementation of our Lean Manufacturing efforts which are fundamentally changing our manufacturing processes to be more responsive to customer demand and improving on-time delivery and productivity. In addition to Lean manufacturing, we are working to achieve these strategic initiatives through product simplification, the creation of centers of excellence, and improved supply chain management.

We continue to operate in a highly competitive and global business environment. Accordingly, we face a variety of challenges and opportunities in those markets and geographies, including trends towards increased utilization of the global labor force and the expansion of market opportunities in Asia and other emerging markets.

RESULTS OF OPERATIONS

Net sales of our Products and Solutions segments, in millions of dollars and with percentage changes for each segment, were as follows:

	Fiscal Years Ended March 31,			Change 2008 vs. 2007		Change 2007 vs. 2006	
	2008	2007	2006	Amount	%	Amount	%
Products segment	$ 570.0	$ 527.1	$ 493.9	$ 42.9	8.1	$ 33.2	6.7
Solutions segment	53.3	62.7	62.1	(9.4)	(15.0)	0.6	1.0
Total net sales	$ 623.3	$ 589.8	$ 556.0	$ 33.5	5.7	$ 33.8	6.1

During fiscal 2008, the Company saw continued strength in the North American economy as well as increased demand in Europe, Latin America and Asia. This growth was a continuation of improvement in the industrial sector that began in fiscal 2005 through the current period. In addition, sales growth continues to be fostered by the expansion of international selling efforts. Net sales for fiscal 2008 of $623.3 increased by $33.5 million or 5.7% from fiscal 2007, and net sales for fiscal 2007 of $589.8 million increased by $33.8 million, or 6.1%, from fiscal 2006. The Products segment for fiscal 2008 experienced a net sales increase of 8.1% over the prior year. The increase was due to a combination of increased volume on the continued growth of the global industrial economy and international market share gains as well as price increases ($9.8 million). Fiscal 2008 was impacted by the continued weakness of the U.S. dollar relative to other currencies, particularly the euro, and reported Products segment sales were favorably affected by $11.3 million. The Products segment for fiscal 2007 experienced a net sales increase of 6.7% over the prior year. The increase was due to a combination of increased volume on the continued growth of the global industrial economy and increasing penetration in our European markets as well as price increases ($7.9 million).

Fiscal 2007 was impacted by the continued weakness of the U.S. dollar relative to other currencies, particularly the euro, and reported Products segment sales were favorably affected by $4.2 million. Our fiscal 2008 Solutions segment net sales were down $9.4 million, or 15%. The intentional downsizing of our European material handling systems business resulting from our decision to be more selective in the projects we choose to accept due to a challenging market and pricing environment resulted in a 25% reduction in the sales of this business while the remaining solutions businesses were up 1.6%. Fiscal 2008 foreign currency fluctuations of the U.S. dollar relative to the Danish Krone resulted in a favorable impact of $2.9 million. Our fiscal 2007 Solutions segment net sales were flat as increased volume in our U.S. operations was offset by a downsizing of our European material handling systems business resulting from our decision to be more selective in the projects we choose to accept due to a challenging market and pricing environment. Fiscal 2007 foreign currency fluctuations of the U.S. dollar relative to the Danish Krone resulted in a favorable impact of $2.0 million.

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Gross profit of the Products and Solutions segments, in millions of dollars and as a percentage of total segment net sales, was as follows:

	Fiscal Years Ended March 31,					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
Products segment	$ 178.4	31.3	$ 159.2	30.2	$ 138.1	28.0
Solutions segment	6.1	11.4	5.4	8.6	9.5	15.3
Total gross profit	$ 184.5	29.6	$ 164.6	27.9	$ 147.6	26.5

Our gross profit margins were approximately 29.6%, 27.9% and 26.5% in fiscal 2008, 2007 and 2006, respectively. The Products segment for fiscal 2008 and fiscal 2007 continues to see improved gross margins as a result of operational leverage at increased volumes from the prior years across all businesses, the proportion of that increase in our most profitable products sales (hoists), and the impact of previous facility rationalization projects and ongoing lean manufacturing activities. The Solutions segment's gross profit margins increased in Fiscal 2008 as a result of timing of one large order on an international tire shredder system sale, offsetting losses at our European material handling systems business. The European systems business losses were the result of performance issues and cost overruns on certain projects, declining sales volumes and an unfavorable mix of projects with regards to resale versus proprietary product componentry. The Solutions segment's gross profit margins decreased in fiscal 2007 as favorable leverage on volume increases at our U.S. operations was offset by losses at our European material handling systems business. The European systems business losses were the result of performance issues and cost overruns on certain projects, a challenging pricing environment and an unfavorable sales mix of projects.

