

COLLINS INDUSTRIES INC
Form 10-K
December 26, 2001

Securities and Exchange Commission

Washington, DC 20549

FORM 10-K

(Mark One)

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (*Fee Required*)

For the fiscal year ended October 31, 2001 or

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (*No Fee Required*)

For the transition period from _____ to _____

Commission file number 0-12619

Collins Industries, Inc. .

(Exact name of registrant as specified in its charter)

Missouri 43-0985160 .

(State or other jurisdiction of incorporation) (I.R.S. Employer Identification Number)

15 Compound Drive Hutchinson, Kansas 67502-4349

(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code

620-663-5551 .

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

None .

N/A .

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value \$.10 per share .

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(Title of class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy of information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ()

The aggregate market value of voting stock held by non-affiliates of the registrant was \$ 18,013,649 as of December 19, 2001

The number of shares of Common Stock outstanding on December 19, 2001 was 7,291,755.

Documents Incorporated by Reference

The following are the documents incorporated by reference and the part of the Form 10-K into which the document is incorporated:

Document: Part of Form 10-K

Proxy Statement for Annual Meeting

of Shareholders on February 22, 2002

Part III

PART I

Item 1. BUSINESS

General Development of Business

Collins Industries, Inc. was founded in 1971 as a manufacturer of small school buses and ambulances built from modified cargo vans. The Company's initial product was the first "Type A" school bus, designed to carry 16 to 20 passengers. Today the Company manufactures specialty vehicles and accessories for various basic service niches of the transportation industry. The Company's products include ambulances, small school buses, shuttle and mid-size commercial buses, terminal trucks, commercial bus chassis, road construction equipment and industrial rental sweepers. From its inception, Collins' stated goal has been to become the largest manufacturer of specialty vehicles in the U.S. The Company has grown primarily through the internal development of new products and the acquisition of complementary product lines.

In the U.S., Collins is the largest manufacturer of ambulances, the second largest manufacturer of terminal trucks and a leading manufacturer of small school buses, and sweepers used in the road construction industry. The Company sells its products under several well-known trade names, including Wheeled Coach® (ambulances), Collins Bus® and Mid Busæ (small school buses), World Trans® (commercial buses), Capacity® (terminal trucks) and Waldonæ /Lay-Moræ (road construction and industrial rental sweeper equipment).

Most Collins products are built to customer specifications from a wide range of options offered by the Company. Collins sells to niche markets which demand manufacturing processes too sophisticated for small job shop assemblers, but is not the highly automated assembly line operations of mass production vehicle manufacturers. The Company emphasizes specialty engineering and product innovation, and it has introduced new products and product improvements, which include the Moduvan® ambulance, the first ambulance of its size with advanced life-support system capability; the Dura-Ride® suspension system, the first frame-isolating suspension system for terminal trucks; and the innovation of a larger seating capacity, Type A Super Bantam™ school bus capable of carrying up to 24 passengers, the largest Type A in the industry.

Description of Business

The Company principally manufactures and markets Specialty Vehicles.

See "Note 7 to the Consolidated Financial Statements" for quantitative segment information.

Ambulances

. The Company manufactures both modular and van-type ambulances at its Hutchinson, Kansas and Orlando, Florida plants. Modular ambulances are produced by attaching an all-aluminum, box-type, patient compartment to either a dual rear-wheel cab chassis ("Type I") ambulance or a dual rear-wheel, van-type, cutaway chassis ("Type III") ambulance or to a single rear-wheel cutaway chassis ("Moduvan") ambulance. A cutaway chassis consists of only the front portion of the driver's compartment, engine, drive train, frame, axle and wheels. Van ("Type II") ambulances are cargo vans modified to include a patient compartment and a raised fiberglass roof. Type II ambulances are smaller and less expensive than modular ambulances.

The Company also produces a limited number of medical support vans designed to transport medical and life-support equipment. Medical support vans are modified commercial vehicles which do not have a patient compartment for advanced life support systems.

Buses.

The Company manufactures small school buses, commercial and shuttle buses at its Bluffton, Ohio and South Hutchinson, Kansas facilities.

School Buses.

The Company manufactures small Type A school buses which carry from 16 to 24 passengers. The majority of Type A school buses currently built by the Company are produced by fabricating the body and mounting it on a vendor-supplied, dual rear-wheel or single rear-wheel, cutaway chassis. The Company was the first manufacturer to produce a Type A school bus on this type of chassis, which permits greater seating capacity than a van chassis. School buses are produced in compliance with federal, state and local laws regarding school transportation vehicles.

Commercial and Shuttle Buses

. The Company produces shuttle and transit buses for car rental agencies, transit authorities, hotels and resorts, retirement centers, nursing homes and similar users. These buses are built to customer specifications and are designed to transport 14 to 30 passengers over short distances.

Collins offers commercial bus products in various price ranges. The Diplomat™ is a steel body bus built on a vendor-supplied, cutaway chassis that carries 17 to 25 passengers and targets a low- to mid-price range market. The

World Trans 3000 is an aluminum body bus built on the Company's rear-engine, rail-type chassis. This product is designed for the medium duty segment of the transit and shuttle markets.

Terminal Trucks / Road Construction Equipment.

The Company produces two basic models of terminal trucks at its Longview, Texas facility, the Trailer Jockey® and the Yardmaster® . Terminal trucks are designed and built to withstand heavy-duty use by moving trailers and containers at warehouses, rail yards, rail terminals and shipping ports. Most terminal trucks manufactured by the Company are built to customer specifications. The Company manufactures

the entire truck except for major drivetrain components which are purchased from outside suppliers.

Bus Chassis.

The Company produces a rear-engine bus chassis at its Longview, Texas facility for use by the Company and for sale to other manufacturers. This chassis is suitable for both commercial and large school buses. To date, the Company has produced and sold limited quantities of these chassis. The Company plans to continue manufacturing bus chassis suitable for its own products and for sale to other manufacturers.

Road Construction Equipment.

The Company produces three and four wheel sweepers, a full line of articulated four-wheel drive loaders, rough terrain lift trucks, compact loaders and backhoes. These products are principally sold in both commercial and rental markets through direct sales and distributors throughout the United States.

Manufacturing

Manufacturing consists of the assembly of component parts either purchased from others or fabricated internally. With the exception of chassis, chassis components and certain terminal truck components which are purchased from outside suppliers, the Company fabricates the principal components of its products. Collins' internal capabilities include CNC gas/plasma shape cutting, CNC punching and forming of sheet metal, metal stamping, tooling, molding of fiberglass components, mechanical and electrical component assembly, upholstery, painting and finishing and Computer-Aided-Design and Manufacturing (CAD/CAM) systems.

Collins intends to continue to improve its manufacturing facilities from time-to-time through the selective upgrading of equipment and the mechanization or automation of appropriate portions of the manufacturing process. Management believes the Company's manufacturing facilities are in good condition and are adequate for the purposes for which they currently are used. The capacity of the Company's current facilities, particularly if operated on a multiple shift basis, is considered adequate to meet current needs and anticipated sales volumes.

New Products

The Company is not presently engaged in activities which would require a significant amount of expenditures or use of material amounts of assets for development of products in the planning stage or otherwise for the foreseeable future.

Suppliers

In order to ensure that it has a readily available supply of chassis for ambulance and bus production, the Company has entered into consignment agreements with General Motors Corporation ("GMC") and Ford Motor Company ("Ford"). Under those agreements, chassis are kept at Company production facilities at no cost to the Company other than

chassis storage costs. When an individual chassis is selected from the Company's consignment pool for use in vehicle production, title to the chassis passes to the Company and the Company becomes liable to the consignor for the cost of the chassis. Chassis currently in the consignment pool are supplied by Ford and GMC. While an interruption in supply from one source may cause a temporary slowdown in production, the Company believes that it could obtain adequate numbers of chassis from alternate sources of supply.

The Company uses substantial amounts of steel in the production of its terminal truck products and road construction equipment and purchases certain other major components (primarily engines, transmissions and axles). Collins also uses large amounts of aluminum, steel, fiberglass and glass in the production of ambulances and buses. There is substantial competition among suppliers of such raw materials and components, and the Company does not believe that a loss of a single source of supply would have a material adverse effect on its business.

Patents, Trademarks and Licenses

The Company owns federal registrations for most of the trademarks which it uses on its products. The Company also owns patents on its bus body design, ambulance design, Dura-Ride air suspension system, ambulance warning light system and air-activated bus door. The Company believes that its patents are helpful, because they may force competitors to do more extensive design work to produce a competitive product. The Company believes that its production techniques and skills are as important as product design, and, therefore, in management's opinion, any lack of patent protection would not adversely affect the Company's business.

