

COACH INDUSTRIES GROUP INC
Form 10-Q
August 14, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

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

For the transition period from _____ to _____

Commission file number: 000-19471

COACH INDUSTRIES GROUP, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

91-1942841
(I.R.S. Employer
Identification No.)

12330 SW 53rd Street, Suite 703 Cooper City, Florida
(Address of principal executive offices)

33330
(Zip Code)

Registrant's telephone number, including area code: (954) 602-1400

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 29,133,375 shares of common stock, \$0.001 par value, as of August 1, 2006.

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| | June 30, | December 31, |
|--|---------------------|---------------|
| | 2006 (Unaudited) | 2005 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,549,671 | \$ 3,046,069 |
| Restricted cash | 247,265 | 247,196 |
| Collateral account - accident and occupational insurance program | 219,958 | |
| Accounts receivable, net | 3,100,307 | 1,582,335 |
| Supply inventory | 1,240,025 | 1,363,694 |
| Lease receivable - current | 1,503,029 | 1,559,635 |
| Due from affiliates | 245,215 | |
| Accounts receivable - other | 172,681 | 190,681 |
| Prepaid expenses and other current assets | 683,793 | 445,915 |
| Total current assets | 8,961,944 | 8,435,525 |
| PROPERTY AND EQUIPMENT, net | 2,093,935 | 2,231,347 |
| INTANGIBLE - CUSTOMER LIST, net | 2,230,000 | 2,290,000 |
| LEASE RECEIVABLES, net | 4,903,546 | 3,443,793 |
| DEFERRED LOAN COSTS, net | 384,937 | 379,313 |
| GOODWILL | 6,290,959 | 6,304,182 |
| | \$ 24,865,321 | \$ 23,084,160 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 2,623,787 | \$ 1,215,170 |
| Advance payment contract settlement | 2,657,374 | 1,868,000 |
| Insurance loss reserve | 405,173 | |
| Accrued interest payable | 118,155 | 109,854 |
| Warrant liability | 235,507 | 574,998 |
| Related party payable | 25,100 | 376,246 |
| Current portion lease finance obligation | 1,415,881 | 1,354,167 |
| Current portion of long-term debt | 1,799,266 | 1,465,119 |
| Warranty reserve | 120,694 | 116,392 |
| Customer deposits | 44,000 | 41,000 |
| Accrued wages | 108,986 | 61,019 |
| Note payable - related parties | 425,000 | 650,000 |
| Lines of credit | 950,659 | 894,418 |
| Total current liabilities | 10,929,582 | 8,726,383 |
| OTHER LIABILITIES: | | |
| Convertible notes payable- long term | 5,037,943 | 5,534,881 |
| Lease financing obligation | 4,444,832 | 3,075,971 |
| Minority interest | (76,769) | |
| COMMITMENTS AND CONTINGENCIES SHAREHOLDERS' EQUITY: | | |
| | 29,134 | 29,038 |

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Common stock \$0.001 par value; 50,000,000 shares authorized; 29,133,375 and 29,038,214 shares issued and outstanding, respectively

| | | |
|--|----------------------|----------------------|
| Additional paid-in capital | 20,002,966 | 19,915,720 |
| Restricted stock unearned compensation | (735,431) | (938,680) |
| Accumulated deficit | (14,766,936) | (13,259,153) |
| Total shareholders equity | 4,529,733 | 5,746,925 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 24,865,321 | \$ 23,084,160 |

