GREENMAN TECHNOLOGIES INC
Form 10-Q
May 15, 2009

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

or

o 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: 1-13776

GreenMan Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	71-0724248
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
205 South Garfield, Carlisle, Iowa	50047
(Address of principal executive offices)	(Zip Code)

(781) 224-2411
(Registrant’s telephone number, including area code)
205 South Garfield, Carlisle Iowa 50047

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

q Large Accelerated Filer	q Accelerated Filer
q Non-accelerated Filer	x Smaller reporting company

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

As of May 15, 2009, there were 30,880,435 shares of the registrant's Common Stock were outstanding.

GreenMan Technologies, Inc.

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GreenMan Technologies, Inc.
Consolidated Balance Sheets
(Unaudited)

	March 31, 2009	September 30, 2008
ASSETS		
Current assets:		
Cash	$ 5,528,228	$ 210,080
Marketable investments	2,846,933	--
Accounts receivable, trade, less allowance for doubtful accounts of $0 and $96,338 as of March 31, 2009 and September 30, 2008	109,882	1,135,015
Inventory	1,252,073	1,323,748
Other current assets	1,175,601	291,371
Assets related to discontinued operations	--	10,145,282
Total current assets	10,912,717	13,105,496
Property, plant and equipment, net	557,001	551,683
Other assets:		
Goodwill	2,289,939	2,289,939
Long term contracts, net	464,625	554,250
Patents, net	97,500	113,433
Other	413,868	425,908
Assets related to discontinued operations	--	6,566,780
Total other assets	3,265,932	9,950,310
	$ 14,735,650	$ 23,607,489
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Notes payable, current	$ 210,274	$ 506,678
Accounts payable	295,838	782,494
Accrued expenses, other	976,057	1,176,408
Obligations due under lease settlement, current	68,518	68,518
Notes payable, related parties, current	--	534,320
Liabilities related to discontinued operations	100,000	16,140,322
Total current liabilities	1,650,687	19,208,740
Notes payable, non-current	477,648	482,881
Obligations due under lease settlement, non-current	555,540	580,540
Liabilities related to discontinued operations	--	3,397,258
Total liabilities	2,683,875	23,669,419
Stockholders' deficit:		
Preferred stock, $1.00 par value, 1,000,000 shares authorized, none outstanding	--	--
Common stock, $.01 par value, 60,000,000 shares authorized, 30,880,435 shares issued and outstanding at March 31, 2009 and September 30, 2008	308,804	308,804
Additional paid-in capital	38,250,536	38,881,669
Accumulated deficit	(26,481,367)	(39,252,403)

Accumulated other comprehensive loss	(26,198)	--
Total stockholders' equity (deficit)	12,051,775	(61,930)
	$ 14,735,650	$ 23,607,489

See accompanying condensed notes to unaudited consolidated financial statements.

GreenMan Technologies, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Net sales	$ 97,510	$ 607,872	$ 759,515	$ 1,207,486
Cost of sales	208,955	382,071	702,115	869,511
Gross profit	(111,445)	225,801	57,400	337,975
Operating expenses:				
Selling, general and administrative	724,516	830,589	1,902,118	1,568,501
Operating (loss) from continuing operations	(835,961)	(604,788)	(1,844,718)	(1,230,526)
Other income (expense):				
Interest and financing costs	(13,346)	(26,025)	(72,401)	(71,456
Other, net	32,722	(30,460)	23,461	(49,674
Other (expense), net	19,376	(56,485)	(48,940)	(121,130)
Loss from continuing operations before income taxes	(816,585)	(661,273)	(1,893,658)	(1,351,656)
Provision (benefit) for income taxes	--	(62)	456	--
Loss from continuing operations	(816,585)	(661,211)	(1,894,114)	(1,351,656)
Discontinued operations:				
Gain on sale of discontinued operations, net of taxes,	--		14,347,445	
(Loss) income from discontinued operations, net of taxes	(100,000)	(218,480)	317,705	489,869
	(100,000)	(218,480)	14,665,150	489,869
Net income (loss)	$ (916,585)	$ (879,691)	$ 12,771,036	$ (861,787)
(Loss) from continuing operations per share –basic	$ (0.03)	$ (0.03)	$ (0.06)	$ (0.04)
Income from discontinued operations per share –basic	--	--	0.47	0.01
Net (loss) income per share –basic	$ (0.03)	$ (0.03)	$ 0.41	$ (0.03)
Net (loss) income per share –diluted	$ (0.03)	$ (0.03)	$ 0.41	$ (0.03)
Weighted average shares outstanding -basic	30,880,435	30,880,435	30,880,435	30,880,435
Weighted average shares outstanding -diluted	30,880,435	30,880,435	30,880,435	30,880,435

See accompanying condensed notes to unaudited consolidated financial statements.