Selling expenses were $72.0 million, $61.7 million and $54.3 million in fiscal 2008, 2007 and 2006, respectively. As a percentage of net sales, selling expenses were 11.5%, 10.5% and 9.8% in fiscal 2008, 2007 and 2006, respectively. In furtherance of our continuing strategic growth initiatives, the fiscal 2008 increase includes additional salaries ($1.9 million), increased advertising, marketing, and travel ($2.4 million), investments in new markets ($2.3 million), translation of foreign currencies ($2.3 million), and a one-time commission expense associated with a particularly large sale in our Solutions business ($1.5 million). The fiscal 2007 increase, driven by our strategic growth initiatives, includes additional salaries ($2.5 million), increased advertising, marketing, warehousing and travel ($1.4 million), investments in new markets ($1.6 million), translation of foreign currencies ($1.1 million), and commission expense on higher revenue ($0.5 million).

General and administrative expenses were $37.6 million, $34.1 million and $33.6 million in fiscal 2008, 2007 and 2006, respectively. As a percentage of net sales, general and administrative expenses were 6.0%, 5.8% and 6.1% in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 includes increases in personnel costs for new market investment and organizational capacity expansion ($1.6 million), increased research and development costs ($0.5 million), and translation of foreign currencies ($1.2 million). Fiscal 2007 includes increases in personnel costs for new market investment ($1.3 million), increased research and development costs ($1.0 million), and increased healthcare costs ($0.8 million), offset by lower variable compensation costs ($2.5 million).

Restructuring charges of $1.2 million, $0.1 million and $1.6 million, or 0.2%, 0.0% and 0.3% of net sales in fiscal 2008, 2007 and 2006, respectively, were primarily attributable to the ongoing organizational rationalizations occurring at the company. The fiscal 2008 charges consist of demolition costs of the unused portion of a facility ($0.8 million) being expensed on an as-incurred basis and severance costs related to the continued reorganization of our European systems business ($0.4 million). The fiscal 2007 charges represent severance costs related to the reorganization of our

European systems business ($0.3 million) and demolition costs of the unused portion of the facility referenced above ($0.2 million) being expensed on an as-incurred basis, offset by a recovery of a portion of previous write-downs ($0.4 million) on a vacant facility that was sold during fiscal 2007. The fiscal 2006 charges consist of the cost of removal of certain environmentally hazardous materials ($0.6 million), inventory disposal costs related to the rationalization of certain product families within our mechanical jack lines ($0.4 million), the ongoing maintenance costs of a non-operating facility accrued based on anticipated sale date ($0.3 million) and other facility rationalization projects ($0.3 million).

Fiscal 2008 includes an impairment charge of $2.5 million related to our European material handling systems business. Refer to Note 2 to our consolidated financial statements for additional information on Impairment of Long-Lived Assets.

Amortization of intangibles was $0.1 million, $0.2 million and $0.2 million in fiscal 2008, 2007 and 2006, respectively.

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Interest and debt expense was $14.6 million, $16.4 million and $24.7 million in fiscal 2008, 2007 and 2006, respectively. As a percentage of net sales, interest and debt expense was 2.3%, 2.8% and 4.4% in fiscal 2008, 2007 and 2006, respectively. The fiscal 2008 and 2007 decreases primarily resulted from lower debt levels as we continue to execute our strategy of debt reduction and increased financial flexibility.

The Company incurred $1.8 million, $5.2 million, and $9.2 million in fiscal 2008, 2007, and 2006, respectively related to redemption costs associated with the repurchase of outstanding long-term debt.

The Company recorded $1.2 million, $5.3 million, and $2.0 million of investment income related to assets held in the Company's wholly owned captive insurance subsidiary in fiscal 2008, 2007, and 2006, respectively.

Other income and expense, net was $3.6 million, $1.8 million and $2.1 million in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 includes $2.2 million of investment and interest income, $0.6 million from product line/real estate sales, and $0.6 million of exchange gains offset. Fiscal 2007 includes $1.2 million of interest income and $0.5 million of gain from a business divestiture. Fiscal 2006 includes $1.1 million of interest income and $0.8 million of gains from sales of real estate.

Income taxes as a percentage of income from continuing operations before income taxes for fiscal 2008 and fiscal 2007 were 38.2% and 38.1%, respectively. Income taxes as a percentage of income before income taxes were not reflective of U.S statutory rates in fiscal 2006. A valuation allowance of $50.5 million existed at March 31, 2005 due to the uncertainty of whether our U.S. federal net operating loss carryforwards ("NOLs"), deferred tax assets and capital loss carryforwards might ultimately be realized. We utilized $14.9 million of the U.S. federal NOLs in fiscal 2006 reducing the valuation allowance by $5.2 million. As a result of our improved operating performance during fiscal 2006, we re-evaluated the certainty as to whether our remaining U.S. federal NOLs and other deferred tax assets may ultimately be realized. As a result of the determination that it is more likely than not that nearly all of the remaining deferred tax assets would be realized, $38.6 million of the remaining valuation allowance was reversed as of March 31, 2006. The U.S. NOLs were fully utilized in fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $76.0 million at March 31, 2008, an increase of $27.3 million from the March 31, 2007 balance of $48.7 million.