Seasonality of Business

Historically a major portion of the Company's net income has been earned in the second and third fiscal quarters ending April 30 and July 31, respectively. The purchasing patterns of school districts are typically strongest in the spring and summer months which accounts for typically stronger sales of small school buses in the quarters ending April 30 and July 31. Generally, the Company's sales tend to be lower in the fall and winter months due to the purchasing patterns of the Company's customers in general and because purchasing activities are normally lower near the end of the calendar year.

Sales Terms

The Company produces the majority of its products on an order-only basis. Most products are delivered on a cash basis. Products sold on a direct basis (not through dealers) are sold on trade terms common to the respective industry. Finished goods that are reflected on the financial statements are generally completed units that are ready for customer delivery. Sales to dealers have generally been financed through an unrelated third party for the dealers, resulting in payment generally within days of the sale.

Customer Concentration

The Company has no single customer whose loss would have a material adverse effect on the Company as a whole.

Sales Backlog

The sales backlog at October 31, 2001 was approximately \$38.8 million compared to \$46.7 million at October 31, 2000. In the opinion of management, the majority of this sales backlog will be shipped in fiscal 2002.

Governmental Sales

The Company has pursued, and will continue to pursue, opportunities in government sales as they occur. No material portion of the Company's business, however, is subject to renegotiation of profits or termination of contracts or

subcontracts at the election of the government.

Marketing and Distribution

The Company, through its wholly owned subsidiaries, markets its products throughout the U.S. and, to a limited extent, abroad, through independent dealers and distributors and the direct sales efforts of Company personnel. Each of the Company's product groups is responsible for its own marketing activities and maintains independent relationships with dealers and distributors. Support is provided to dealers and distributors in bidding specification writing and customer service.

The Company regularly advertises in consumer and trade magazines and other print media and actively participates in national, regional and local trade shows. In addition, Company representatives attend a number of national conventions and regional meetings of important constituent groups such as school boards and emergency medical groups.

Competition

The markets for most of the Company's product lines are very competitive, and the Company currently has several direct competitors in most markets. Some of these competitors may have greater relative resources. The Company believes it can compete successfully (i) in the ambulance market on the basis of the quality and price of its products, its design engineering and product innovation capabilities and the strength of the Wheeled Coach brand name and (ii) in the small school bus market on the basis of its product price and quality and favorable recognition of the Collins Bus and Mid Bus brand names.

In the terminal truck and road construction equipment market for sweepers on the strength of its Waldon and Lay-Mor brand names, product quality, price and distribution networks. The Company primarily competes in the terminal truck market with one larger domestic competitor, Ottawa Truck, which is owned by Kalmar Industries. Kalmar has international distribution channels and may have greater relative resources than the Company. The Company believes it can compete successfully in this market on the basis of its Capacity brand name, price, product quality and customer demand for its exclusive Dura-Ride suspension system.

Research and Development Costs

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Research and Development Expenses	\$166,763	\$156,475	\$154,688

This table cites the level of research and development costs the Company incurred the past three fiscal years. It should be noted the Company does significant research and development work on the production line and, therefore, the major costs of new programs are recorded as cost of sales and are expensed as prototypes.

Regulation

The Company is subject to various laws and regulations with respect to employees' health and safety and the protection of the environment. In addition, all of the Company's on-road vehicles must satisfy certain standards applicable to such vehicles established by the United States Department of Transportation. Certain of its products must also satisfy specifications established by other federal, state and local regulatory agencies, primarily dealing with safety and performance standards. In management's opinion, the Company and its products are in compliance in all material respects with all applicable governmental regulations. A substantial change in any such regulation could have a significant impact on the business of the Company.

Employees

The Company employs approximately 1,000 persons full time, including officers and administrative personnel. The Company has not experienced any strikes or work stoppages due to labor problems and considers its relations with its employees to be satisfactory.

Export Sales

See "Note 7 to the Consolidated Financial Statements".

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Item 2. PROPERTIES

The following table sets forth certain information with respect to the Company's manufacturing and office facilities. The Company owns all properties listed below in fee simple, except as otherwise noted.

<u>Location</u>	<u>Use</u>	Approximate <u>Size (sq ft)</u>
Hutchinson, Kansas	Corporate headquarters	5,000
Hutchinson, Kansas	Ambulance production; Office space	216,000
South Hutchinson, Kansas(1),(2)	Small school bus and commercial bus production; Office space	247,000
Orlando, Florida (1)	Ambulance production; Office space	309,000
Longview, Texas (3)	Terminal truck production; chassis production; Office space	180,000
Mansfield, Texas (1)	Ambulance sales, service and distribution center	25,000
Fairview, Oklahoma (1)	Road construction equipment fabrication and assembly;	

	Office space	74,000
Bluffton, Ohio (4)	Small school bus and commercial bus production; Office space	186,000

(1) This property is pledged as collateral to secure payment of the Company's debt obligations. See "Note 2 to Consolidated

Financial Statements."

(2) This facility and certain related equipment are financed by industrial revenue bonds in the original principal amounts of

\$1,250,000 in 1999 and \$3,500,000 in 1997 issued by the City of South Hutchinson under lease purchase agreements.

(3) This facility and certain related equipment are financed by industrial revenue bonds in the original

principal amount of \$4,200,000 in 1999 issued by the Longview Industrial Corporation, Longview, Texas.

(4) This property is leased until December 31, 2004, with an option to renew for two additional five year terms or purchase

after January 1, 2005.

The Company leases several facilities throughout the U.S. for the sale and distribution of ambulances. Although the Company evaluates opportunities to acquire additional properties at favorable prices as they arise, it believes that its facilities are well maintained and will be adequate to serve its needs in the foreseeable future. Several Company facilities have room to expand in existing buildings and others have land upon which additional buildings can be constructed.

Item 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company is a party or of which any of its property is subject.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matter to a vote of security holders during the fourth quarter of the fiscal year ended October 31, 2001.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND

**RELATED
STOCKHOLDER MATTERS**

Collins Industries, Inc. common stock is quoted on the Nasdaq Stock Market under the symbol COLL. The following table sets forth the high and low sales prices per share of the common stock as reported by the Nasdaq Stock Market. The Company's common stock had 544 shareholders of record at October 31, 2001.

FISCAL 2001			
Quarter	High	Low	Volume (000s)
First	4.25	2.75	838
Second	3.75	2.56	431
Third	4.22	2.71	186
Fourth	4.52	2.84	408

FISCAL 2000			
Quarter	High	Low	Volume (000s)
First	7.00	5.75	716
Second	6.63	4.75	815
Third	6.00	3.00	896
Fourth	4.38	3.00	697

During the period covered by this Report, the Company did not sell any equity securities that were not registered under the Securities Act.

Item 6. SELECTED FINANCIAL DATA

Operating History

(In thousands except share and per-share data)

Fiscal years ended October 31,	<u>2001</u>	<u>2000</u> ^(a)	<u>1999</u> ^(b)	<u>1998</u>	<u>1997</u>
Sales	\$ 207,653	\$ 220,912	\$ 196,398	\$ 156,445	\$ 157,522

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Cost of sales	182,317	192,621	165,978	134,427	131,807
Gross profit	25,336	28,291	30,420	22,018	25,715
Selling, general and administrative (includes research & development)	19,625	20,725	20,046	16,124	15,379
Income from operations	5,711	7,566	10,374	5,894	10,336
Other income (expenses):					
Interest, net	(2,056)	(1,743)	(1,820)	(1,400)	(1,643)
Other, net	27	125	316	243	150
Income before provision for income taxes	3,682	5,948	8,870	4,737	8,843
Provision for income taxes	1,300	1,790	3,460	1,710	1,600
Net income	\$ 2,382	\$ 4,158	\$ 5,410	\$ 3,027	\$ 7,243
Earnings per share-diluted:					
Net income	\$.33	\$.55	\$.72	\$.39	\$.94
Dividends per share	\$.1425	\$.1800	\$.1000	\$.2300	\$.0750
Weighted average shares outstanding -					
Diluted	7,131,734	7,574,915	7,551,247	7,668,543	7,711,221
Depreciation and amortization	\$ 3,525	\$ 3,099	\$ 2,568	\$ 1,795	\$ 1,782
Financial Position					
(In thousands except share and per-share data)					
Fiscal years ended October 31,	<u>2001</u>	<u>2000</u> (a)	<u>1999</u> (b)	<u>1998</u>	<u>1997</u>
Current assets	\$ 44,792	\$ 54,871	\$ 43,359	\$ 31,747	\$ 34,002
Current liabilities	26,013	34,719	26,658	16,072	18,959
Working capital	18,779	20,152	16,702	15,675	15,043
Total assets	69,826	81,022	66,979	49,076	47,163
Long-term debt and capitalized leases					

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(less current maturities)	15,124	19,016	15,803	12,733	8,362
Shareholders' investment	27,730	26,673	23,960	20,271	19,842
Book value per share	3.80	3.59	3.21	2.73	2.69
Financial Comparisons					
Fiscal years ended October 31,	<u>2001</u>	<u>2000</u> (a)	<u>1999</u> (b)	<u>1998</u>	<u>1997</u>
Gross profit margin	12.2%	12.8%	15.5%	14.0%	16.3%
Net profit margin	1.1%	1.9%	2.8%	1.9%	4.6%
Selling, general and administrative					
(including R&D) as percent of sales	9.5%	9.4%	10.2%	10.3%	9.8%
Current ratio	1.7:1	1.6:1	1.6:1	2.0:1	1.8:1
Long-term debt and capitalized leases					
to shareholders' investment	0.5:1	0.7:1	0.7:1	0.6:1	0.4:1
Manufacturing space (000's square feet)	1,108	1,108	1,014	988	898
Common stock repurchased	\$ 908	\$ 539	\$ 1,261	\$ 974	\$ 951
Capital expenditures	\$ 1,687	\$ 1,763	\$ 3,140	\$ 5,958	\$ 1,732

(a) 2000 includes results from Mobile Products, Inc. acquisition of certain assets of Waldon, Inc.