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GreenMan Technologies, Inc.
Consolidated Statement of Changes in Stockholders' Equity (Deficit)
Six Months Ended March 31, 2009
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, September 30, 2008	30,880,435	$ 308,804	$ 38,881,669	$ (39,252,403)	$ --	$ (61,930)
Repurchase of warrants	--	--	(700,000)	--	--	(700,000)
Compensation expense associated with stock options	--	--	61,731	--	--	61,731
Value of warrants issued for services rendered	--	--	7,136	--	--	7,136
Unrealized loss on marketable investments					(26,198)	(26,198)
Net income for six months ended March 31, 2009	--	--	--	12,771,036	--	12,771,036
Balance, March 31, 2009	30,880,435	$ 308,804	$ 38,250,536	$ (26,481,367)	$ (26,198)	$ 12,051,775

See accompanying condensed notes to unaudited consolidated financial statements.

GreenMan Technologies, Inc.
Consolidated Statements of Cash Flow
(Unaudited)

	Six Months Ended March 31, 2009	2008
Cash flows from operating activities:		
Net income (loss)	$ 12,771,036	$ (861,787)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of tire recycling operations	(19,847,445)	--
Net settlement income from discontinued operations	(144,420)	--
Deferred income tax application	5,300,000	--
Gain on lease termination	(124,628)	--
Gain on disposal of property, plant and equipment	--	(7,703)
Depreciation	224,368	701,884
Amortization of deferred interest expense	359,927	259,852
Amortization of customer relationships	890	3,475
Amortization of stock option compensation expense	61,731	75,564
Amortization of patents	15,933	10,834
Amortization of long term contracts	89,625	89,625
Amortization of deferred gain on sale leaseback transaction	(270,228)	(18,293)
Net value of warrants issued	7,136	9,008
Decrease (increase) in assets:		
Accounts receivable	851,281	1,085,205
Product inventory	7,401	(1,194,726)
Other current assets	(811,606)	(135,714)
Other assets	102,739	(24,687)
Increase (decrease) in liabilities:		
Accounts payable	(421,985)	(164,883)
Accrued expenses and other	(512,670)	(74,602)
Net cash used in operating activities	(2,340,915)	(246,948)
Cash flows from investing activities:		
Purchase of property and equipment	(99,527)	(933,649)
Purchase of marketable investments	(2,873,131)	--
Purchase of warrants	(700,000)	--
Cash acquired upon purchase of business, net of transaction costs	--	68,571
Proceeds from the sale of tire recycling operations	27,546,652	2,000
Net cash provided by (used in) investing activities	23,873,994	(863,078)
Cash flows from financing activities:		
Net activity under line of credit	(3,300,221)	2,354,652
Proceeds from notes payable	--	501,128
Repayment of notes payable	(11,768,101)	(1,418,896)
Repayment of notes payable, related party	(534,320)	--
Principal payments on obligations under capital leases	(1,188,625)	(116,274)
Net cash (used in) provided by financing activities	(16,791,267)	1,320,610
Net increase in cash	4,741,812	215.584
Cash and cash equivalents at beginning of period	786,416	376,764
Cash and cash equivalents at end of period	$ 5,528,228	$ 587,348

Supplemental cash flow information:				
Machinery and equipment acquired under capital leases	$	--	$	413,954
Unrealized loss on marketable investments		26,198		--
Shares issued in acquisition		--		2,800,000
Interest paid		470,013		688,654
Taxes paid		12,865		79,939

See accompanying condensed notes to unaudited consolidated financial statements.

GreenMan Technologies, Inc.
Condensed Notes to Interim Consolidated Financial Statements
Quarter Ended March 31, 2009 and 2008
(Unaudited)

1. Business

GreenMan Technologies, Inc. (together with its subsidiaries "we", "us" or "our") was originally founded in 1992 and has operated as a Delaware corporation since 1995. Prior to November 17, 2008, GreenMan was comprised of two business segments, the tire recycling operations and the molded recycled rubber products operations. As described below, our business changed substantially in November 2008, when we sold substantially all of the assets of our tire recycling operations.

The tire recycling operations were located in Savage, Minnesota and Des Moines, Iowa and collected, processed and marketed scrap tires in whole, shredded or granular form.

