

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **2005-05-02** | Period of Report: **2004-12-31**  
SEC Accession No. **0001167966-05-000647**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### **MILLER INDUSTRIES INC /TN/**

CIK: **924822** | IRS No.: **621566286** | State of Incorpor.: **TN** | Fiscal Year End: **1231**  
Type: **10-K/A** | Act: **34** | File No.: **001-14124** | Film No.: **05790124**  
SIC: **3713** Truck & bus bodies

Mailing Address  
8503 HILLTOP DR  
STE 100  
OOLTEWAH TN 37363

Business Address  
8503 HILLTOP DR  
STE 100  
OOLTEWAH TN 37363  
4232384171

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-K/A**  
**Amendment No. 1**

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

For the  
fiscal year  
ended December 31,  
2004

Commission  
File No. 0-24298

**MILLER INDUSTRIES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Tennessee**

(State or Other Jurisdiction of Incorporation or  
Organization)

**62-1566286**

(I.R.S. Employer Identification No.)

**8503 Hilltop Drive, Ooltewah, Tennessee**

(Address of Principal Executive Offices)

**37363**

(Zip Code)

**(423) 238-4171**

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class

Common Stock, par value \$.01 per share

Name of Each Exchange on Which Registered

New York Stock Exchange

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

None

(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 Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes  No.

The aggregate market value of the voting stock for non-affiliates (which for purposes hereof are all holders other than executive officers and directors) of the Registrant as of June 30, 2004 (the last business day of the Registrant's most recently completed second fiscal quarter) was \$94,393,675 (based on 9,573,395 shares held by non-affiliates at \$9.86 per share, the last sale price on the NYSE on June 30, 2004).

At March 9, 2005 there were 11,194,782 shares of Common Stock, par value \$0.01 per share, outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The information called for by Part III (Items 10, 11, 12, 13 and 14) is incorporated herein by reference to the Registrant's definitive proxy statement for its 2005 Annual Meeting of Shareholders which is to be filed pursuant to Regulation 14A.

---

## EXPLANATORY NOTES

In reliance on the Order of the Securities and Exchange Commission in Release No. 50754, dated November 30, 2004 (the “Order”), the report of our management on internal control over financial reporting, and the corresponding attestation of Joseph Decosimo and Company, PLLC, our independent registered public accounting firm, were omitted from our Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the Securities and Exchange Commission on March 14, 2005 (the “Original Filing”).

Pursuant to the Order, we are filing this Amendment No. 1 to the Original Filing (this “Amendment”) to:

- amend and restate Item 9A to include the report of our management on internal control over financial reporting; and
- include the corresponding attestation report of Joseph Decosimo and Company, PLLC, independent registered public accounting firm.

In connection with this Amendment, included herewith as exhibits are the certifications required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which have been updated and re-executed as of the date of this Amendment, and the consent of Joseph Decosimo and Company, PLLC to the inclusion herein of its attestation report regarding our internal control over financial reporting.

In addition, we are filing this Amendment to correct footnote 7 of our audited financial statements which contained inadvertent inaccuracies in the amount of interest reported as having been paid to William G. Miller, our Chairman and Co-Chief Executive Officer, and to Harbourside Investments LLLP under our senior credit facility and junior credit facilities, respectively, during 2004.

Except for the amendments described above, this Amendment does not modify or update our previously reported financial statements, results of operations or other related financial disclosures, or any other disclosures in or exhibits to the Original Filing.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The response to this item is included in Item 15 of this Amendment.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive and chief financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based upon this evaluation, our Co-Chief Executive Officers and our Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Annual Report to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

#### **Management’s Report On Internal Control Over Financial Reporting**

Management of Miller Industries, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our principal executive officers and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in “Internal Control—Integrated Framework”. Based on our assessment under those criteria, we concluded that, as of December 31, 2004, we maintained effective internal control over financial reporting.

Joseph Decosimo and Company, PLLC, the independent registered public accounting firm who also audited our consolidated financial statements included in this report, has issued an attestation report on management’s assessment of internal control over financial reporting, which attestation report appears herein.

April 29, 2005

### **Attestation Report of Registered Public Accounting Firm**

#### **Report of Independent Registered Public Accounting Firm**

Board of Directors and Shareholders  
Miller Industries, Inc.  
Ooltewah, Tennessee

We have audited management’s assessment, included in the accompanying “Management’s Report on Internal Control Over Financial Reporting,” that Miller Industries, Inc. and subsidiaries (Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management’s assessment and an opinion on the effectiveness of the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Miller Industries, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also in our opinion, Miller Industries, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004, of Miller Industries, Inc. and subsidiaries and our report dated February 25, 2005, except for note 6 as to which the date is March 7, 2005, expressed an unqualified opinion on those consolidated financial statements.