(b) 1999 includes results from Mid Bus acquisition.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

GENERAL

Collins Industries, Inc., has three reportable segments: Ambulances, buses and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses,

commercial buses and shuttle buses for sale to schools, hotel shuttle services, airports, and other governmental agencies. The terminal truck/road construction equipment segment produces off road trucks designed to move trailers and containers for warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the "Notes to Consolidated Financial Statements." The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, with all intercompany sales eliminated in consolidation.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit.

See "Note 7 to the Consolidated Financial Statements" for quantitative segment information.

RESULTS OF OPERATIONS

Fiscal 2001 Compared to Fiscal 2000

. Sales for fiscal 2001 declined 6.0% to \$207.7 million compared to \$220.9 million in fiscal 2000. This decrease was principally due to a 20.3% and 13.5% decrease in unit volume sales of terminal trucks and bus products, respectively. Sales of terminal truck products declined primarily as a result of an overall decline in the economy with slowing of orders for purchases of new equipment by

trucking and warehouse industries. There were several factors contributing to bus sales decline for fiscal 2001. These factors included lower school bus orders for winter production and in the second quarter of fiscal 2001 the Company experienced some chassis delays due to winter plant shutdowns at both Ford Motor Company and General Motors. This decrease was partially offset by the impact of road construction products, a component acquired in September of 2000.

Average terminal truck unit selling prices increased 3.2% in fiscal 2001 compared to fiscal 2000, and principally resulted from increased international sales. Ambulance products selling prices decreased 2.3% in fiscal 2001 compared to fiscal 2000 and principally resulted from competitive discounts.

At October 31, 2001, the Company's consolidated sales backlog was \$38.8 million compared to \$46.7 million at October 31, 2000. The Company believes a majority of its consolidated sales backlog will be shipped in fiscal 2002.

Cost of sales for fiscal 2001 was 87.8% of sales compared to 87.2% of sales in fiscal 2000. The percentage increase was principally due to the decrease in bus unit sales without a corresponding decrease in fixed manufacturing overhead related to school bus operations.

Selling, general and administrative expenses for fiscal 2001 were \$19.5 million (9.3% of sales) compared to \$20.6 million (9.3% of sales) in fiscal 2000. This decrease principally resulted from lower corporate expenses and a change in the distribution network of ambulance products. The dealer network for ambulance products has been expanded and its direct sales force has been reduced.

Interest expense increased in fiscal 2001 as a result of an increase in the interest-bearing debt associated with an acquisition late in fiscal 2000 and higher inventories through the third quarter of fiscal 2001. This increase was partially offset by an overall decrease of the Company's effective interest rates.

Income tax expense in fiscal 2001 was \$1.3 million compared to \$1.8 million in fiscal 2000. Income tax expense as a percentage of pretax income was 35% in fiscal 2001 compared to 31% in fiscal 2000. Income tax expense as a percent of pretax income increased principally as a result of state tax credits and reductions of prior accruals in fiscal 2000.

The Company's net income in fiscal 2001 decreased to \$2.4 million (\$.33 per share-diluted) compared to \$4.2 million (\$.55 per share-diluted) in fiscal 2000. This decrease was principally due to decreases in terminal truck and bus product sales, and higher income tax rates in fiscal 2001. These decreases were partially offset by the impact of road construction products, higher profit from ambulances and lower corporate expenses.

Fiscal 2000 Compared to Fiscal 1999.

Sales for fiscal 2000 increased 12.5% to \$220.9 million compared to \$196.4 million in fiscal 1999. This increase was principally due to a 48.4% and 8.3% increase in unit sales of terminal trucks and ambulances products respectively. This increase was partially offset by a 20.3% decrease in unit sales of bus products. The sales increase in terminal truck products principally resulted from improvements in its distribution network and from higher sales across rail, trucking and port sectors of its domestic and international markets. Ambulance sales increased principally as a result of higher sales to the fire service sector of the ambulance market. Decreases in bus product unit sales in fiscal 2000 are principally due to a reduction in sales to large national contractors and childcare providers.

Average unit selling price for ambulance products increased 9.1% in fiscal 2000 compared to fiscal 1999, and principally resulted from a change in product mix to more complex units which carry higher selling prices. Terminal truck selling prices increased 3.5% in fiscal 2000 compared to fiscal 1999, and principally resulted from increased international sales. Average unit selling price for bus products decreased 7.4% in fiscal 2000 compared to fiscal 1999. Historically, the Company's proprietary bus products have been heavily skewed toward Ford Motor Company (Ford) products, which carry higher gross margins. However, the Type-A school bus market has moved heavily away from Ford chassis to GMC chassis due to price and model availability. Consequently, the Company's mix of bus products in fiscal 2000 has followed this shift to a greater volume of GMC bus products, which carry a lower selling price.

At October 31, 2000, the Company's consolidated sales backlog was \$46.7 million compared to \$59.6 million at October 31, 1999.

Cost of sales for fiscal 2000 was 87.2% of sales compared to 84.5% of sales in fiscal 1999. The percentage increase was principally due to the decreases in average selling price of bus products as discussed above.

Selling, general and administrative expenses for fiscal 2000 were \$20.6 million or 9.3% of sales compared to \$19.9 million or 10.1% of sales in fiscal 1999. This percentage decrease principally resulted from the increase in sales without a corresponding increase in selling, general and administrative expenses for fiscal 2000.

Interest expense decreased principally due to reductions in borrowing through the first ten months of fiscal 2000. These reductions were partially offset by interest rate increases in fiscal 2000.

In September 2000 the Company purchased certain assets of Waldon, Inc., for \$7.8 million. See "Note 1 to the Consolidated Financial Statements" for quantitative information.

Income tax expense in fiscal 2000 was \$1.8 million. Income tax expense as a percentage of pretax income was 31% in fiscal 2000 compared to 39% in fiscal 1999. Income tax expense as a percent of pretax income decreased principally as a result of state tax credits and reductions of prior accruals.

The Company's net income in fiscal 2000 decreased to \$4.2 million (\$.55 per share-diluted) compared to \$5.4 million (\$.72 per share-diluted) in fiscal 1999. This decrease was principally due to decreases in bus product sales in fiscal 2000, partially offset by lower income tax rates and higher profit from terminal truck and ambulance products.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has principally relied on internally generated funds, supplier financing, bank borrowings and industrial revenue bonds to finance its operations and capital expenditures. The Company's working capital requirements vary from period to period depending on the production volume, the timing of vehicle deliveries and the payment terms offered to its customers.

Cash provided by operations was \$8.7 million in fiscal 2001 compared to \$6.6 million in fiscal 2000. Principal sources of the cash provided by operations in fiscal 2001 were from Company profits and reduction of receivables and inventories and an increase of accrued expenses. These sources of cash from operations were offset by decrease in accounts payable.

Cash provided by operations was \$6.6 million in fiscal 2000 compared to \$10.2 million in fiscal 1999. Principal sources of the cash provided by operations in fiscal 2000 were from Company profits and increases in accounts payable. These sources of cash from operations were offset by increases in receivables and inventories.

Principal sources of the cash provided by operations in fiscal 1999 were from Company profits, increases in accounts payable and accrued expenses, and a reduction in accounts receivable. These sources of cash from operations were offset by an increase in inventories.