On October 1, 2007, we acquired Welch Products, Inc. ("Welch"), a company headquartered in Carlisle, Iowa, which specializes in designing, developing, and manufacturing of environmentally responsible products using recycled materials, primarily recycled rubber (See Note 5). Welch's patented products and processes include playground safety tiles, roadside anti-vegetation products, construction molds and highway guard-rail rubber spacer blocks. Through its prior acquisition of Playtribe, Inc., Welch also provides innovative playground design, equipment and installation. In March 2009, we changed the name of our Welch Products Inc. subsidiary to Green Tech Products, Inc. ("Green Tech Products") which better reflects the nature of their new product-line extension strategy beyond playground safety tiles and equipment. We are currently evaluating additional recycled molded products that may be used in applications such as highway anti-vegetation and field-turf encasement projects.

Recent Developments

On September 12, 2008 we executed an asset purchase agreement with Liberty Tire Services of Ohio, LLC, a wholly-owned subsidiary of Liberty Tire Services, LLC, the largest tire recycling company in the United States for sale of our tire recycling business, subject to shareholder approval. On November 13, 2008 our shareholders approved the sale and on November 17, 2008 we completed the divestiture of substantially all of the assets of our GreenMan Technologies of Minnesota, Inc. and GreenMan Technologies of Iowa, Inc. subsidiaries, which had operated our tire recycling business, for approximately $27.7 million in cash. (See Note 6)

2. Basis of Presentation

The consolidated financial statements include the accounts of GreenMan Technologies, Inc. and our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In September 2005, due to the magnitude of continued operating losses, our Board of Directors approved plans to divest the operations of our GreenMan Technologies of Georgia, Inc. subsidiary and dispose of its assets. Accordingly, we classified all remaining liabilities associated with our Georgia entity and its results of operations as discontinued operations for all periods presented in the accompanying consolidated financial statements. In June 2008, GreenMan Technologies of Georgia, Inc. filed for liquidation under Chapter 7 of the federal bankruptcy laws in the Bankruptcy Court of the Middle District of Georgia and a trustee was appointed (See Note 6). As a result of the bankruptcy proceedings we relinquished control of our Georgia subsidiary to the Bankruptcy Court and therefore we de-consolidated substantially all remaining obligations from our financial statements as of September 30, 2008.

Because we operated our tire recycling assets during only a portion of the fiscal quarter covered by this report on Form 10Q we have included in this Quarterly Report relevant information on this business segment but have classified their respective assets, liabilities and results of operations as discontinued operations for all periods presented in the accompanying consolidated financial statements.

The accompanying interim financial statements are unaudited and should be read in conjunction with the financial statements and notes thereto for the year ended September 30, 2008 included in our Annual Report on Form 10-KSB. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations, although we believe the disclosures which have been made herein are adequate to ensure that the information presented is not misleading. The results of operations for the interim periods reported are not necessarily indicative of those that may be reported for a full year. In our opinion, all adjustments which are necessary for a fair statement of operating results for the interim periods presented have been made.

GreenMan Technologies, Inc.
Condensed Notes to Interim Consolidated Financial Statements
Quarter Ended March 31, 2009 and 2008
(Unaudited)

3. Marketable Investments

GreenMan invests excess cash in marketable investments, including highly-liquid debt instruments of the United States Government and its agencies and high-quality corporate debt instruments. All highly-liquid investments with an original maturity of more than three months at original purchase price are considered investments available for sale.

GreenMan evaluates its marketable investments periodically for possible other-than-temporary impairment and reviews factors such as length of time to maturity, the extent to which fair value has been below cost basis and the Company's intent and ability to hold the marketable security for a period of time which may be sufficient for anticipated recovery in market value. The Company records impairment charges equal to the amount that the carrying value of the available-for-sale investments exceeds the estimated fair market value of the securities as of the evaluation date, if appropriate. The fair value for all investments is determined based on quoted market prices as of the valuation date as available.

Effective October 1, 2008, GreenMan adopted SFAS No. 157, Fair Value Measurements, or SFAS No. 157. In February 2008, the Financial Accounting Standards Board of FASB issued FSAB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities only. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principal and enhances disclosures about fair value measurements. Fair value is defined under SFAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS No. 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The adoption of this statement with respect to the Company's financial assets and liabilities, did not impact our consolidated results of operations and financial condition, but required additional disclosure for assets and liabilities measured at fair value.

In accordance with SFAS No. 157, the following table represents that fair value hierarchy for the Company's financial assets (cash equivalents and investments) measured at fair value on a recurring basis as of March 31, 2009:

Description:	Level 1
Marketable investments	$ 2,846,933

During the three months ended March 31, 2009, we recorded an unrealized loss of $26,198 which is shown as a reduction to stockholder’s equity until such time as we sell the underlying investments or determine the unrealized loss to be an other-than-temporary loss at which time we will record the loss in our statement of operations.