/s/ Joseph Decosimo and Company, PLLC  
Chattanooga, Tennessee  
April 30, 2005

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

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

**1. Financial Statements**

<b>Description</b>	<b>Page Number in Report</b>
Report of Independent Accountants	F-2
Consolidated Balance Sheets as of December 31, 2004 and 2003	F-3
Consolidated Statements of Operations for the years ended December 31, 2004, 2003 and 2002	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2004, 2003 and 2002	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002	F-6
Notes to Consolidated Financial Statements	F-7

**2. Financial Statement Schedules**

The following Financial Statement Schedule for the Registrant is filed as part of this Amendment and should be read in conjunction with the Consolidated Financial Statements:

<b>Description</b>	<b>Page Number in Report</b>
Schedule II - Valuation and Qualifying Accounts	S-1

All schedules, except those set forth above, have been omitted since the information required is included in the financial statements or notes or have been omitted as not applicable or not required.

**3. Exhibits**

The following exhibits are filed with this Amendment:

<b>Exhibit Number</b>	<b>Description</b>
23.1	Consent of Joseph Decosimo and Company, PLLC
31.1	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Co-Chief Executive Officer
31.2	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Co-Chief Executive Officer
31.3	Certification Pursuant to Rule 13a-14(a)/15d-14(a) by Chief Financial Officer

(b) The Registrant hereby files as exhibits to this Report the exhibits set forth in Item 15(a)3 hereof.



# **Miller**

**INDUSTRIES, INC**

## **INDEX TO FINANCIAL STATEMENTS**

REPORT OF INDEPENDENT ACCOUNTANTS	F-2
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003	F-3
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002	F-4
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002	F-5
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002	F-6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	F-7
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS	S-1

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTING FIRM

Board of Directors and Shareholders  
Miller Industries, Inc.  
Ooltewah, Tennessee

We have audited the accompanying consolidated balance sheets of Miller Industries, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements and financial statement schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Miller Industries, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 5 to the financial statements, the company changed its method of accounting for intangible assets in 2002.

/s/ Joseph Decosimo and Company, PLLC

Chattanooga, Tennessee  
February 25, 2005, except for note 6 as to which  
the date is March 7, 2005

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2004 AND 2003**

(In thousands, except share data)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and temporary investments	\$ 2,812	\$ 5,240
Accounts receivable, net of allowance for doubtful accounts of \$1,116 and \$1,062, at December 31, 2004 and 2003, respectively	49,336	37,990
Inventories, net	34,994	26,715
Prepaid expenses and other	1,525	1,783
Current assets of discontinued operations held for sale	5,728	23,757
Total current assets	94,395	95,485
<b>PROPERTY, PLANT, AND EQUIPMENT, net</b>	<b>18,762</b>	<b>20,977</b>
<b>GOODWILL</b>	<b>11,619</b>	<b>11,619</b>
<b>OTHER ASSETS</b>	<b>1,918</b>	<b>1,783</b>
<b>NONCURRENT ASSETS OF DISCONTINUED OPERATIONS HELD FOR SALE</b>	<b>1,128</b>	<b>1,954</b>
	<u>\$ 127,822</u>	<u>\$ 131,818</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term obligations	\$ 2,052	\$ 2,050
Accounts payable	36,224	34,164
Accrued liabilities and other	5,736	4,371
Current liabilities of discontinued operations held for sale	10,405	23,764
Total current liabilities	54,417	64,349
<b>LONG-TERM OBLIGATIONS, less current portion</b>	<b>24,345</b>	<b>29,927</b>
<b>NONCURRENT LIABILITIES OF DISCONTINUED OPERATIONS HELD FOR SALE</b>	<b>2,275</b>	<b>9,545</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 6, 8 and 10)</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, none issued or outstanding	0	0
Common stock, \$.01 par value; 100,000,000 shares authorized, 11,182,606 and 9,342,151 outstanding at December 31, 2004 and 2003, respectively	112	93
Additional paid-in capital	157,202	145,090
Accumulated deficit	(112,468)	(117,943)
Accumulated other comprehensive income	1,939	757
Total shareholders' equity	46,785	27,997
	<u>\$ 127,822</u>	<u>\$ 131,818</u>

The accompanying notes are an integral part of these consolidated balance sheets.

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In thousands, except per share data)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>NET SALES</b>			
Towing and recovery equipment	\$ 236,308	\$ 192,043	\$ 203,059
Towing services	-	13,953	28,444
	<u>236,308</u>	<u>205,996</u>	<u>231,503</u>
<b>COSTS AND EXPENSES</b>			
Costs of operations			
Towing and recovery equipment	205,021	168,390	174,516
Towing services	-	10,618	22,539
	<u>205,021</u>	<u>179,008</u>	<u>197,055</u>
Selling, general, and administrative expenses	18,904	17,411	19,540
Loss on sale of business	-	682	-
Interest expense, net	4,657	5,609	4,617
	<u>228,582</u>	<u>202,710</u>	<u>221,212</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>7,726</b>	<b>3,286</b>	<b>10,291</b>
<b>INCOME TAX PROVISION</b>	<b>740</b>	<b>1,216</b>	<b>7,208</b>
	<u>6,986</u>	<u>2,070</u>	<u>3,083</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>6,986</b>	<b>2,070</b>	<b>3,083</b>
<b>DISCONTINUED OPERATIONS</b>			
Loss from discontinued operations, before taxes	(1,371)	(17,260)	(29,697)
Income tax provision (benefit)	140	(1,037)	(2,732)
Loss from discontinued operations, net of taxes	(1,511)	(16,223)	(26,965)
<b>INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>5,475</b>	<b>(14,153)</b>	<b>(23,882)</b>
Cumulative effect of change in accounting principle	-	-	(21,812)
<b>NET INCOME (LOSS)</b>	<b>\$ 5,475</b>	<b>\$ (14,153)</b>	<b>\$ (45,694)</b>
<b>BASIC INCOME (LOSS) PER COMMON SHARE:</b>			
Income from continuing operations	\$ 0.64	\$ 0.22	\$ 0.34
Loss from discontinued operations	(0.14)	(1.74)	(2.89)
Cumulative effect of change in accounting principle	-	-	(2.34)
Basic income (loss)	<u>\$ 0.50</u>	<u>\$ (1.52)</u>	<u>\$ (4.89)</u>
<b>DILUTED INCOME (LOSS) PER COMMON SHARE:</b>			
Income from continuing operations	\$ 0.64	\$ 0.22	\$ 0.34
Loss from discontinued operations	(0.14)	(1.74)	(2.89)
Cumulative effect of change in accounting principle	-	-	(2.34)
Diluted income (loss)	<u>\$ 0.50</u>	<u>\$ (1.52)</u>	<u>\$ (4.89)</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>			
Basic	<u>10,860</u>	<u>9,342</u>	<u>9,341</u>
Diluted	<u>10,982</u>	<u>9,385</u>	<u>9,348</u>