Net cash provided by operating activities was $59.6 million, $45.5 million and $46.4 million in fiscal 2008, 2007 and 2006, respectively. The $14.1 million increase in fiscal 2008 relative to fiscal 2007 was primarily due to stronger operating performance in fiscal 2008 ($10.4 million) and improved working capital components ($3.7 million). Changes in net working capital include favorable changes of $11.2 in accounts receivable and unbilled revenues (downsizing of our European material handling systems business) and $8.6 in accounts payable (resulting from timing of disbursements and increased volume of business) offset by an unfavorable change of $7.4 million in inventory (resulting from support for increase in new product launches and new market penetration) and an unfavorable change of $9.3 million in accrued and non-current liabilities (funding of pension liabilities). The $0.9 million decrease in fiscal 2007 relative to fiscal 2006 was primarily due to stronger operating performance in fiscal 2007 ($16.2 million) offset by increased working capital components ($17.1 million). Changes in net working capital include an unfavorable change of $4.8 million on inventory (resulting from support for upcoming new product launches, a surge in demand for larger capacity equipment, and timing of offshore purchases) and an unfavorable change of $20.4 million in accounts payable and accrued and non-current liabilities (resulting from timing of disbursements, changing product liability reserves, and decreased variable compensation accruals). These were offset by a favorable change of $7.5 million on accounts receivables and unbilled revenues as a result of improved

collections.

Net cash used by investing activities was $8.6 million, $3.4 million and $6.4 million in fiscal 2008, 2007 and 2006, respectively. The fiscal 2008 change in cash used by investing activities is the result of increased capital expenditures and net purchases of marketable securities offset by proceeds from the sale of properties and assets. The fiscal 2007 change in cash used by investing activities is the result of increased capital expenditures, offset by increased net proceeds from the sale of marketable securities and greater proceeds from asset sales. The fiscal 2008, 2007 and 2006 amounts included $5.5 million, $5.4 million and $2.1 million, respectively, from business, property and asset divestitures.

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Net cash used in financing activities was $28.6 million, $39.9 million and $4.2 million in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 and 2007 include $1.4 million and $2.6 million, respectively, of proceeds from the exercise of employee stock options. Fiscal 2006 includes $56.6 million of proceeds from the November 2005 stock offering, $7.1 million from the exercise of employee stock options, and $2.2 million of tax benefit from the exercise of stock options. The fiscal 2008, 2007 and 2006 amounts included $31.1 million, $42.9 million and $67.8 million of debt repayment, respectively. We also paid $2.8 million of financing costs in fiscal 2006 to effect the capital transaction previously described.

We believe that our cash on hand, cash flows, and borrowing capacity under our Revolving Credit Facility will be sufficient to fund our ongoing operations and budgeted capital expenditures for at least the next twelve months. This belief is dependent upon a steady economy and successful execution of our current business plan which includes cash generation for debt repayment. The business plan focuses on continued implementation of lean manufacturing, improving working capital utilization, including inventory management, and new market and new product development.

In March 2006, we entered into a Revolving credit facility, which provides availability up to $75 million. Provided there is no default, the Company may request an increase in the availability of the Revolving Credit Facility by an amount not exceeding $50 million, subject to lender approval. The Revolving Credit Facility matures February 2011.

At March 31, 2008, the Revolving Credit Facility was not drawn and the available amount, net of outstanding letters of credit of $11.2 million, totaled $63.8 million. Interest is payable at a Eurodollar rate or a prime rate plus an applicable margin determined by our leverage ratio. At our current leverage ratio, we qualify for the lowest applicable margin level, which amounts to 87.5 basis points for Eurodollar borrowings and zero basis points for prime rate based borrowings. The Revolving Credit Facility is secured by all U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% for foreign subsidiaries) and intellectual property. The corresponding credit agreement associated with the Revolving Credit Facility places certain debt covenant restrictions on us, including certain financial requirements and a limitation on dividend payments, with which we were in compliance as of March 31, 2008.

The Senior Subordinated 8 7/8% Notes (8 7/8% Notes) issued on September 2, 2005 amounted to $129.9 million at March 31, 2008 and are due November 1, 2013. Provisions of the 8 7/8% Notes include, without limitation, restrictions on indebtedness, asset sales, and dividends and other restricted payments. Until November 1, 2008, we may redeem up to 35% of the outstanding notes at a redemption price of 108.875% with the proceeds of equity offerings, subject to certain restrictions. On or after November 1, 2009, the 8 7/8% Notes are redeemable at the option of the Company, in whole or in part, at prices declining annually from 104.438% to 100% on and after November 1, 2011. In the event of a Change of Control (as defined in the indenture for such notes), each holder of the 8 7/8% Notes may require us to repurchase all or a portion of such holder’s 8 7/8% Notes at a purchase price equal to 101% of the principal amount thereof. The 8 7/8% Notes are guaranteed by certain existing and future U.S. subsidiaries and are not subject to any sinking fund requirements.

In November 2005, we registered an additional 3,350,000 shares of our common stock which were sold at $20.00 per share. The number of shares offered by us was 3,000,000 and 350,000 were offered by a selling shareholder. We did not receive any proceeds from the sale of shares by the selling shareholder. This secondary stock offering increased our weighted average common stock outstanding by 1.8 million shares for the year ended March 31, 2006.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the

time of each specific transaction. As of March 31, 2008, significant credit lines totaled approximately $12.7 million, of which $11.3 million was drawn.