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

Table of Contents**COACH INDUSTRIES GROUP, INC.****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

| | For the Three Months | | For the Six Months | |
|---|-----------------------|-------------------|-----------------------|--------------------|
| | Ended | | Ended | |
| | June 30, (Unaudited) | | June 30, (Unaudited) | |
| | 2006 | 2005 | 2006 | 2005 |
| REVENUES | \$ 84,838,101 | \$ 62,749,676 | \$ 159,915,666 | \$ 120,828,511 |
| COST OF GOODS SOLD | 83,362,154 | 61,516,521 | 157,161,318 | 117,779,284 |
| GROSS PROFIT | 1,475,947 | 1,233,155 | 2,754,348 | 3,049,227 |
| OPERATING EXPENSES: | | | | |
| General and Administrative | 1,773,467 | 620,588 | 3,333,037 | 2,121,256 |
| Research and development | | 106,050 | | 106,050 |
| Warrant liability mark to market | 45,549 | | (339,491) | |
| Registration Rights Expense | 80,000 | | 80,000 | |
| Provision (recovery) for lease losses and uncollectible accounts receivable | 82,340 | (14,169) | 69,854 | 16,899 |
| Amortization of deferred compensation | 166,585 | 58,963 | 246,288 | 116,413 |
| Sales and marketing | 236,779 | 316,139 | 402,616 | 505,200 |
| Rent | 77,849 | 81,965 | 165,257 | 154,195 |
| Gain on settlement related to the relocation of CTMC facility | | (434,000) | | (434,000) |
| Interest Expense Associate with convertible Note Conversion | | 188,000 | | 188,000 |
| Interest expense | 230,196 | 83,966 | 485,839 | 327,866 |
| Total operating expenses | 2,692,765 | 1,007,502 | 4,443,400 | 3,101,879 |
| Income (loss) before provision for income taxes and minority interest | (1,216,818) | 225,653 | (1,689,052) | (52,652) |
| Minority interest portion of joint venture loss | (14,086) | | (101,269) | |
| Income (loss) before income taxes | (1,202,732) | 225,653 | (1,587,783) | (52,652) |
| Income taxes | | | | |
| NET INCOME (LOSS) | \$ (1,202,732) | \$ 225,653 | \$ (1,587,783) | \$ (52,652) |
| Basic net Earnings(loss) per share : | | | | |
| Net loss per share | \$ (0.04) | \$ 0.01 | \$ (0.05) | \$ (0.00) |
| Fully diluted net earnings (loss) per shares | \$ (0.04) | \$ 0.02 | \$ (0.05) | \$ (0.00) |
| Basic weighted average common shares outstanding | 29,133,000 | 17,555,354 | 29,038,000 | 17,990,589 |
| Fully diluted weighted average shares of common shares outstanding | 29,133,000 | 22,791,093 | 29,038,000 | 17,990,589 |

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

Table of Contents**COACH INDUSTRIES GROUP, INC.****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****For the Six Months Ended June 30, (Unaudited)**

| | 2006 | 2005 |
|---|----------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (1,689,052) | \$ (52,652) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 265,451 | 337,978 |
| Provision (benefit from) lease losses and uncollectible accounts receivable | 69,854 | 16,899 |
| Provision for insurance loss reserve | 447,109 | |
| Charges to insurance loss reserve | (41,936) | |
| Amortization of deferred compensation | 246,288 | 116,413 |
| Charge-off of lease receivable | | (8,000) |
| Amortization of stock options | 9,000 | |
| Warranty expense | 41,000 | 63,260 |
| Charges to warranty reserve | (36,698) | (114,380) |
| Gain on settlement of CTMC | | (434,000) |
| Charge-off of related party payable | | 429,000 |
| Warrant Liability Valuation | (339,491) | |
| Registration rights expense | 80,000 | |
| Provision for losses associated with joint venture | 125,000 | |
| Loss attributed to JV | 101,269 | |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,517,973) | (54,124) |
| Customer Deposits | 3,000 | (167,865) |
| (Due from) due to related party | (227,215) | (434,787) |
| Unbilled revenue | | (1,684,581) |
| Supply inventory | 123,669 | 495,344 |
| Lease receivable repayments | 1,038,488 | 549,896 |
| Lease fundings | (2,510,749) | (2,957,026) |
| Lease liability repayments | (1,080,169) | (541,704) |
| Fundings lease liability | 2,510,749 | 3,494,428 |
| Prepaid expenses and other assets | (264,649) | 1,285 |
| Accrued contract settlement | | |