MILLER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(In thousands, except share data)

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
<b>BALANCE, December 31, 2001</b>	\$ 93	\$ 145,088	\$ (58,096 )	\$ (2,242 )	\$ 84,843
Net loss	0	0	(45,694 )	0	(45,694 )
Other comprehensive, net of tax:					
Foreign currency translation adjustments	0	0	0	788	788
Unrealized loss on financial instruments	0	0	0	(240 )	(240 )
Comprehensive loss	0	0	(45,694 )	548	(45,146 )
<b>BALANCE, December 31, 2002</b>	93	145,088	(103,790 )	(1,694 )	39,697
Net loss	0	0	(14,153 )	0	(14,153 )
Other comprehensive, net of tax:					
Foreign currency translation adjustments	0	0	0	2,356	2,356
Unrealized gain on financial instruments	0	0	0	95	95
Comprehensive loss	0	0	(14,153 )	2,451	(11,702 )
Exercise of stock options	0	2	0	0	2
<b>BALANCE, December 31, 2003</b>	93	145,090	(117,943 )	757	27,997
Net income	0	0	5,475	0	5,475
Other comprehensive, net of tax:					
Foreign currency translation adjustments	0	0	0	1,085	1,085
Unrealized gain on financial instruments	0	0	0	97	97
Comprehensive income	0	0	5,475	1,182	6,657
Issuance of common stock for conversion and exchange of subordinated debt and warrants (1,317,700)	13	7,527	0	0	7,540
Issuance of common stock to unaffiliated private investors (480,000)	5	4,230	0	0	4,235
Issuance of common stock to non-employee directors (33,966)	1	328	0	0	329
Exercise of stock options	0	27	0	0	27
<b>BALANCE, December 31, 2004</b>	<u>\$ 112</u>	<u>\$ 157,202</u>	<u>\$ (112,468 )</u>	<u>\$ 1,939</u>	<u>\$ 46,785</u>

The accompanying notes are an integral part of these consolidated statements

**MILLER INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

(In thousands)