In addition to the above facilities, our foreign subsidiaries have certain fixed term bank loans. As of March 31, 2008, significant secured term loans totaled $3.3 million. There were no significant unsecured loans outstanding at March 31, 2008.

CONTRACTUAL OBLIGATIONS

The following table reflects a summary of our contractual obligations in millions of dollars as of March 31, 2008, by period of estimated payments due:

	Total	Fiscal 2009	Fiscal 2010-Fiscal 2011	Fiscal 2012-Fiscal 2013	More Than Five Years
Long-term debt obligations (a)	$ 136.6	$ 0.5	$ 0.9	$ 0.9	$ 134.3
Operating lease obligations (b)	19.0	5.1	7.4	3.6	2.9
Purchase obligations (c)	--	--	--	--	--
Interest obligations (d)	67.7	12.1	24.3	23.5	7.8
Letter of credit obligations	11.2	11.2	--	--	--
Uncertain tax positions	2.4	0.2	0.2	2.0	0.0
Other long-term liabilities reflected on the Company's balance sheet under GAAP (e)	48.8	0.0	27.4	14.8	6.6
Total	$ 285.7	$ 29.1	$ 60.2	$ 44.8	$ 151.6

(a) As described in note 10 to our consolidated financial statements.

(b) As described in note 17 to our consolidated financial statements.

(c) We have no purchase obligations specifying fixed or minimum quantities to be purchased. We estimate that, at any given point in time, our open purchase orders to be executed in the normal course of business approximate $40 million.

(d) Estimated for our Senior Subordinated Notes due 11/1/13.

(e) As described in note 9 to our consolidated financial statements.

We have no additional off-balance sheet obligations that are not reflected above.

CAPITAL EXPENDITURES

In addition to keeping our current equipment and plants properly maintained, we are committed to replacing, enhancing and upgrading our property, plant and equipment to support new product development, improve productivity and customer responsiveness, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements, enhance safety and promote ergonomically correct work stations. Our capital expenditures for fiscal 2008, 2007 and 2006 were $13.1 million, $10.7 million and $8.4 million, respectively. Higher capital expenditures in fiscal 2008 and 2007 were the result of new product development and productivity enhancing equipment along with normal maintenance items. We expect capital expenditure spending in fiscal 2009 to be in the range of $14-$15 million.

INFLATION AND OTHER MARKET CONDITIONS

Our costs are affected by inflation in the U.S. economy and, to a lesser extent, in foreign economies including those of Europe, Canada, Mexico, South America and Asia-Pacific. We do not believe that general inflation has had a material effect on our results of operations over the periods presented primarily due to overall low inflation levels over such periods and our ability to generally pass on rising costs through annual price increases and surcharges. However,

employee benefits costs such as health insurance, workers compensation insurance, pensions as well as energy and business insurance have exceeded general inflation levels. In the future, we may be further affected by inflation that we may not be able to pass on as price increases. With changes in worldwide demand for steel and fluctuating scrap steel prices over the past several years, we experienced fluctuations in our costs that we have reflected as price increases and surcharges to our customers. We believe we have been successful in instituting surcharges and price increases to pass on these material cost increases. We will continue to monitor our costs and reevaluate our pricing policies.

SEASONALITY AND QUARTERLY RESULTS

Our quarterly results may be materially affected by the timing of large customer orders, periods of high vacation and holiday concentrations, restructuring charges and other costs attributable to our facility rationalization program, divestitures, acquisitions and the magnitude of rationalization integration costs. Therefore, our operating results for any particular fiscal quarter are not necessarily indicative of results for any subsequent fiscal quarter or for the full fiscal year.

DISCONTINUED OPERATIONS

In May 2002, we completed the divestiture of substantially all of the assets of ASI which comprised the principal business unit in our former Solutions - Automotive segment. Proceeds from this sale included an 8% subordinated note in the principal amount of $6.8 million payable over 10 years. Due to the uncertainty of its collection, the note has been recorded at its estimated net realizable value of $0. Principal payments received on the note are recorded as income from discontinued operations at the time of receipt. Accordingly, $0.6 million of income from discontinued operations was recorded in fiscal 2008, net of tax. All interest and principal payments required under the note have been made to date.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We continually evaluate the estimates and their underlying assumptions, which form the basis for making judgments about the carrying value of our assets and liabilities. Actual results inevitably will differ from those estimates. We have identified below the accounting policies involving estimates that are critical to our financial statements. Other accounting policies are more fully described in note 2 of notes to our consolidated financial statements.

Pension and Other Postretirement Benefits. The determination of the obligations and expense for pension and postretirement benefits is dependent on our selection of certain assumptions that are used by actuaries in calculating such amounts. Those assumptions are disclosed in Note 11 to our fiscal 2008 consolidated financial statements and include the discount rates, expected long-term rate of return on plan assets and rates of future increases in compensation and healthcare costs.