Cash used in investing activities was \$1.8 million in fiscal 2001 compared to \$9.7 million in fiscal 2000. In fiscal 2001, the principal use of cash for investing purposes was capital expenditures related to the Company's expansion of its ambulance sales facility in Orlando, Florida, and relocation of corporate personnel and data processing equipment in Hutchinson, Kansas. Cash used in investing activities was \$9.7 million in fiscal 2000 compared to \$7.6 million in fiscal 1999. In fiscal 2000 the principal use of cash for investing purposes was for the acquisition of certain assets of Waldon, Inc., and capital expenditures related to the Company's expansion of its terminal truck production facilities. In fiscal 1999 the principal use of cash for investing purposes was for the

acquisition of Mid Bus, Inc., and capital expenditures related to the Company's expansion of its bus and terminal truck production facilities.

Cash used in financing activities was \$6.9 million in fiscal 2001 compared to cash provided by financing activities of \$3.0 million in fiscal 2000. In fiscal 2001, the Company used cash of \$6.4 million to reduce other long-term debt, \$.9 million to purchase and retire common stock, \$1.0 million to pay cash dividends and made additional long-term borrowings of \$1.4 million. Cash provided by financing activities was \$3.0 million in fiscal 2000 compared to cash used in financing activities of \$2.4 million in fiscal 1999. In fiscal 2000, the Company made additional long-term borrowings of \$6.4 million and used cash of \$1.5 million to reduce other long-term debt, \$.5 million to purchase and retire common stock and \$1.3 million to pay cash dividends. In fiscal 1999, the Company made additional long-term borrowings of \$5.6 million and used cash of \$6.1 million to reduce other long-term debt, \$1.2 million to purchase and retire common stock and \$.7 million to pay cash dividends.

Aggregate maturities of \$11.5 million in capitalized leases and long-term debt due in 2003 are principally a result of a loan agreement with the Company's lead bank which expires December 31, 2002. The Company currently anticipates arranging an extension or refinancing of this debt at or prior to maturity. See "Note 2 to the Consolidated Financial Statements" for quantitative information.

The Company believes that its cash flows from operations and its credit facility with its lead bank will be sufficient to satisfy its future working capital, capital expenditure requirements and anticipated dividends.

At October 31, 2001 there were no significant or unusual contractual commitments or capital expenditure commitments.

Recently Issued Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and that the use of the pooling-of-interest method is no longer allowed. SFAS No. 142 requires that upon adoption, amortization of goodwill will cease and instead, the carrying value of goodwill will be evaluated for impairment on an annual basis. Identifiable intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with recently issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company will adopt SFAS No. 142 on November 1, 2002. The Company is assessing but has not yet determined how the adoption of SFAS No. 142 will impact its financial position and results of operations, except the discontinuance of goodwill amortization which will add approximately \$.03 annually to earnings per share.

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This annual report and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements" about the business, financial condition, and prospects of the Company which are subject to risks and uncertainties. One can identify these forward-looking statements by their use of words such as "expects", "plans", "will", "estimates", "forecasts", "projects", and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. One should understand that it is not possible to predict or identify all factors which involve risks and uncertainties. Consequently, the reader should not consider any such list or listing to be a complete statement of all potential risks or uncertainties.

No forward-looking statement can be guaranteed and actual future results may vary materially. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including without limitation, changes in availability of vehicle chassis, product demand, changes in competition, the adequate direct labor pools, changes in tax and other governmental rules and regulations applicable to the Company, development of new products, interest rate fluctuations, various inventory risks due to changes in market conditions, substantial dependence on third parties for product quality, reliability and timely fulfillment of orders and other risks indicated in the Company's filings with the Securities and Exchange Commission.

The Company does not assume the obligation to update any forward-looking statement. One should carefully evaluate such statements in light of factors described in the Company's filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q and 8-K (if any).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk relating to interest rates on its fixed rate debt. Interest rate risk is not material to the Company's consolidated financial position or results of operations.

On July 24, 2001, the Company entered into an interest rate swap agreement with Bank of America in order to limit the effect of increases in the interest rates on \$10 million of its floating debt. The effect of this agreement was to convert underlying variable-rate debt based on LIBOR to fixed rate debt with an interest rate between 4.42% and 4.65% plus a margin of 175 basis points. This agreement reduces the Company's risk with respect to variable-rate debt. The gain/loss on the outstanding swaps at October 31, 2001 was immaterial.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the years ended October 31,

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Sales	\$207,653,284	\$220,911,785	\$196,398,056
Cost of sales	<u>182,317,488</u>	<u>192,620,891</u>	<u>165,978,436</u>
Gross profit	25,335,796	28,290,894	30,419,620
Selling, general and administrative expenses	19,457,978	20,568,277	19,891,803
Research and development expenses	<u>166,763</u>	<u>156,475</u>	<u>154,688</u>
Income from operations	5,711,055	7,566,142	10,373,129
Other income (expense):			
Interest, net	(2,055,886)	(1,742,739)	(1,819,986)
Other, net	<u>26,858</u>	<u>125,027</u>	<u>316,358</u>
	<u>(2,029,028)</u>	<u>(1,617,712)</u>	<u>(1,503,628)</u>
)))

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Income before provision for income taxes	3,682,027	5,948,430	8,869,501
Provision for income taxes	<u>1,300,000</u>	<u>1,790,000</u>	<u>3,460,000</u>
Net income	<u>\$ 2,382,027</u>	<u>\$ 4,158,430</u>	<u>\$ 5,409,501</u>

Earnings per share:

Basic	\$.35	\$.58	\$.74
Diluted	\$.33	\$.55	\$.72
Dividends per share	\$0.1425	\$0.1800	\$0.1000

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

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

October 31,

ASSETS	<u>2001</u>	<u>2000</u>
Current assets:		
Cash	\$ 192,615	\$ 204,101
Receivables	6,085,501	10,206,169
Inventories	35,369,300	41,410,790

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Prepaid expenses and other current assets	<u>3,144,129</u>	<u>3,049,779</u>
Total current assets	44,791,545	54,870,839
Property and equipment, at cost:		
Land and improvements	2,901,401	2,914,804
Buildings and improvements	18,992,918	18,838,363
Machinery and equipment	20,012,966	18,629,292
Office furniture and fixtures	<u>3,985,678</u>	<u>3,922,755</u>
	45,892,963	44,305,214
Less - accumulated depreciation	<u>27,384,835</u>	<u>25,157,372</u>
	18,805,128	19,147,842
Other assets	<u>6,526,771</u>	<u>7,003,486</u>
	<u>\$69,826,444</u>	<u>\$81,022,167</u>

LIABILITIES & SHAREHOLDERS' INVESTMENT

Current liabilities:

Current maturities of long-term debt and capitalized leases	\$ 2,044,553	\$ 3,087,968
Accounts payable	17,560,953	25,611,383
Accrued expenses and other current liabilities	<u>6,437,099</u>	<u>6,019,483</u>
Total current liabilities	26,012,605	34,718,834
Long-term debt and capitalized leases	15,123,781	19,015,695
Deferred income taxes	959,688	614,922

Shareholders' investment:

Preferred stock, \$.10 par value

Authorized - 750,000 shares

Outstanding - No shares outstanding

Capital stock, \$.10 par value

Authorized - 3,000,000 shares

Outstanding - No shares outstanding

Common stock, \$.10 par value

Authorized - 17,000,000 shares

Issued and outstanding - 7,291,755 shares in 2001	729,175	742,446
---	---------	---------

and 7,424,455 shares in 2000

Paid-in capital	17,612,508	18,026,830
-----------------	------------	------------

Deferred compensation	(945,981)	(1,071,169)
-----------------------	-----------	-------------

Retained earnings	<u>10,334,668</u>	<u>8,974,609</u>
-------------------	-------------------	------------------

Total shareholders' investment	<u>27,730,370</u>	<u>26,672,716</u>
--------------------------------	-------------------	-------------------

	<u>\$69,826,444</u>	<u>\$81,022,167</u>
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The accompanying notes are an integral part of these consolidated balance sheets.