	2004	2003	2002
<b>OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 5,475	\$ (14,153)	\$ (45,694)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Loss from discontinued operations	1,511	16,223	26,965
Depreciation and amortization	3,232	3,715	4,354
Amortization of deferred financing costs	798	4,627	2,878
Provision for doubtful accounts	567	492	563
Issuance of non-employee director shares	329	-	-
Cumulative effect of change in accounting principle	-	-	21,812
Loss on disposition of business	-	682	-
(Gain) Loss on disposals of property, plant, and equipment	10	54	(4)
Deferred income tax provision	-	-	3,726
Paid in kind interest	-	-	574
Proceeds from tax refunds	-	-	9,046
Changes in operating assets and liabilities:			
Accounts receivable	(11,199)	7,393	(1,290)
Inventories	(7,288)	2,200	5,286
Prepaid expenses and other	285	(997)	(80)
Other assets	(864)	(277)	(31)
Accounts payable	1,271	7,942	644
Accrued liabilities and other	1,501	(2,231)	(5,767)
Net cash (used in) provided by operating activities from continuing operations	(4,372)	25,670	22,982
Net cash used in operating activities from discontinued operations	(1,341)	(12,292)	(3,392)
Net cash (used in) provided by operating activities	(5,713)	13,378	19,590
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant, and equipment	(695)	(1,178)	(2,647)
Proceeds from sale of property, plant, and equipment	15	51	52
Proceeds from sale of business	-	3,645	-
Payments received on notes receivables	122	808	142
Net cash (used in) provided by investing activities from continuing operations	(558)	3,326	(2,453)
Net cash provided by investing activities from discontinued operations	4,454	5,530	20,691
Net cash provided by investing activities	3,896	8,856	18,238
<b>FINANCING ACTIVITIES:</b>			
Net borrowings (payments) under Senior Credit Facility	3,093	(1,569)	(1,310)
Payments on long-term obligations	(3,542)	(3,301)	(4,948)
Borrowings under long-term obligations	2,039	260	1,007
Additions to deferred financing costs	(522)	(3,080)	(1,699)
Termination of interest rate swap	96	97	(239)
Proceeds from issuance of common stock	4,235	-	-
Proceeds from exercise of stock options	27	2	-
Net cash provided by (used in) financing activities from continuing operations	5,426	(7,591)	(7,189)
Net cash used in financing activities from discontinued operations	(7,910)	(12,667)	(37,161)
Net cash used in financing activities	(2,484)	(20,258)	(44,350)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND TEMPORARY INVESTMENTS</b>			
	293	1,569	508
<b>NET CHANGE IN CASH AND TEMPORARY INVESTMENTS</b>	<b>(4,008)</b>	<b>3,545</b>	<b>(6,014)</b>
<b>CASH AND TEMPORARY INVESTMENTS, beginning of year</b>	<b>5,240</b>	<b>2,097</b>	<b>9,863</b>
<b>CASH AND TEMPORARY INVESTMENTS-DISCONTINUED OPERATIONS, beginning of year</b>	<b>2,154</b>	<b>1,752</b>	<b>-</b>
<b>CASH AND TEMPORARY INVESTMENTS-DISCONTINUED OPERATIONS, end of year</b>	<b>574</b>	<b>2,154</b>	<b>1,752</b>
<b>CASH AND TEMPORARY INVESTMENTS, end of year</b>	<b>\$ 2,812</b>	<b>\$ 2,240</b>	<b>\$ 2,097</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Debt conversion	<u>\$ 7,540</u>	<u>\$ -</u>	<u>\$ -</u>
Cash payments for interest	<u>\$ 4,173</u>	<u>\$ 5,060</u>	<u>\$ 7,392</u>
Cash payments for income taxes	<u>\$ 815</u>	<u>\$ 358</u>	<u>\$ 581</u>

The accompanying notes are an integral part of these consolidated statements



## MILLER INDUSTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. ORGANIZATION AND NATURE OF OPERATIONS

Miller Industries, Inc. and subsidiaries (“the Company”) was historically an integrated provider of vehicle towing and recovery equipment. As further described in Note 2, during the year ended December 31, 2002, the Company’s management and board of directors made the decision to divest of the remainder of its towing services segment, as well as the operations of the distribution group of the towing and recovery equipment segment. At December 31, 2004, the Company had substantially completed this process. The principal markets for the Company’s towing and recovery equipment are approximately 120 independent distributors and users of towing and recovery equipment located primarily throughout North America and other customers throughout the world. The Company’s products are marketed under the brand names of Century, Challenger, Holmes, Champion, Eagle, Jige, Boniface, Vulcan, and Chevron.

#### 2. DISCONTINUED OPERATIONS

During the fourth quarter of the year ended December 31, 2002, the Company’s management and board of directors made the decision to divest of its remaining towing services segment, as well as the operations of the distribution group of the towing and recovery equipment segment.

During the year ended December 31, 2002, the Company disposed of assets of 29 underperforming towing service businesses, as well as assets of other businesses in its towing services segment. Total proceeds from the sales were \$23.5 million which included \$22.7 million in cash and \$0.8 million in notes receivable. Losses on the sales of discontinued operations were \$5.1 million.

During the year ended December 31, 2003, the Company disposed of substantially all of the assets of 16 towing service businesses, as well as assets of other businesses in its towing services segment. Total proceeds from the sales were \$6.8 million which included \$6.6 million in cash and \$0.2 million in notes receivable. Losses on the sales of discontinued operations were \$3.8 million. As of March 1, 2005, only miscellaneous assets from previously sold businesses remain.

During the year ended December 31, 2003, the Company sold one distributor location with total proceeds of approximately \$1.9 million in cash and \$0.8 million subordinated notes receivable. The Company sold seven distributor locations during the year ended December 31, 2004. Total proceeds from these sales were \$3.3 million in cash and \$0.9 million in notes receivable. In accordance with the board of directors’ decision to divest of the distribution group, the Company has entered into negotiations for the disposition of the one remaining location.

In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, the assets for the towing services segment and the distribution group are considered a “disposal group” and are no longer being depreciated. All assets and liabilities and results of operations associated with these assets have been separately presented in the accompanying financial statements as of December 31, 2002 as discontinued operations. Results of operations for the towing services segment and the distribution group reflect interest expense for debt directly attributing to these businesses, as well as an allocation of corporate debt based on intercompany balances.

The results of operations and loss on disposal associated with certain towing services businesses, which were sold in June 2003, have been reclassified from discontinued operations to continuing operations given the Company’s continuing involvement in the operations of the disposal components via a consulting agreement, and the Company’s ongoing interest in the cash flows of the operations of the disposal components via a long-term license agreement that was finalized at the time of the sale. The Company applied this change retroactively by adjusting the Consolidated Statement of Operations and the Consolidated Statements of Cash Flows.