The pension discount rate assumptions of 6½%, 6%, and 5¾% as of March 31, 2008, 2007 and 2006, respectively, are based on long-term bond rates. The increase in the discount rates for fiscal 2008 and 2007 resulted in an $8.4 and $4.3 decrease in the projected benefit obligation as of March 31, 2008 and 2007, respectively. The decrease in discount rate for fiscal 2006 resulted in a $3.9 million increase in the projected benefit obligation as of March 31, 2006. The rate of return on plan assets assumptions of 7½% for each of the years ended March 31, 2008, 2007 and 2006 is based on the composition of the asset portfolios (approximately 60% equities and 40% fixed income at March 31, 2008) and their long-term historical returns. The actual assets realized gains of $6.9 and $11.0 million in fiscal 2008 and 2007. Our under-funded status as of March 31, 2008 and 2007 was $15.3 million and $28.8 million, or 10.9% and 20.6% of the projected benefit obligation, respectively. Our pension contributions during fiscal 2008 and 2007 were approximately $14.5 and $6.0 million, respectively. The under-funded status may result in future pension expense increases. Pension expense for the March 31, 2009 fiscal year is expected to approximate $5.3 million, which is down from the fiscal 2008 amount of $6.6 million due to an increase in the return on the higher asset value and lower amortization of unrecognized losses. The factors outlined above may result in increases in funding requirements over time, unless there is continued market appreciation in the asset values. Pension funding contributions for the March 31, 2009 fiscal year are expected to decrease by approximately $7.7 million compared to fiscal 2008 which included approximately $7.0 million in discretionary contributions above the minimum amounts required by ERISA. The discretionary funding decision reflects an acceleration to comply with the Pension Protection Act of 2006. The compensation increase assumption of 3% as of March 31, 2008 and 2007 and 4% as of March 31, 2006 is based on historical trends.

The healthcare inflation assumptions of 8¼%, 9% and 9¾% for fiscal 2008, 2007 and 2006, respectively are based on anticipated trends. Healthcare costs in the United States have increased substantially over the last several years. If this trend continues, the cost of postretirement healthcare will increase in future years.

Insurance Reserves. Our accrued general and product liability reserves as described in Note 14 to our consolidated financial statements involve actuarial techniques including the methods selected to estimate ultimate claims, and assumptions including emergence patterns, payment patterns, initial expected losses and increased limit factors. Other insurance reserves such as workers compensation and group health insurance are based on actual historical and current claim data provided by third party administrators or internally maintained.

Inventory and Accounts Receivable Reserves. Slow-moving and obsolete inventory reserves are judgmentally determined based on formulas applied to historical and expected future usage within a reasonable timeframe. We reassess trends and usage on a regular basis and if we identify changes, we revise our estimated

allowances. Allowances for doubtful accounts and credit memo reserves are also judgmentally determined based on formulas applied to historical bad debt write-offs and credit memos issued, assessing potentially uncollectible customer accounts and analyzing the accounts receivable agings.

Long-Lived Assets. Property, plant and equipment and certain intangibles are depreciated or amortized over their assigned lives. These assets as well as goodwill are also periodically measured for impairment. The assigned lives and the projected cash flows used to test impairment are subjective. If actual lives are shorter than anticipated or if future cash flows are less than anticipated, we could incur a future impairment charge or a loss on disposal relating to these assets.

Marketable Securities. On a quarterly basis, we review our marketable securities for declines in market value that may be considered other than temporary. We consider market value declines to be other than temporary if they are declines for a period longer than six months and in excess of 20% of original cost.

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Deferred Tax Asset Valuation Allowance. As of March 31, 2008, we had $31.9 million of gross deferred tax assets before valuation allowances. As described in Note 16 to the consolidated financial statements, the deferred tax assets relate principally to liabilities including employee benefit plans, insurance reserves, accrued vacation and incentive costs and also to asset valuation reserves such as inventory obsolescence reserves and bad debt reserves. The deferred tax assets include $5.1 million related to various state and foreign net operating loss carryforwards for which a $4.1 million deferred tax asset valuation allowance is recorded.

We record a valuation allowance to reduce deferred tax assets to the amount of future tax benefit we believe is more likely than not to be realized. We consider recent earnings projections, allowable tax carryforward periods, tax planning strategies and historical earnings performance to determine the amount of the valuation allowance. Changes in these factors could cause us to adjust our valuation allowance, which would impact our income tax expense when we determine that these factors have changed.