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended October 31,

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash flow from operations:			
Cash received from customers	\$211,773,952	\$218,576,230	\$197,889,320
Cash paid to suppliers and employees	(200,474,336)	(207,842,808)	(183,319,810)
Interest paid, net	(2,098,523)	(1,700,879)	(1,813,342)

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Income taxes paid	<u>(542,250)</u>	<u>(2,439,176)</u>	<u>(2,561,370)</u>
)))
Cash provided by operations	<u>8,658,843</u>	<u>6,593,367</u>	<u>10,194,798</u>
Cash flow from investing activities:			
Capital expenditures and acquisitions	(1,667,382)	(9,591,116)	(7,939,070)
Proceeds from sale of property and equipment	-	-	994,263
Expenditures for other assets	<u>(137,420)</u>	<u>(119,690)</u>	<u>(643,526)</u>
)))
Cash used in investing activities	<u>(1,804,802)</u>	<u>(9,710,806)</u>	<u>(7,588,333)</u>
)))
Cash flow from financing activities:			
Principal payments of long-term debt and capitalized leases	(6,370,175)	(1,539,372)	(6,121,542)
Addition to long-term debt and capitalized leases	1,434,847	6,379,522	5,603,872
Purchase of common stock and other capital transactions	(908,231)	(527,166)	(1,155,256)
Payment of dividends	<u>(1,021,968)</u>	<u>(1,336,392)</u>	<u>(732,586)</u>
Cash provided by (used in) financing activities	<u>(6,865,527)</u>	<u>2,976,592</u>	<u>(2,405,512)</u>
)))
Net increase (decrease) in cash	(11,486)	(140,847)	200,953
Cash at beginning of year	<u>204,101</u>	<u>344,948</u>	<u>143,995</u>
Cash at end of year	<u>\$ 192,615</u>	<u>\$ 204,101</u>	<u>\$ 344,948</u>

Reconciliation of net income to net

Cash provided by operations:

Net income	\$ 2,382,027	\$ 4,158,430	\$ 5,409,501
Depreciation and amortization	3,525,087	3,098,615	2,567,718
Deferred income taxes	344,766	57,754	33,326
Changes in assets and liabilities, net of acquisitions:			
Decrease (increase) in receivables	4,120,668	(2,335,555)	1,491,264
Decrease (increase) in inventories	6,041,490	(2,444,572)	(5,924,122)
Decrease in prepaid expenses	(94,350)	(548,763)	(76,850)
Increase (decrease) in accounts payable	(8,080,430)	4,658,796	5,735,682
Increase (decrease) in accrued expenses	417,616	(181,171)	1,044,644
Gain on sale of property and equipment	-	-	(86,365)
Other net	<u>1,969</u>	<u>129,833</u>	=
Cash provided by operations	<u>\$ 8,658,843</u>	<u>\$ 6,593,367</u>	<u>\$ 10,194,798</u>

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

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT

For the years ended October 31,

<u>Common Stock</u>		Paid-In	Retained	Deferred
<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Compensation</u>

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Balance October 31, 1998	7,430,881	\$743,088	\$18,051,859	\$1,475,656	\$ -
Stock issued under stock					
option plans	26,320	2,632	90,138	-	-
Issuance of restricted stock awards, net	253,000	25,300	1,176,450	-	(1,201,750)
Amortization of restricted stock awards	-	-	-	-	168,229
Net income	-	-	-	5,409,501	-
Cash dividends paid	-	-	-	(732,586)	-
Purchase and retirement of treasury stock	(244,795)	(24,479)	(1,236,465)	-	-
Tax benefit from exercise of stock options	-	-	<u>12,918</u>	-	-
Balance October 31, 1999	7,465,406	746,541	18,094,900	6,152,571	(1,033,521)
Stock issued under stock					
option plans	9,540	954	11,305	-	-
Issuance of restricted stock awards, net	101,222	10,122	444,878	-	(455,000)
Amortization of restricted stock awards	-	-	-	-	417,352
Net income	-	-	-	4,158,430	-
Cash dividends paid	-	-	-	(1,336,392)	-
Purchase and retirement of treasury stock	<u>(151,713)</u>	<u>(15,171)</u>	<u>(524,253)</u>	=	=
)))		

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Balance October 31, 2000	7,424,455	742,446	18,026,830	8,974,609	(1,071,169)
Issuance of restricted stock awards, net	132,000	13,200	467,438	-	(480,638)
Amortization of restricted stock awards	-	-	-	-	605,826
Net income	-	-	-	2,382,027	-
Cash dividends paid	-	-	-	(1,021,968)	-
Purchase and retirement of treasury stock	<u>(264,700)</u>	<u>(26,471)</u>	<u>(881,760)</u>	=	=
)))		
Balance October 31, 2001	<u>7,291,755</u>	<u>\$729,175</u>	<u>\$17,612,508</u>	<u>\$10,334,668</u>	<u>(\$945,981)</u>
)

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

Collins Industries, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three years ended October 31, 2001

(1) Summary of Significant Accounting Policies

(a) *Consolidation and Operations* - The consolidated financial statements include the accounts of Collins Industries, Inc. (the Company) and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company primarily operates in the bus, ambulance, and terminal truck/road construction equipment segments. Manufacturing activities are carried on solely in the United States. However, the Company does market its products in other countries. Revenues derived from export sales to unaffiliated customers were less than 10% of consolidated sales in fiscal 2001, 2000 and 1999.

(b) *Cash and Cash Management* - Cash includes checking accounts and funds invested in overnight and other short-term, interest-bearing accounts of three months or less.

The Company maintains controlled disbursement accounts with its lead bank under an arrangement whereby all cash receipts and checks are centralized and presented to the bank daily. All deposits are applied directly against the Company's revolving credit line and all checks presented for payment in the controlled disbursement accounts are funded through daily borrowings under the Company's revolving credit facility. At October 31, 2001 and 2000 accounts payable included outstanding checks drawn on controlled disbursement accounts of \$4,913,696 and \$4,829,978, respectively.

(c) Inventories - Inventories are stated at the lower of cost (first-in, first-out) or market. Major classes of inventories which include material, labor, and manufacturing overhead required in production of Company products consisted of the following:

	<u>2001</u>	<u>2000</u>
Chassis	\$ 6,334,882	\$10,822,015
Raw materials & components	12,163,394	13,325,241
Work-in-process	6,021,652	7,941,310
Finished goods	<u>10,849,372</u>	<u>9,322,224</u>
	<u>\$35,369,300</u>	<u>\$41,410,790</u>

(d) *Depreciation and Maintenance* - Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives of property are as follows:

Land improvements	10 to 20 years
Buildings and improvements	10 to 30 years
Machinery and equipment	3 to 15 years
Office furniture and fixtures	3 to 10 years
Goodwill	15 to 20 years

Maintenance and repairs are charged to expense as incurred. The cost of additions and betterments are capitalized. The cost and related depreciation of property retired or sold are removed from the applicable accounts and any gain or loss is taken into income.

(e) *Goodwill* - Other assets include goodwill of \$5.4 million, \$5.7 million and \$3.6 million, in fiscal years 2001, 2000 and 1999, respectively. Goodwill resulted from the acquisition of certain assets of Waldon, Inc., by the Company's Mobile Products, Inc., subsidiary on September 11, 2000 and the acquisition of Mid Bus on December 1, 1998. The purchase price for Waldon, Inc., assets was \$7.8 million. The purchase price of Mid Bus stock was \$5.0 million plus liabilities assumed of \$3.9 million. The acquisitions were accounted for as purchases and the result of operations have been consolidated with those of the Company since the date of acquisition. The excess cost over the fair value of net assets acquired is being amortized on a straight-line basis over 15 years for Mobile Products, Inc. and 20 years for

Mid Bus. Goodwill amortization is reflected as cost of sales in the consolidated statements of income, and totaled \$329,118, \$183,750 and \$165,740 in fiscal years 2001, 2000 and 1999, respectively. Accumulated amortization of goodwill was \$678,608, \$349,490 and \$165,740 in fiscal years 2001, 2000 and 1999, respectively.

The Company periodically evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revisions or that the remaining balance of goodwill may not be recoverable. When factors indicate that the goodwill should be evaluated for possible impairment, the Company uses an estimate of undiscounted cash flows over the remaining life of the goodwill in measuring whether the goodwill is recoverable.

(f) *Revenue Recognition* - The Company records vehicle sales, and passes title to the customer, at the earlier of completion of the vehicle and receipt of full payment or shipment or delivery to the customer as specified by the customer purchase order. Customer deposits for partial payment of vehicles are deferred and treated as current liabilities until the vehicle is completed and recognized as revenue.

(g) *Earnings Per Share* - Basic earnings per share are computed based on the weighted average number of common shares outstanding. Potentially dilutive shares, calculated using the treasury stock method, consist of stock options and restricted stock.

The following is a reconciliation of shares used to calculate basic and diluted earnings per share:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Average shares outstanding - basic	6,890,965	7,213,825	7,305,310
Effect of potentially dilutive stock			
options and restricted stock	<u>240,769</u>	<u>361,090</u>	<u>245,937</u>
Average shares outstanding - diluted	<u>7,131,734</u>	<u>7,574,915</u>	<u>7,551,247</u>

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h) *Reclassification of Accounts in Financial Statements* - Certain amounts reported for prior years have been reclassified to conform to the 2001 presentation.