The operating results for the discontinued operations of the towing services segment and the distributor group for the years ended December 31, 2004, 2003 and 2002 were as follows (in thousands):

	2004			2003			2002		
	Dist.	Towing	Total	Dist.	Towing	Total	Dist.	Towing	Total
Net Sales	\$ 37,810	\$ -	\$ 37,810	\$ 68,724	\$ 8,356	\$ 77,080	\$ 85,353	\$ 93,124	\$ 178,477
Operating income (loss)	(659 )	(111 )	(770 )	(371 )	(2,764 )	(3,135 )	80	(5,730 )	(5,650 )
Net loss before taxes	(1,244 )	(127 )	(1,371 )	(6,449 )	(10,811 )	(17,260 )	(6,370 )	(23,327 )	(29,697 )
Loss from discontinued operations	(1,276 )	(235 )	(1,511 )	(6,607 )	(9,616 )	(16,223 )	(6,930 )	(20,035 )	(26,965 )

The following assets and liabilities are reclassified as held for sale at December 31, 2004 and 2003 (in thousands):

	2004			2003		
	Dist.	Towing	Total	Dist.	Towing	Total
Cash and temporary investments	\$ 574	\$ -	\$ 574	\$ 2,154	\$ -	\$ 2,154
Accounts receivable, net	1,444	492	1,936	3,603	1,150	4,753
Inventories	3,144	-	3,144	14,266	-	14,266
Prepaid expenses and other current assets	74	-	74	157	2,427	2,584
Current assets of discontinued operations held for sale	<u>\$ 5,236</u>	<u>\$ 492</u>	<u>\$ 5,728</u>	<u>\$ 20,180</u>	<u>\$ 3,577</u>	<u>\$ 23,757</u>
Property, plant and equipment	16	1,112	1,128	22	1,932	1,954
Noncurrent assets of discontinued operations held for sale	<u>\$ 16</u>	<u>\$ 1,112</u>	<u>\$ 1,128</u>	<u>\$ 22</u>	<u>\$ 1,932</u>	<u>\$ 1,954</u>
Current portion of long-term debt	223	442	665	852	928	1,780
Accounts payable	1,932	4,596	6,528	3,644	8,416	12,060
Accrued liabilities and other	637	2,575	3,212	4,792	5,132	9,924
Current liabilities of discontinued operations held for sale	<u>\$ 2,792</u>	<u>\$ 7,613</u>	<u>\$ 10,405</u>	<u>\$ 9,288</u>	<u>\$ 14,476</u>	<u>\$ 23,764</u>
Long-term debt	2,275	-	2,275	9,094	451	9,545
Noncurrent liabilities of discontinued operations held for sale	<u>\$ 2,275</u>	<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ 9,094</u>	<u>\$ 451</u>	<u>\$ 9,545</u>

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Use of Estimates in the Preparation of Financial Statements

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.

#### Consolidation

The accompanying consolidated financial statements include the accounts of Miller Industries, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

#### Cash and Temporary Investments

Cash and temporary investments include all cash and cash equivalent investments with original maturities of three months or less.

## Fair Value of Financial Instruments

The carrying values of cash and temporary investments, accounts receivable, accounts payable, and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments. The carrying values of long-term obligations are reasonable estimates of their fair values based on the rates available for obligations with similar terms and maturities.

## Inventories

Inventory costs include materials, labor, and factory overhead. Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. Inventories for continuing operations at December 31, 2004 and 2003 consisted of the following (in thousands):

	<u>2004</u>	<u>2003</u>
Chassis	\$2,556	\$4,286
Raw materials	15,667	10,253
Work in process	10,338	7,892
Finished goods	6,433	4,284
	<u>\$34,994</u>	<u>\$26,715</u>

## Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are used for income tax reporting purposes. Estimated useful lives range from 20 to 30 years for buildings and improvements and 5 to 10 years for machinery and equipment, furniture and fixtures, and software costs. Expenditures for routine maintenance and repairs are charged to expense as incurred. Expenditures related to major overhauls and refurbishments of towing services equipment that extend the related useful lives are capitalized. Internal labor is used in certain capital projects.

Property, plant, and equipment for continuing operations at December 31, 2004 and 2003 consisted of the following (in thousands):

	<u>2004</u>	<u>2003</u>
Land	\$1,783	\$1,764
Buildings and improvements	19,207	18,956
Machinery and equipment	12,153	11,500
Furniture and fixtures	5,094	5,587
Software costs	6,192	6,142
	44,429	43,949
Less accumulated depreciation	(25,667 )	(22,972 )
	<u>\$18,762</u>	<u>\$20,977</u>

The Company recognized \$3,092,000, \$3,570,000 and \$4,192,000, in depreciation expense for continuing operations in 2004, 2003 and 2002, respectively. Depreciation expense for discontinued operations was \$148,000 and \$2,196,000 in 2003 and 2002, respectively, and is included in the loss from discontinued operations in the consolidated statement of operations.

The Company capitalizes costs related to software development in accordance with established criteria, and amortizes those costs to expense on a straight-line basis over five years. System development costs not meeting proper criteria for capitalization are expensed as incurred.

### **Income (Loss) Per Common Share**

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common and potential dilutive common shares outstanding. Diluted net income per common share takes into consideration the assumed exercise of outstanding stock options resulting in approximately 122,000, 43,000 and 7,000, potential dilutive common shares in 2004, 2003 and 2002, respectively.