GreenMan Technologies, Inc.
Condensed Notes to Interim Consolidated Financial Statements
Quarter Ended March 31, 2009 and 2008
(Unaudited)

4. Net Income Per Share

Net Income Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if potentially dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. Potential common shares that may be issued by us relate to outstanding stock options and warrants (determined using the treasury stock method). As the Company incurred losses from continuing operations for the three and six months ending March 31, 2009 and 2008, potential common shares included in a diluted earnings per share computation would result in an anti-dilutive per-share amount, therefore, no diluted earnings share is presented.

5. Acquisition of Subsidiary

On October 1, 2007, we acquired Welch Products, Inc., a company headquartered in Carlisle, Iowa, which specializes in designing, developing and manufacturing of environmentally responsible products using recycled materials, primarily recycled rubber. Welch's patented products and processes include playground safety tiles, roadside anti-vegetation products, construction molds and highway guard-rail rubber spacer blocks. Through its prior acquisition of Playtribe, Inc., Welch also provides innovative playground design, equipment and installation. Welch had been one of our crumb rubber customers for the past several years. The transaction was structured as a share exchange in which 100 percent of Welch's common stock was exchanged for 8 million shares of our common stock, valued at $2,800,000 based on the value of the 8 million shares issued in this transaction on the date of issuance.

The acquisition has been accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations", and accordingly the results of Welch's operations since the date of acquisition are included in our consolidated financial statements. The total purchase price of $2,890,000 including approximately $90,000 of transaction costs has been allocated as follows:

Total identifiable assets acquired	$ 2,571,000
Total identifiable liabilities acquired	$ 2,821,000

The total consideration paid exceeded the fair value of the net assets acquired by $3,140,000 resulting in the recognition of $2,289,000 of goodwill and $645,000 assigned to long term contracts (in addition to $90,000 assigned to an existing contract and being amortized over a 5-year term) based on an analysis of the discounted future net cash flows of the contracts. In addition, we increased the value of land and buildings by $195,000 based on a recent appraisal and increased the value assigned to patents by $11,000 based on an analysis of discounted future cash flows associated with the patents. The value assigned to the long-term contracts is being amortized on a straight line basis over an estimated useful life ranging from 48 to 60 months and the value assigned to patents is being amortized on a straight line basis over an estimated useful life of 60 months.

Included in other current and long term assets are lease receivables which bear interest at rates ranging from 1.99% to 5.5% per annum.

In March 2009, we changed the name of our Welch Products Inc. subsidiary to Green Tech Products, Inc. (See Note 1).

Amortization expense during the next five years is anticipated to be:

Twelve months ending March 31:	Contracts	Patents	Total
2010	$ 179,250	$ 21,667	$ 200,917
2011	179,250	21,667	200,917
2012	98,625	21,667	120,292
2013	7,500	21,667	29,167
2014 and thereafter	--	10,832	10,832
	$ 464,625	$ 97,500	$ 562,125

GreenMan Technologies, Inc.
Condensed Notes to Interim Consolidated Financial Statements
Quarter Ended March 31, 2009 and 2008
(Unaudited)

5. Acquisition of Subsidiary – (Continued)

Management annually reviews long-lived assets, goodwill and certain identifiable intangibles to evaluate whether events or changes in circumstances indicate an impairment of carrying value. Such reviews include an analysis of current results and take into consideration the discounted value of projected operating cash flows (earnings before interest, taxes, depreciation and amortization). An impairment charge would be recognized when expected future operating cash flows are lower than the carrying value of the assets.

6. Discontinued Operations

Georgia Operations

Due to the magnitude of the continuing operating losses incurred by our GreenMan Technologies of Georgia, Inc. subsidiary ($3.4 million) during fiscal 2005, our Board of Directors determined it to be in the best interest of our company to discontinue all Georgia operations and completed the divestiture of its operating assets during fiscal 2006. Accordingly, we have classified all remaining liabilities associated with our Georgia entity and its results of operations as discontinued operations.

On June 27, 2008, GreenMan Technologies of Georgia, Inc. filed for liquidation under Chapter 7 of the federal bankruptcy laws in the Bankruptcy Court of the Middle District of Georgia and a trustee was appointed. On September 30, 2008 we received approval of the Trustee's Final Report of No Distribution in relation to the Chapter 7 filing and the case is considered closed. The Trustee's Report of No Distribution certifies that the trustee has performed the duties required of a trustee under 11 U.S.C. Section 704 and has concluded that there are no assets to administer.