(2) Long-term Debt and Capitalized Leases

Long-term debt and capitalized leases at October 31, 2001 and 2000 consist of the following:

	<u>2001</u>	<u>2000</u>
Bank credit facility:		
Revolving credit borrowings	\$ 9,030,693	\$ 8,199,348
Term Loan A		

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Monthly principal payments of \$45,000	935,000	1,475,516
Term Loan B		
Monthly principal payments of \$19,333	856,509	442,505
Term Loan C		
Monthly principal payments of \$27,192	842,932	1,169,236
Term Acquisition Line	-	4,861,111
Capitalized leases:		
City of South Hutchinson, Kansas, 4.75%-5.80%.		
Annual principal and sinking fund payments range		
From \$335,000 in 2002 to \$323,000 in 2007	2,186,945	2,505,695
City of South Hutchinson, Kansas, 4.80%-5.90%.		
Annual principal and sinking fund payments range		
From \$111,000 in 2002 to \$150,000 in 2009	572,180	698,890
Longview Industrial Corporation, Longview, Texas		
Variable Rate Demand Revenue Bonds -		
Annual principal and sinking fund payments range		
From \$500,000 in 2002 to \$700,000 in 2009	2,744,075	2,691,362
Other notes payable	=	<u>60,000</u>
	17,168,334	22,103,663
Less - current maturities	<u>2,044,553</u>	<u>3,087,968</u>
	<u>\$15,123,781</u>	<u>\$19,015,695</u>

The Company's Loan Agreement, (the "Agreement"), as amended, with Bank of America, Atlanta, Georgia (the "Bank"), provides a total credit facility of \$40.3 million consisting of a revolving credit facility of \$30.0 million and a long-term credit facility (Term Loans A, B, and C) of \$10.3 million. The amended Agreement expires December 31, 2002. The Term Acquisition Line of Credit, which was used to partially finance the acquisition of certain assets of Waldon, Inc., was paid off in fiscal 2001. The credit facilities bear interest based on a combination of Eurodollar (LIBOR plus 1.75%) and the Bank's prime lending rate (6.00% at October 31, 2001). The revolving credit facility also provides for a maximum of \$3.0 million in letters of credit, of which \$1.0 million were outstanding at October 31, 2001. The total amount of unused revolving credit available to the Company was \$9.3 million at October 31, 2001.

The credit facility is collateralized by receivables, inventories, equipment and certain real property. Under the terms of the Agreement, the Company is required to maintain certain financial ratios and other financial conditions. The Agreement also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales and capital expenditures. At October 31, 2001 and 2000, the Company was in compliance with all loan covenants.

Certain of the Company's manufacturing facilities were financed from the proceeds of industrial revenue bonds. Lease purchase agreements with the respective cities provide that the Company may purchase the manufacturing facilities at any time during the lease terms by paying the outstanding principal amount of the bonds plus a nominal amount. At October 31, 2001, the net book value of manufacturing facilities subject to these lease purchase agreements was approximately \$5.8 million.

The carrying amount of the Company's long-term obligations does not differ materially from fair value based on current market rates available to the Company.

The aggregate maturities of capitalized leases and long-term debt for the years subsequent to October 31, 2001 are as follows:

2002	\$ 2,044,553
2003	11,536,834
2004	991,250
2005	1,018,750
2006	1,010,930
2007 and thereafter	566,020

The Company has aggregate maturities of \$11.5 million in capitalized leases and long-term debt due in 2003, principally as a result of a loan agreement with the Company's lead bank that expires December 31, 2002. The Company currently anticipates arranging an extension or refinancing of this debt at or prior to maturity.

Effective November 1, 2001 the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Investments and Hedging Activities" as amended by (SFAS) No. 137. On July 24, 2001, the Company entered into an interest rate swap agreement with Bank of America in order to limit the effect of increases in the interest rates on \$10 million of its floating debt. The agreement provides two \$5 million swaps running until December 2002, and July 2003. The effect of this agreement was to convert underlying variable-rate debt based on LIBOR to fixed rate debt with an interest rate between 4.42% and 4.65% plus a margin of 175 basis points. This agreement reduces the Company's risk with respect to variable-rate debt. The gain/loss on the outstanding swaps at October 31, 2001 was immaterial.

(3) Income Taxes

The provision for income taxes consists of the following:

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	<u>2001</u>	<u>2000</u>	<u>1999</u>
Current	\$1,120,000	\$2,136,000	\$3,368,000
Deferred	<u>180,000</u>	<u>(346,000)</u>	<u>92,000</u>
	<u>\$1,300,000</u>	<u>\$1,790,000</u>	<u>\$3,460,000</u>

The Company accounts for income taxes in accordance with the liability method. Deferred income taxes are determined based upon the difference between the book and tax basis of the Company's assets and liabilities. Deferred taxes are provided at the enacted tax rates expected to be in effect when the differences reverse. The income tax effect of temporary differences comprising the deferred tax assets are included in other current assets on the accompanying consolidated balance sheet and result from:

	<u>2001</u>	<u>2000</u>
Deferred tax assets:		
Self-insurance reserves	\$ 322,000	\$ 513,000
Vacation	213,000	202,000
Warranty	347,000	298,000
Doubtful accounts	24,000	20,000
Inventories	440,000	457,000
Amortization	196,000	193,000
Revenue recognition	68,000	136,000
Restricted stock awards	274,000	52,000
Other	<u>18,000</u>	=
	<u>1,902,000</u>	<u>1,871,000</u>
Deferred tax liabilities:		
Accelerated depreciation	(1,226,000)	(947,000)
Prepaid health insurance	(536,000)	(434,000)
Other	=	<u>(22,000)</u>
)	
	<u>(1,762,000)</u>	<u>(1,403,000)</u>

))

Net deferred tax assets \$ 140,000 \$ 468,000

A reconciliation between the statutory federal income tax rate (34%) and the effective rate of income tax expense for each of the three years during the period ended October 31, 2001 follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Statutory federal income tax rate	34%	34%	34%
Increase (decrease) in taxes			
Resulting from:			
State tax, net of federal benefit	3	4	4
Utilization of state tax credits	-	(3)	-
Decrease in prior accruals	-	(3)	-
Other	<u>(2)</u>	<u>(2)</u>	<u>1</u>
))	
Effective tax rate	<u>35%</u>	<u>30%</u>	<u>39%</u>

(4) Capital Stock

Preferred Stock

- On March 28, 1995 the Company's Board of Directors adopted a stockholders rights plan (Plan) and declared a dividend distribution of one right (Right) for each outstanding share of common stock to stockholders of record on April 20, 1995. Under the terms of the Plan each Right entitles the holder to purchase one one-hundredth of a share of Series A Participating Preferred Stock (Unit) at an exercise price of \$7.44 per Unit. The Rights are exercisable a specified number of days following (i) the acquisition by a person or group of persons of 20% or more of the Company's common stock or (ii) the commencement of a tender offer or an exchange offer for 20% or more of the Company's common stock or (iii) when a majority of the Company's unaffiliated directors (as defined) declares that a person is deemed to be an adverse person (as defined) upon determination that such adverse person has become the beneficial owner of at least 10% of the Company's common stock. The Company has authorized and reserved 750,000 shares of preferred stock, \$.10 par value, for issuance upon the exercise of the Rights. The Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right in accordance with the provisions of the plan. Rights expire on April 1, 2005 unless redeemed by the Company.

Stock-Based Compensation Plans

- The Company has two shareholder-approved stock plans, the 1997 Omnibus Incentive Plan (the "1997 Plan") and 1995 Stock Option Plan (the "1995 Plan"). Under the 1997 Plan, directors, officers and key employees may be granted stock options, restricted stock and other stock-based awards. A total of 2,000,000 shares may be granted under the 1997 Plan.

In fiscal 2001, the Company issued 142,000 shares of common stock under the 1997 Plan in the form of restricted stock awards. These shares were issued as an incentive to retain key employees, officers and directors and will vest in fiscal 2004. In fiscal 2000, the Company issued 119,000 shares of common stock in the form of restricted stock awards. Of these shares, 2,000 and 117,000 will vest in fiscal 2002 and 2003, respectively. In fiscal 1999, the Company issued 253,000 shares of common stock in the form of restricted stock awards. Of these shares, 4,000 and 249,000 will vest fiscal 2001 and 2002, respectively. At October 31, 2001, options for 737,500 shares were outstanding under the 1997 Plan. Under the 1995 Plan, a total of 1,000,000 shares of the Company's common stock were available for grant to officers, directors and key employees. As of October 31, 2001, all of these shares had been granted and options for 188,300 shares were outstanding under the 1995 Plan.

Under both plans, the exercise price of all options granted through October 31, 2001 equaled the stock's market price on the date of grant and fully vested six months after the date of grant. The expiration dates of the options range from 5 to 10 years. Options outstanding at October 31, 2001 had a weighted average contractual life of five years, nine months and exercise prices ranged from \$1.75 to \$5.13.