### **Goodwill and Long-Lived Assets**

Goodwill is accounted for in accordance with SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". Upon adoption of these standards in January 2002, the Company ceased to amortize goodwill (see Note 5 for further discussion).

In accordance with SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets", management evaluates the carrying value of long-lived assets when significant adverse changes in economic value of these assets requires an analysis, including property and equipment and other intangible assets. With the adoption of SFAS No. 144, in January 2002, a long-lived asset is considered impaired when its fair value is less than its carrying value. In that event, a loss is calculated based on the amount the carrying value exceeds the fair value which is estimated based on future cash flows. Prior to adopting SFAS No. 144, a long-lived asset was considered impaired when undiscounted cash flows or fair value, whichever was more readily determinable, to be realized from such asset was less than the carrying value.

### **Patents, Trademarks, and Other Purchased Product Rights**

The cost of acquired patents, trademarks, and other purchased product rights is capitalized and amortized using the straight-line method over various periods not exceeding 20 years. Total accumulated amortization of these assets was \$1,415,000 and \$1,275,000, for continuing operations at December 31, 2004 and 2003, respectively. Amortization expense for continuing operations in 2004, 2003 and 2002 was \$140,000, \$145,000 and \$162,000, respectively. Amortization expense for discontinued operations was \$149,000 in 2002, and is included in the loss from discontinued operations in the consolidated statement of operations. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for the succeeding five years are as follows: 2005 - \$139,000; 2006 - \$113,000; 2007 - \$0; 2008 - \$0; 2009 - \$0. As acquisitions and dispositions of intangible assets occur in the future, these amounts may vary.

### **Deferred Financing Costs**

All deferred financing costs are included in other assets of continuing operations and are amortized over the terms of the respective obligations. Total accumulated amortization of deferred financing costs at December 31, 2004 and 2003 was \$1,093,000 and \$300,000, respectively. Amortization expense in 2004, 2003 and 2002, was \$798,000, \$4,627,000 and \$2,878,000, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

## Accrued Liabilities and Other

Accrued liabilities and other consisted of the following for continuing operations at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Accrued wages, commissions, bonuses, and benefits	\$3,317	\$2,747
Accrued income taxes	85	204
Other	<u>2,334</u>	<u>1,420</u>
	<u>\$5,736</u>	<u>\$4,371</u>

## Stock-Based Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". The Company has adopted the disclosure option of SFAS No. 123, "Accounting for Stock-Based Compensation". Accordingly, no compensation cost has been recognized for stock option grants since the options have exercise prices equal to the market value of the common stock at the date of grant.

For SFAS No. 123 purposes, the fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for grants in 2004 and 2002, respectively: expected dividend yield of 0%; expected volatility of 43% and 84%; risk-free interest rate of 2.94% and 3.84%; and expected lives of 5.5 years for 2004 and 3.0 years for 2002. Using these assumptions, the fair value of options granted in 2004 and 2002 is approximately \$1,242,000 and \$53,000, respectively, which would be amortized as compensation expense over the vesting period of the options. No options were granted during 2003.

Had compensation cost for stock option grants in 2004, 2003 and 2002 been determined based on the fair value at the grant dates consistent with the method prescribed by SFAS No. 123, the Company's net income (loss) and net income (loss) per common share would have been adjusted to the pro forma amounts indicated below (in thousands, except per share data):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net income (loss) available to common stockholders, as reported	\$5,475	\$(14,153 )	\$(45,694 )
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	<u>(262 )</u>	<u>(265 )</u>	<u>(400 )</u>
Net income (loss) available to common stockholders, pro forma	<u>\$5,213</u>	<u>\$(14,418 )</u>	<u>\$(46,094 )</u>
Income (loss) per common share:			
Basic, as reported	\$0.50	\$(1.52 )	\$(4.89 )
Diluted, as reported	\$0.50	\$(1.52 )	\$(4.89 )
Basic, pro forma	\$0.48	\$(1.54 )	\$(4.93 )
Diluted, pro forma	\$0.48	\$(1.54 )	\$(4.93 )

## Product Warranty

The Company provides a one-year limited product and service warranty on certain of its products. The Company provides for the estimated cost of this warranty at the time of sale. Warranty expense for continuing operations in 2004, 2003 and 2002, was \$1,520,000, \$1,547,000 and \$1,489,000, respectively.

The table below provides a summary of the warranty liability for December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Accrual at beginning of the year	\$639	\$554
Provision	1,520	1,547
Settlement	<u>(1,494 )</u>	<u>(1,462 )</u>
Accrual at end of year	<u>\$665</u>	<u>\$639</u>

### Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable. The Company places its cash investments with high-quality financial institutions and limits the amount of credit exposure to any one institution. The Company's trade receivables are primarily from independent distributors of towing and recovery equipment and towing service customers. Such receivables are generally not collateralized for towing service customers. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.

### Revenue Recognition

Revenue is recorded by the Company when equipment is shipped to independent distributors or other customers. Revenue from towing services (discontinued operations) is recognized when services are performed.

### Financial Instruments

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. Changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The adoption of SFAS No. 133 did not have a material effect on the Company's financial statements. See Note 8 for additional discussions.