The major classes of liabilities associated with Georgia discontinued operations were:

	March 31, 2009	September 30, 2008
Liabilities related to discontinued operations:		
Accounts payable	$ --	$ 116,664
Accrued expenses, other	100,000	163,147
Total liabilities related to discontinued operations	$ 100,000	$ 279,811

During the six months ended March 31, 2009, we recognized net income from Georgia discontinued operations of approximately $44,000 including income of approximately $161,000 associated with the completion of a March 2008 settlement agreement with a former Georgia vendor. During the three and six months ended March 31, 2009 we recognized an expense of $100,000 associated with an April 2009 settlement agreement with a former Georgia vendor (See Note 9).

Tire Recycling Operations

On September 12, 2008 we executed an Asset Purchase Agreement with Liberty Tire Services of Ohio, LLC, a wholly-owned subsidiary of Liberty Tire Services, LLC, the largest tire recycling company in the United States, for sale of our tire recycling business, subject to shareholder approval. On November 13, 2008 our shareholders approved the sale and on November 17, 2008 we completed the divestiture of substantially all of the assets of our GreenMan Technologies of Minnesota, Inc. and GreenMan Technologies of Iowa, Inc. subsidiaries, which had operated our tire recycling business, for approximately $27.7 million in cash. We recognized a gain on sale of approximately $14.35 million, net of estimated taxes of approximately $5.5 million which is included in gain on sale of discontinued operations.

We used approximately $16.5 million of the proceeds of this sale to retire certain transaction related obligations and other debt including approximately $12.8 million due our former primary secured lender, Laurus Master Fund, Ltd., and approximately $645,000 of related party debt (including approximately $111,000 of accrued interest). In addition, $750,000 of the proceeds were placed in an escrow account for twelve months to cover possible indemnification claims by the purchaser as well as the pending finalization of several other post-closing reconcilations.

GreenMan Technologies, Inc.
Condensed Notes to Interim Consolidated Financial Statements
Quarter Ended March 31, 2009 and 2008
(Unaudited)

6. Discontinued Operations – (Continued)

The major classes of assets and liabilities associated with discontinued tire recycling operations were:

	March 31, 2009	September 30, 2008
Assets related to discontinued operations:		
Cash	$ --	$ 576,336
Accounts receivable, net	--	3,019,978
Deferred income tax asset	--	5,300,000
Other current assets	--	1,248,968
Total current assets related to discontinued operations	--	10,145,282
Property, plant and equipment (net)	--	6,399,172
Other	--	167,608
Total other assets related to discontinued operations	--	6,566,780
Total assets related to discontinued operations	$ --	$ 16,712,062
Liabilities related to discontinued operations:		
Accounts payable	$ --	$ 1,649,530
Notes payable, current	--	9,566,387
Notes payable, line of credit	--	3,300,221
Accrued expenses, other	--	962,005
Capital leases, current	--	382,368
Total current liabilities related to discontinued operations	--	15,860,511
Notes payable, non-current	--	1,540,150
Capital leases, non-current	--	1,623,325
Deferred gain on sale leaseback transaction, non-current	--	233,783
Total non-current liabilities related to discontinued operations	--	3,397,258
Total liabilities related to discontinued operations	$ --	$ 19,257,769

In conjunction with the sale of our Minnesota tire recycling operations, we terminated a long term land and building lease agreement and realized a gain on termination of the lease of $124,627 which is included in income from discontinued operations for the six months ended March 31, 2009. In addition, included in income from discontinued operations for the six months ended March 31, 2009 is the remaining unamortized gain of $265,570 associated with a 2004 sale lease back transaction associated with this property. Previously, we had been amortizing a gain of $437,337 as income ratably over the term of the lease.

Net sales and income (loss) from discontinued tire recycling operations were as follows:

	Three Months Ended		Six Months Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Net sales from discontinued operations	$ --	$ 3,549,175	$ --	$ 8,777,968

Income (loss) from discontinued operations	--	(218,480)	14,620,730	489,869

7. Inventory

Raw material inventory primarily consists of crumb rubber used in production of molded rubber products and other manufacturing supplies by our molded recycled rubber products operation. Finished goods primarily consist of molded products, playground equipment and crumb rubber to be sold to third parties by our tire recycling operations. All inventory is valued at the lower of cost or market on the first-in first-out (FIFO) method. Inventory consists of the following:

	March 31, 2009	September 30, 2008
Raw materials	$ 85,736	