Revenue Recognition. Sales are recorded when title passes to the customer, which is generally at the time of shipment to the customer, except for long-term construction-type contracts. For long-term construction-type contracts, we recognize contract revenues under the percentage of completion method, measured by comparing direct costs incurred to total estimated direct costs. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. In the event that a loss is anticipated on an uncompleted contract, a provision for the estimated loss is made at the time it is determined. Billings on contracts may precede or lag revenues earned, and such differences are reported in the balance sheet as current liabilities (accrued liabilities) and current assets (unbilled revenues), respectively. Customers do not routinely return product. However, sales returns are permitted in specific situations and typically include a restocking charge or the purchase of additional product. We have established an allowance for returns based upon historical trends.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," ("SFAS 157") to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS 157 will be effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP FAS 157-2, "Effective Date of FASB Statement No. 157." This FSP (1) partially defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities and (2) removes certain leasing transactions from the scope of SFAS 157. The Company believes that the adoption of SFAS No. 157 will not have a material effect on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). Among other items, SFAS 158 requires recognition of the overfunded or underfunded status of an entity's defined benefit postretirement plan as an asset or liability in the financial statements and requires recognition of the funded status of defined benefit postretirement plans in other comprehensive income. We adopted all of the currently required provisions of SFAS 158 in fiscal 2007. This statement also requires an entity to measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employers' fiscal year. This requirement is effective for fiscal years ending after December 15, 2008. The Company does not expect the adoption of this requirement to have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 allows the irrevocable

election of fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities and other items on an instrument-by-instrument basis. Changes in fair value would be reflected in earnings as they occur. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. The Company believes that the adoption of SFAS No. 159 will not have a material effect on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) “Business Combinations” (“SFAS 141(R)”). SFAS 141(R) requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all of the information required to evaluate and understand the nature and financial effect of the business combination. This statement is effective for acquisition dates on or after the beginning of the first annual reporting period beginning after December 15, 2008. The Company is currently evaluating the impact the adoption of SFAS 141(R) will have on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements--an amendment of ARB No. 51" ("SFAS 160"). This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective as of the beginning of the first fiscal year beginning after December 15, 2008. The Company believes that the adoption of SFAS No. 160 will not have a material effect on its consolidated financial statements.

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

This report may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by us and our subsidiaries, conditions affecting our customers and suppliers, competitor responses to our products and services, the overall market acceptance of such products and services, the integration of acquisitions and other factors disclosed in our periodic reports filed with the Commission. Consequently such forward-looking statements should be regarded as our current plans, estimates and beliefs. We do not undertake and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We are exposed to various market risks, including commodity prices for raw materials, foreign currency exchange rates and changes in interest rates. We may enter into financial instrument transactions, which attempt to manage and reduce the impact of such changes. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Our primary commodity risk is related to changes in the price of steel. We control this risk through negotiating purchase contracts on a consolidated basis and by attempting to build changes in raw material costs into the selling prices of or surcharges on our products. We have not entered into financial instrument transactions related to raw material costs.

In fiscal 2008, 28% of our net sales were from manufacturing plants and sales offices in foreign jurisdictions. We manufacture our products in the United States, Mexico, China, Denmark, the United Kingdom, France, Hungary and Germany and sell our products and solutions in over 50 countries. Our results of operations could be affected by factors such as changes in foreign currency rates or weak economic conditions in foreign markets. Our operating results are exposed to fluctuations between the U.S. dollar and the Canadian dollar, European currencies, the Mexican peso and the Chinese yuan. For example, when the U.S. dollar weakens against the Euro, the value of our net sales and net income denominated in Euros increases when translated into U.S. dollars for inclusion in our consolidated results. We are also exposed to foreign currency fluctuations in relation to purchases denominated in foreign currencies. Our foreign currency risk is mitigated since the majority of our foreign operations' net sales and the related expense transactions are denominated in the same currency so therefore a significant change in foreign exchange rates would likely have a very minor impact on net income. For example, a 10% decline in the rate of exchange between the euro and the U.S. dollar impacts net income by approximately $1.1 million. In addition, the majority of our export sale transactions are denominated in U.S. dollars. Accordingly, we currently have not invested in derivative instruments, such as foreign exchange contracts, to hedge foreign currency transactions.

We control risk related to changes in interest rates by structuring our debt instruments with a combination of fixed and variable interest rates and by periodically entering into financial instrument transactions as appropriate. At March 31, 2008, we do not have any material swap agreements or similar financial instruments in place. At March 31, 2008 and 2007, approximately 88% and 92% of our outstanding debt had fixed interest rates, respectively. At those dates, we had approximately $18.0 million and $13.9 million, respectively, of outstanding variable rate debt. A 1% fluctuation in interest rates in fiscal 2008 and 2007 would have changed interest expense on that outstanding variable rate debt by approximately $0.2 and $0.1 million, respectively.

Like many industrial manufacturers, we are involved in asbestos-related litigation. In continually evaluating costs relating to our estimated asbestos-related liability, we review, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, we have estimated our share of liability to defend and resolve probable asbestos-related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. We will continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable.

Based on actuarial information, we have estimated our asbestos-related aggregate liability through March 31, 2026 and March 31, 2038 to range between $5.0 million and $15.0 million using actuarial parameters of continued claims for a period of 18 to 30 years. Our estimation of our asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $8.4 million which has been reflected as a liability in the consolidated financial statements as of March 31, 2008. The recorded liability does not consider the impact of any potential favorable federal legislation. This liability may fluctuate based on the uncertainty in the number of future claims that will be filed and the cost to resolve those claims, which may be influenced by a number of factors, including the outcome of the ongoing broad-based settlement negotiations, defensive strategies, and the cost to resolve claims outside the broad-based settlement program. Of this amount, management expects to incur asbestos liability payments of approximately $0.4 million over the next 12 months. Because payment of the liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material after-tax effect on our financial condition or our liquidity, although the net after-tax effect of any future liabilities recorded could be material to earnings in a future period.