### Foreign Currency Translation

The functional currency for the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date, historical rates for equity and the weighted average exchange rate during the period for revenue and expense accounts. The gains or losses resulting from such translations are included in shareholders' equity. For intercompany debt denominated in a currency other than the functional currency, the remeasurement into the functional currency is also included in stockholders' equity as the amounts are considered to be of a long-term investment nature.

### Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151 "Inventory Costs - an amendment of ARB No. 43, Chapter 4". This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage. This statement also requires the allocation of fixed production overhead costs be based on normal production capacity. The provisions of SFAS No. 151 are effective for inventory costs beginning in January 2006, with adoption permitted for inventory costs incurred beginning in January 2005. The adoption of this statement will not have a material impact on the Company's results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". This statement requires the determination of the fair value of share-based compensation at the grant date and the recognition of the related compensation expense over the period in which the share-based compensation vests. As required by SFAS No. 123R, the Company will adopt the new accounting standard effective July 1, 2005. The Company will transition the new guidance using the modified prospective method. The Company expects the application of the expensing provision of SFAS No. 123R will result in pretax expense of approximately \$168,000 in the second half of 2005. Applying the same assumptions used for the 2004 pro forma disclosure in Note 3, the Company estimates its pretax expense associated with previous stock option grants to be approximately \$308,000 in each of 2006 and 2007, and \$77,000 in 2008.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets-an amendment of APB Opinion No. 29". SFAS No. 153 addresses the measurement of exchanges of nonmonetary assets. It eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29 "Accounting for Nonmonetary Transactions" and replaces it with an exception for exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. As required by SFAS No. 153, the Company will adopt this new accounting standard effective July 1, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's financial statements.

#### **Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation, with no impact on previously reported shareholders' equity or net income (loss).

#### **4. SPECIAL CHARGES**

The Company periodically reviews the carrying amount of long-lived assets and goodwill in both its towing services and towing equipment segments to determine if those assets may be recoverable based upon the future operating cash flows expected to be generated by those assets. As a result of such review, the Company concluded that the carrying value of such assets of certain towing services businesses and certain assets within the Company's towing and recovery equipment segment were not fully recoverable.

Charges of \$3,792,000 and \$10,191,000 were recorded in 2003 and 2002, respectively, to write-down the carrying value of certain long-lived assets (primarily property and equipment) and other special changes in related markets to estimated fair value. The Company determined fair value for these assets on a market by market basis taking into consideration various factors affecting the valuation in each market.

The Company also reviewed the carrying values of the goodwill associated with certain investments within its towing and recovery equipment segment. This evaluation indicated that the recorded amounts of goodwill for certain of these investments were not fully recoverable. The Company recorded \$1,113,000 and \$1,637,000 of additional costs related to the write-down of the carrying value of other long-lived assets of its towing and recovery equipment segment in 2003 and 2002, respectively.

Management believes its long-lived assets are appropriately valued following the impairment charges.

#### **5. GOODWILL AND OTHER LONG-LIVED ASSETS**

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" (collectively the "Standards"). The Standards were effective for fiscal years beginning after December 15, 2001. SFAS No. 141 requires companies to recognize acquired identifiable intangible assets separately from goodwill if control over the future economic benefits of the asset results from contractual or other legal rights or the intangible asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged. The Standards require the value of a separately identifiable intangible asset meeting any of the criteria to be measured at its fair value. SFAS No. 142 requires that goodwill not be amortized and that amounts recorded as goodwill be tested for impairment. Annual impairment tests have to be performed at the lowest level of an entity that is a business and that can be distinguished, physically and operationally and for internal reporting purposes, from the other activities, operations, and assets of the entity.

Upon adoption of SFAS No. 142 in January 2002, the Company ceased to amortize goodwill. In lieu of amortization, the Company performed an initial impairment review of goodwill in 2002 and annual impairment reviews thereafter. As a result of impairment reviews, the Company wrote-off goodwill of \$2,886,000 in the towing equipment segment and \$18,926,000 in the towing services segment during 2002. The write-off has been accounted for as a cumulative effect of change in accounting principle to reflect application of the new accounting standards.



## 6. LONG-TERM OBLIGATIONS AND LINE OF CREDIT

### Long-Term Obligations

Long-term obligations consisted of the following for continuing operations at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Outstanding borrowings under Senior Credit Facility	\$19,987	\$13,448
Outstanding borrowings under Junior Credit Secured Facility	4,211	16,743
Mortgage notes payable, weighted average interest rate of 5.25%, payable in monthly installments, maturing 2005 to 2009	1,991	1,304
Equipment notes payable, weighted average interest rate of 9.97%, payable in monthly installments, maturing 2005 to 2009	133	349
Other notes payable, weighted average interest rate of 6.38%, payable in monthly installments, maturing 2005 to 2006	75	133
	<u>26,397</u>	<u>31,977</u>
Less current portion	<u>(2,052)</u>	<u>(2,050)</u>
	<u>\$24,345</u>	<u>\$29,927</u>

The December 31, 2004 and 2003 figures do not include \$2.9 million and \$10.4 million, respectively, outstanding under the Senior Credit Facility relating to discontinued operations. Obligations under the Senior Credit Facility are allocated to discontinued operations based on the assets used to determine borrowing availability for collateral reporting. Certain equipment and manufacturing facilities are pledged as collateral under the mortgage and equipment notes payable.