A summary of the Company's two stock option plans at October 31, 2001, 2000 and 1999 and changes during the years then ended are presented in the table following:

	<u>2001</u>		<u>2000</u>		<u>1999</u>	
		Per		Per		Per
	<u>Shares</u>	<u>Share(a)</u>	<u>Shares</u>	<u>Share(a)</u>	<u>Shares</u>	<u>Share(a)</u>
Outstanding at						
Beginning of year	985,800	\$4.08	1,048,300	\$4.07	923,200	\$4.11
Granted	-	-	-	-	195,000	3.99
Exercised	-	-	(12,000)	1.87	(40,800)	4.40
Forfeited	<u>(60,000)</u>	<u>4.33</u>	<u>(50,500)</u>	<u>4.36</u>	<u>(29,100)</u>	<u>4.53</u>
))))))

Outstanding at

end of year	<u>925,800</u>	<u>\$4.07</u>	<u>985,800</u>	<u>\$4.08</u>	<u>1,048,300</u>	<u>\$4.07</u>
-------------	----------------	---------------	----------------	---------------	------------------	---------------

Exercisable at

end of year	<u>925,800</u>	<u>\$4.07</u>	<u>985,800</u>	<u>\$4.08</u>	<u>1,048,300</u>	<u>\$4.07</u>
-------------	----------------	---------------	----------------	---------------	------------------	---------------

(a) Weighted average exercise price per share.

Weighted

average fair value

of options

granted	<u>\$-</u>	<u>\$-</u>	<u>\$1.99</u>
---------	------------	------------	---------------

The fair value of each option grant is estimated using the Black-Scholes option pricing model with the following assumptions used for grants:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Expected dividend yield	-	-	1.5%
Expected life in years	-	-	4
Expected volatility	-	-	45.8%

Risk free interest rate ranging from 4.63% to 6.76% for the 1997 Plan options and ranging from 5.36% to 7.37% for the 1995 Plan options.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, in accounting for its Plans. Accordingly, no compensation expense has been recognized for its stock options.

Had compensation cost for the Company's stock options been determined consistent with the methodology prescribed under FASB Statement No. 123, "Accounting for Stock-Based Compensation", the Company's net income and income per share would have been reduced to the following pro forma amounts:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net income:			
As reported	\$2,382,027	\$4,158,430	\$5,409,501

Pro forma	2,382,027	4,158,430	5,157,925
Diluted earnings per share:			
As reported	\$.33	\$.55	\$.72
Pro forma	.33	.55	.68

(5) Tax Deferred Savings Plan and Trust

In 1985, the Company made available to all eligible employees the opportunity to participate in the Company's Tax Deferred Savings Plan and Trust. The Company provides a 50% matching contribution in the form of cash or unregistered common stock of the Company on the eligible amount invested by participants in the plan to purchase common stock of the Company. The Company's cash contribution to this plan was \$131,165 in 2001, \$130,487 in 2000, and \$138,88 in 1999. This plan held 606,462 shares of the Company's common stock at October 31, 2001 and 511,129 shares at October 31, 2000.

(6) Commitments and Contingencies

(a) *General* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) *Letters of Credit* - The Company has outstanding letters of credit as more fully described in Note 2.

(c) *Operating Leases* - The Company has operating leases principally for certain manufacturing facilities vehicles and equipment. Operating lease expense was \$612,352 in 2001, \$562,709 in 2000, and \$593,584 in 1999.

The following schedule details operating lease commitments for the years subsequent to October 31, 2001:

2002	\$553,854
2003	483,195
2004	383,377
2005	47,500
2006 and thereafter	-0-

(d) *Litigation* - At October 31, 2001 the Company has litigation pending which arose in the ordinary course of business. Litigation is subject to many uncertainties and the outcome of the individual matters is not presently determinable. It is management's opinion that this litigation will not result in liabilities that would have a material adverse effect on the Company's financial position or results of operations.

(e) *Self-insurance Reserves* - The Company is self-insured for workers compensation, health insurance, general liability and product liability claims, subject to specific retention and reinsurance levels.

(f) *Chassis Contingent Liabilities* - The Company obtains certain vehicle chassis from two automotive manufacturers under agreements that do not transfer the vehicle's certificate of origin to the Company and, accordingly, the Company accounts for the chassis as consigned inventory. Chassis are typically converted and delivered to customers within 90 days.

(7) Segment Information

Collins Industries, Inc., has three reportable segments: Ambulances, buses, and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses, commercial buses and shuttle buses for sale to schools, hotel shuttle services, airports, and other governmental agencies. The terminal truck/road construction equipment segment produces off road trucks designed to move trailers and containers for sale to warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses.

The company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, with all intercompany sales eliminated in consolidation.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired as a unit. The following table contains segment information for the years ended October 31, 2001, 2000, and 1999. All amounts are in thousands of dollars.

		<u>Ambulance</u>	<u>Buses</u>	<u>Terminal Trucks / Road Construction Equipment</u>	<u>Other</u>	<u>Consolidated Total</u>
Revenues from external customers	2001	\$95,932	\$66,022	\$45,699	-	\$207,653
	2000	98,412	77,920	44,580	-	220,912
	1999	81,805	85,372	29,221	-	196,398

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Intersegment revenues:	2001	-	1,370	257	-	1,627
	2000	88	223	387	-	698
	1999	1,458	2,578	1,026	-	5,062
Interest income/(expense) net:	2001	(624)	(769)	(944)	281	(2,056)
	2000	(654)	(822)	(525)	258	(1,743)
	1999	(599)	(1,036)	(334)	149	(1,820)
Depreciation and amortization:	2001	(778)	(1,220)	(715)	(812)	(3,525)
	2000	(671)	(1,174)	(432)	(822)	(3,099)
	1999	(562)	(1,155)	(280)	(571)	(2,568)
Segment profit (loss) pre tax:	2001	4,089	689	2,385	(3,481)	3,682
	2000	3,450	3,755	3,262	(4,519)	5,948
	1999	2,992	7,756	1,483	(3,361)	8,870
Segment assets:	2001	26,411	22,125	16,767	4,523	69,826
	2000	30,583	24,137	21,911	4,391	81,022
	1999	26,996	26,713	10,197	2,515	66,421
Segment expenditures for capital						
Assets:	2001	856	386	229	216	1,687
	2000	393	283	1,074	13	1,763
	1999	841	1,129	1,046	124	3,140

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Other includes the elimination of intersegment transactions and expenses generated to support corporate activities not directly attributable to any specific organization within the enterprise.

Non-domestic sales were \$12.0 million, \$11.2 million, and \$11.3 million for fiscal years 2001, 2000, and 1999 respectively.

All assets are held by companies operating in the United States.

During 2001, 2000 and 1999, sales to any one customer were not in excess of 10% of consolidated sales.

(8) Quarterly Financial Information (Unaudited)

(Dollars in thousands except per share information)

Financial Results

	Net Sales		Gross Profit		Net Earnings (Loss)	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
First Quarter	\$ 42,445	\$ 49,713	\$ 4,584	\$ 7,082	\$ (608)	\$ 1,003
Second Quarter	51,073	51,514	6,766	6,663	785	905
Third Quarter	57,126	58,220	6,883	7,122	1,150	1,263
Fourth Quarter	<u>57,009</u>	<u>61,465</u>	<u>7,103</u>	<u>7,424</u>	<u>1,055</u>	<u>987</u>
Fiscal Year	<u>\$207,653</u>	<u>\$220,912</u>	<u>\$25,336</u>	<u>\$28,291</u>	<u>\$ 2,382</u>	<u>\$ 4,158</u>

	Basic Earnings (Loss)		Diluted Earnings (Loss)	
	Per Common Share		<u>Per Common Share</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
First Quarter	\$ (.09)	\$.14	\$ (.09)	\$.13
Second Quarter	.11	.13	.11	.12

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Third Quarter	.17	.18	.16	.17
Fourth Quarter	<u>.15</u>	<u>.13</u>	<u>.15</u>	<u>.13</u>
Fiscal Year	<u>\$.35</u>	<u>\$.58</u>	<u>\$.33</u>	<u>\$.55</u>

Fiscal year 2001 basic earnings per share is greater than the sum of quarters due to rounding and reduction of basic shares outstanding from purchase and retirement of treasury stock.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and

Shareholders of Collins Industries, Inc.,

We have audited the accompanying consolidated balance sheets of Collins Industries, Inc. (a Missouri corporation) and Subsidiaries as of October 31, 2001 and 2000, and the related consolidated statements of income, shareholders' investment and cash flows for each of the three years in the period ended October 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 Collins Industries, Inc. and Subsidiaries as of October 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Kansas City, Missouri

November 19, 2001

Item 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

-

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to Directors and Executive Officers is contained in the section entitled "Management" in the Proxy Statement for the Annual Meeting of Shareholders to be held February 22, 2002, and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is contained in the section entitled "Executive Compensation" in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on February 22, 2002, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is contained in the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on February 22, 2002, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

(1) Financial Statements:

All financial statements and notes thereto as set forth under Item 8 of this Report on Form 10-K:

Report of Independent Public Accountants

Consolidated Statements of Income for
the Three Years Ended October 31, 2001

Consolidated Statements of Shareholders' Investment
for the Three Years Ended October 31, 2001

Consolidated Statements of Cash Flows for
the Three Years Ended October 31, 2001

Consolidated Balance Sheets--October 31, 2001
and 2000

(2) Financial Statement Schedules:

All schedules have been omitted as not applicable
or not required under the instructions contained in
Regulation S-X or the information is included in the
financial statements or notes thereto.