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Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Columbus McKinnon Corporation

Audited Consolidated Financial Statements as of March 31, 2008:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Columbus McKinnon Corporation

We have audited the accompanying consolidated balance sheets of Columbus McKinnon Corporation as of March 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbus McKinnon Corporation at March 31, 2008 and 2007 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on April 1, 2006 the Company changed its method of accounting for stock-based compensation. As discussed in Note 11 to the consolidated financial statements, on March 31, 2007 the Company changed its method of accounting for employee retirement plans and other postretirement benefits. As discussed in Note 16 to the consolidated financial statements, on April 1, 2007 the Company changed its method of accounting for uncertainty in income taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Columbus McKinnon Corporation’s internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 29, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
May 29, 2008

COLUMBUS McKINNON CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 2008	March 31, 2007
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 75,994	$ 48,655
Trade accounts receivable, less allowance for doubtful accounts ($4,259 and $3,628, respectively)	97,335	97,269
Unbilled revenues	9,574	15,050
Inventories	88,332	77,179
Prepaid expenses	17,532	18,029
Total current assets	288,767	256,182
Net property, plant, and equipment	58,414	55,231
Goodwill, net	187,055	185,634
Other intangibles, net	321	269
Marketable securities	29,807	28,920
Deferred taxes on income	17,570	34,460
Other assets	8,101	4,942
Total assets	$ 590,035	$ 565,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	$ 11,330	$ 9,598
Trade accounts payable	41,895	35,896
Accrued liabilities	55,855	52,344
Restructuring reserve	58	599
Current portion of long-term debt	521	297
Total current liabilities	109,659	98,734
Senior debt, less current portion	6,196	26,168
Subordinated debt	129,855	136,000
Other non-current liabilities	48,844	63,411
Total liabilities	294,554	324,313
Shareholders' equity:		
Voting common stock; 50,000,000 shares authorized; 18,982,538 and 18,825,312 shares issued	189	188
Additional paid-in capital	178,457	174,654
Retained earnings	122,400	85,237
ESOP debt guarantee; 176,646 and 213,667 shares	(2,824)	(3,417)
Accumulated other comprehensive loss	(2,741)	(15,337)
Total shareholders' equity	295,481	241,325
Total liabilities and shareholders' equity	$ 590,035	$ 565,638

See accompanying notes.

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Explanation of Responses:

COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended March 31,		
	2008	2007	2006
	(In thousands, except per share data)		
Net sales	$ 623,334	$ 589,848	$ 556,007
Cost of products sold	438,781	425,248	408,385
Gross profit	184,553	164,600	147,622
Selling expenses	71,955	61,731	54,255
General and administrative expenses	37,647	34,097	33,640
Restructuring charges	1,179	133	1,609
Impairment loss	2,509	-	-
Amortization of intangibles	115	183	249
Income from operations	71,148	68,456	57,869
Interest and debt expense	14,629	16,430	24,667
Cost of bond redemptions	1,794	5,188	9,201
Investment income	(1,165)	(5,257)	(2,017)
Other (income) and expense, net	(3,641)	(1,825)	(2,136)
Income from continuing operations before income tax expense (benefit)	59,531	53,920	28,154
Income tax expense (benefit)	22,739	20,539	(30,946)
Income from continuing operations	36,792	33,381	59,100
Income from discontinued operations (net of tax)	557	704	696
Net income	$ 37,349	$ 34,085	$ 59,796
Average basic shares outstanding	18,723	18,517	16,052
Average diluted shares outstanding	19,158	18,951	16,628
Basic income per share:			
Income from continuing operations	$ 1.96	$ 1.80	$ 3.69
Income from discontinued operations	0.03	0.04	0.04
Basic income per share	$ 1.99	$ 1.84	$ 3.73
Diluted income per share:			
Income from continuing operations	$ 1.92	$ 1.76	$ 3.56
Income from discontinued operations	0.03	0.04	0.04
Diluted income per share	$ 1.95	$ 1.80	$ 3.60

See accompanying notes.

COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Stock ($.01 par value)	Addi- tional Paid-in Capital	Retained Earnings (Accumulated Deficit)	ESOP Debt Guarantee	Unearned Restricted Stock	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at March 31, 2005	$ 149	$ 104,078	$ (8,644)	$ (4,554)	$ (6)	$ (9,256)	$ 81,767
Comprehensive income:							
Net income 2006	—	—	59,796	—	—	—	59,796
Change in foreign currency translation adjustment	—	—	—	—	—	(1,846)	(1,846)
Change in net unrealized gain oninvestments, net of tax of $354	—	—	—	—	—	658	658
Change in minimum pension liability adjustment, net of tax benefit of $1,681	—	—	—	—	—	(2,535)	(2,535)
Total comprehensive income							56,073
Common stock issued, 3,000,000 shares	30	56,589	—	—	—	—	56,619
Stock options exercised, 626,282 shares	6	7,143	—	—	—	—	7,149
Tax benefit from exercise of stock options	—	2,154	—	—	—	—	2,154
Earned 34,874 ESOP shares	—	95	—	558	—	—	653
Restricted common stock granted, 1,000 shares	—	22	—	—	(22)	—	—
Earned portion of restricted shares	—	—	—	—	6	—	6
Balance at March 31, 2006	$ 185	$ 170,081	$ 51,152	$ (3,996)	$ (22)	$ (12,979)	$ 204,421
Comprehensive income:							
Net income 2007	—	—	34,085	—	—	—	34,085
	—	—	—	—	—	4,093	4,093

Change in foreign currency translation adjustment							
Change in net unrealized gain oninvestments, net of tax benefit of $1,006	—	—	—	—	—	(1,869)	(1,869)
Change in pension liability, priorto adoption of SFAS 158, net of tax of $3,830	—	—	—	—	—	5,758	5,758
Total comprehensive income							42,067
Adjustment to initially apply SFAS 158 net of tax benefit of $6,906	—	—	—	—	—	(10,340)	(10,340)
Stock compensation - directors	—	180	—	—	—	—	180
Stock options exercised, 240,468 shares	3	2,598	—	—	—	—	2,601
Stock compensation expense	—	1,255	—	—	22	—	1,277
Tax benefit from exercise of stock options	—	311	—	—	—	—	311
Earned 36,154 ESOP shares	—	229	—	579	—	—	808
Balance at March 31, 2007	$ 188	$ 174,654	$ 85,237	$ (3,417)	$ —	$ (15,337)	$ 241,325
Comprehensive income:							
Net income 2008	—	—	37,349	—	—	—	37,349
Change in foreign currency translation adjustment	—	—	—	—	—	9,431	9,431
Change in net unrealized gain oninvestments, net of tax benefit of $410	—	—	—	—	—	(762)	(762)
Change in pension liability and postretirement obligations, net of tax of $2,695	—	—	—	—	—	3,927	3,927
Total comprehensive income							49,945
Adjustment to initially apply FIN 48	—	—	(186)	—	—	—	(186)

Stock compensation - directors	—	196	—	—	—	—	196
Stock options exercised, 144,425 shares	1	1,415	—	—	—	—	1,416
Stock compensation expense	—	1,266	—	—	—	—	1,266
Tax benefit from exercise of stock options	—	482	—	—	—	—	482
Earned 37,021 ESOP shares	—	444	—	593	—	—	1,037
Balance at March 31, 2008	$ 189	$ 178,457	$ 122,400	$ (2,824)	$ —	$ (2,741)	$ 295,481

See accompanying notes.

COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31,		
	2008	2007	2006
	(In thousands)		
Operating activities:			
Income from continuing operations	$ 36,792	$ 33,381	$ 59,100
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	8,816	8,289	8,824
Deferred income taxes	14,625	12,438	(36,968)
(Gain) loss on divestitures	(70)	(504)	87
Gain on sale of real estate/investments	(526)	(5,373)	(2,100)
Loss on early retirement of bonds	1,378	4,263	7,083
Amortization/write-off of deferred financing costs	982	1,603	3,297
Stock-based compensation	1,462	1,457	—
Impairment loss	2,509	—	—
Changes in operating assets and liabilities net of effects of business divestitures:			
Trade accounts receivable and unbilled revenues	7,652	(3,521)	(11,025)
Inventories	(9,667)	(2,260)	2,518
Prepaid expenses	654	(2,132)	(2,026)
Other assets	(1,183)	921	207
Trade accounts payable	4,707	(3,849)	6,099
Accrued and non-current liabilities	(8,541)	782	11,267
Net cash provided by operating activities	59,590	45,495	46,363
Investing activities:			
Proceeds from sale of marketable securities	13,076	36,853	15,913
Purchases of marketable securities	(14,638)	(35,686)	(16,801)
Capital expenditures	(13,066)	(10,653)	(8,430)
Proceeds from sale of assets	5,504	2,813	2,091
Proceeds from sale of businesses	—	2,574	—
Proceeds from discontinued operations, net of tax	557	704	857
Net cash used by investing activities	(8,567)	(3,395)	(6,370)
Financing activities:			
Proceeds from issuance of common stock	—	—	56,619
Proceeds from exercise of stock options	1,416	2,601	7,149
Payments under revolving line-of-credit agreements	—	(62,930)	(47,669)
Borrowings under revolving line-of-credit agreements	18	65,975	49,030
Repayment of debt	(31,069)	(45,964)	(205,167)
Proceeds from issuance of long-term debt	—	—	136,000
Payment of deferred financing costs	(2)	(449)	(2,877)
Tax benefit from exercise of stock options	482	311	2,154
Change in ESOP debt guarantee	593	579	558
Net cash used by financing activities	(28,562)	(39,877)	