(3) Exhibits:

<u>Exhibit Number</u>	<u>Document</u>
3.1	- Certificate of Incorporation of Registrant, as amended (included as Exhibit 3.1 of the Company's Amendment No. 2 to Form 2-1, No. 2-93247 and incorporated herein by reference).
3.2	- Amendment to Certificate of Incorporation of Registrant (included as Exhibit 3.3 of the Company's Amendment No. 1 to form S-1, No 2-93247 and incorporated herein by reference).
3.3	- Amendment to Certificate of Incorporation of Registrant (included as Exhibit 3.3(c) of the Company's Amendment No. 1 to Form S-1, No. 33-48323 and incorporated herein by reference).

- 3.4 - By-Laws of the Registrant, as amended (included as Exhibit 3.4 of the Company's S-1, No. 33-48323 and incorporated herein by reference).
- 4.1 - Rights Agreement dated as of March 28, 1995 between the Registrant and Mellon Bank, N.A. (included as Exhibit 1 to Form 8-A filed with the SEC as of March 28, 1995).
- 4.2 - First Amendment to the Rights Agreement dated as of April 25, 1995 (included as Exhibit 4 to Form 8-A/A filed with the SEC as of May 8, 1995).
- 10.1 - Various bailment and consignment agreements between the Registrant and Automotive manufacturers (included as Exhibit 10.2 to the Company's Registration Statement on Form S-1, No. 33-48323 and incorporated herein by reference).
- 10.2 - Form of Indemnification Agreement between Registrant and its directors. (Incorporated herein by reference to Exhibit 10.21 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 1991.)

Exhibit Number

Document

- 10.3 - Amended and Restated Lease dated November 15, 1997, between the Registrant and the City of South Hutchinson, Kansas. (Incorporated herein by reference to Exhibit 10.4 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 1998.)
- 10.4 - 1999 Supplemental Lease dated June 1, 1999, by and between the City of South Hutchinson, Kansas and Collins Bus Corporation. Original Lease dated August 1, 1984 and a November 15, 1997, Amended and Restated Lease between the same parties. (Incorporated herein by reference to Exhibit 10.1 to the

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Registrant's Report on Form 10-Q for the quarterly period ended July 31, 1999.)

- 10.5 - Amended and Restated Loan and Security Agreement for credit facility dated July 31, 1998, between Registrant and NationsBank, N.A. (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 1998.)
- 10.6 - Amendment No. 1 dated as of April 1, 1999, to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998, by and between Collins Industries, Inc. and NationsBank, N.A. (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Report on Form 10-Q for the quarterly period ended April 30, 1999.)
- 10.7 - Loan Agreement dated April 1, 1999, between Longview Industrial Corporation and Collins Industries, Inc. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarterly period ended July 31, 1999.)

Exhibit Number

Document

- 10.8 - Amendment No. 2 dated as of September 11, 2000, to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998, by and between Collins Industries, Inc., and Bank of America N.A. (Incorporated herein by reference to Exhibit 10.8 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 2000.)
- 10.9 - Amendment No. 3 dated as of February 22, 2001, to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998, by and between Collins Industries, Inc., and Bank of America N.A. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarterly period ended April 30, 2001.)

- 10.10 - Amendment No. 4 dated as of May 14, 2001, to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998, by and between Collins Industries, Inc., and Bank of America N.A. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarterly period ended April 30, 2001.)
- 10.11 - Amendment No. 5 dated as of August 30, 2001, to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998, by and between Collins Industries, Inc., and Bank of America N.A.
- 10.12 - Amendment No. 6 dated as of October 24, 2001, to the Amended and Restated Loan and Security Agreement dated as of July 31, 1998, by and between Collins Industries, Inc., and Bank of America N.A.

Exhibit Number

Document

- 22.1 - The following are the names and jurisdiction of incorporation of the subsidiaries of the Company:

	Jurisdiction
<u>Names</u>	<u>of Incorporation</u>
Collins Bus Corporation	Kansas
Capacity of Texas, Inc.	Texas
Mid Bus, Inc.	Ohio
Wheeled Coach Industries,	Florida

Inc.

Collins Ambulance Corp. Kansas

Collins Financial Services, Inc. Kansas

Global Captive Casualty and
Surety Company Kansas

Mobile Products, Inc. Kansas

Mobile-Tech Corporation Kansas

World Trans, Inc. Kansas

(b) Reports on Form 8-K

None

SIGNATURES

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

COLLINS INDUSTRIES,
INC.

By /s/ Donald Lynn Collins

Donald Lynn Collins,
President

and Chief Executive Officer

Dated: December 21, 2001

By

/s/ Larry W. Sayre

Larry W. Sayre, Vice
President of

Finance

and Chief Financial Officer

(Principal Financial and

Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant, in their capacities as Directors of the Registrant, and on the dates indicated.

Dated: December 21, 2001

/s/ Don L. Collins

Don L. Collins

Dated: December 21, 2001

/s/ Donald Lynn Collins

Donald Lynn Collins

Dated: December 21, 2001

/s/ Don S. Peters

Don S. Peters

Dated: December 21, 2001

/s/ Arch G. Gothard III

Arch G. Gothard III

Dated: December 21, 2001

/s/ William R. Patterson

William R. Patterson

BORDER-COLLAPSE:COLLAPSE" BORDER="0" CELLPADDING="0" CELLSPACING="0"
WIDTH="100%"> our ability to protect our intellectual property portfolio;

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our possible inability to realize commercially valuable discoveries in our collaborations with pharmaceutical and other biotechnology companies;

our ability to meet milestones under our collaboration agreements;

our collaborators' ability to continue to fulfill their obligations under the terms of our collaboration agreement;

the success of our efforts to enter into new strategic partnerships and advance our programs;

our possible inability to execute our strategy due to changes in our industry or the economy generally;

changes in productivity and reliability of suppliers; and
the success of our competitors and the emergence of new competitors.

Although we currently believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, levels of activity or performance. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our exposure to interest rate risk is related to our investment portfolio and our borrowings. Fixed rate investments and borrowings may have their fair market value adversely impacted from changes in interest rates. Due in part to these factors, our future investment income may fall short of expectations. Further, we may suffer losses in investment principal if we are forced to sell securities that have declined in market value due to changes in interest rates. We invest our excess cash primarily in debt instruments of the United States government and its agencies and corporate debt securities, and as of March 31, 2013, we had no investments. We have been investing conservatively due to the current economic conditions and have prioritized liquidity and the preservation of principal in lieu of potentially higher returns. As a result, we have experienced no losses on the principal of our investments.

We enter into loan arrangements with financial institutions when needed and when available to us. At March 31, 2013, we had no borrowings outstanding other than a forgivable note payable associated with local grant funding bearing fixed, forgivable interest of 4.25% per annum.

Item 4. Controls and Procedures.

Disclosure controls and procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and our Vice President of Finance, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as of the end of the period covered by this quarterly report on Form 10-Q. Based upon this evaluation, our Chief Executive Officer and Vice President of Finance have concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

During the first quarter of 2013, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the quarter ended March 31, 2013, we sold an aggregate of 1,323,305 shares of common stock to Aspire Capital at an average price of \$1.54. Each issuance of these unregistered shares qualifies as an exempt transaction pursuant to Section 4(2) of the Securities Act of 1933. Each issuance qualified for exemption under Section 4(2) of the Securities Act of 1933 because none involved a public offering. Each offering was not a public offering due to the number of persons involved, the manner of the issuance and the number of securities issued. In addition, in each case Aspire Capital had the necessary investment intent.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of Gil Van Bokkelen, Chairman and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Laura K. Campbell, Vice President of Finance, pursuant to SEC Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Gil Van Bokkelen, Chairman and Chief Executive Officer, and Laura Campbell, Vice President, Finance, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

Date: May 14, 2013

ATHERSYS, INC.

/s/ Gil Van Bokkelen
Gil Van Bokkelen
Chairman and Chief Executive Officer
(principal executive officer authorized to sign on behalf
of the registrant)

/s/ Laura K. Campbell

Laura K. Campbell
Vice President of Finance
(principal financial and accounting officer authorized to
sign on behalf of the registrant)

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EXHIBIT INDEX

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