### 2001 Credit Facility

*Senior Credit Facility.* In July 2001, the Company entered into a four year Senior Credit Facility (the "Senior Credit Facility") with a syndicate of lenders to replace its existing credit facility. The Senior Credit Facility has been amended several times. The current lenders under the Senior Credit Facility are William G. Miller, the Company's Chairman of the Board and Co-Chief Executive Officer, and CIT Group/Business Credit, Inc. ("CIT"), with Mr. Miller's portion of the loan being subordinated to that of CIT. As discussed in further detail below, the Senior Credit Facility is scheduled to mature in July 2005, but the Company has been granted an option, exercisable through July 10, 2005, to extend the maturity date to July 2006.

As amended, the Senior Credit Facility consists of an aggregate \$32.0 million credit facility, including a \$15.0 million revolving loan, a \$5.0 million term loan and a \$12.0 million term loan. The revolving credit facility provides for separate and distinct loan commitment levels for the Company's towing and recovery equipment segment and RoadOne segment, respectively.

Borrowing availability under the revolving portion of the Senior Credit Facility is based on a percentage of eligible inventory and accounts receivable (determined on eligibility criteria set forth in the credit facility) and subject to a maximum borrowing limitation. Borrowings under the term loans are collateralized by substantially all of the Company's domestic property, plants, and equipment. The Company is required to make monthly amortization payments of \$167,000 on the first term loan, but the amortization payments due on November 1, 2003, December 1, 2003, and January 1, 2004 were deferred until the maturity date. The Senior Credit Facility bears interest at the prime rate (as defined) plus 2.75%, subject to the rights of the senior lender agent or a majority of the lenders to charge a default rate equal to the prime rate (as defined) plus 4.75% during the continuance of any event of default thereunder.



The Senior Credit Facility contains requirements relating to maintaining minimum excess availability at all times and minimum monthly levels of earnings before income taxes and depreciation and amortization (as defined) based on the most recently ended trailing three month period. In addition, the Senior Credit Facility contains restrictions on capital expenditures, incurrence of indebtedness, mergers and acquisitions, distributions and transfers and sales of assets. The Senior Credit Facility also contains requirements related to weekly and monthly collateral reporting.

*Junior Credit Facility.* The Company's Junior Credit Facility (the "Junior Credit Facility") is, by its terms, expressly subordinated only to the Senior Credit Facility, and is secured by certain specified assets and by a second priority lien and security interest in substantially all of the Company's other assets. As amended, the Junior Credit Facility contains requirements for the maintenance of certain financial covenants. It also imposes restriction on capital expenditures, incurrence of indebtedness, mergers and acquisitions, distributions and transfers and sales of assets.

Contrarian Funds, LLC ("Contrarian") purchased all of the outstanding debt of the Junior Credit facility in a series of transactions during the second half of 2003. As part of its purchase, Contrarian also purchased warrants for shares of the Company's common stock, which were subsequently exchanged for shares of the Company's common stock as described in further detail below and in Note 7. In November 2003, Harbourside Investments, LLLP ("Harbourside") purchased 44.286% of the subordinated debt and warrants from Contrarian. (See Note 7 below).

As described in further detail below under the heading "2003 and 2004 Amendments and Restructuring" in February 2004, Contrarian and Harbourside finalized the conversion of approximately \$7.0 million in subordinated debt for common stock of the Company. In connection with this purchase and restructuring of the Company's debt, the Junior Credit Facility was amended to, among other things, extend its maturity date and bear interest at an effective blended rate of 14.0%.

In May 2004 the Company completed the sale of 480,000 shares of its common stock at a price of \$9.00 per share to a small group of unaffiliated private investors. The proceeds of this sale, together with additional borrowings under the Senior Credit Facility, were used to retire approximately \$5.4 million principal amount of the Junior Credit Facility and approximately \$350,000 of accrued interest on such debt. The Company's remaining Junior Credit Facility obligations consist of approximately \$4.2 million principal amount bearing interest at an annual rate of 9.0%.

In November 2004, the Junior Credit Facility was amended to extend its maturity date to January 1, 2006.

*Maturity of Credit Facilities.* The Senior Credit Facility is scheduled to mature in July 2005, and the Junior Credit Facility matures in January 2006. The Company will be required to repay, refinance or extend the maturity dates of these Facilities when they mature. The Company has been granted an option, exercisable through July 10, 2005, to extend the maturity date of the Senior Credit Facility until July 2006, but there can be no assurance that the Company will be able to repay, refinance or further amend either of these Facilities when they finally mature. The Company currently is engaged in negotiations that would result in a longer term senior credit facility, but there can be no assurance that the Company will be able to complete any such transaction on satisfactory terms, if at all.

*Interest Rate Sensitivity.* Because of the amount of obligations outstanding under the Senior and Junior Credit Facilities and the connection of the interest rate under each Facility (including the default rates) to the prime rate, an increase in the prime rate could have a significant effect on the Company's ability to satisfy its obligations under the Facilities and increase its interest expense significantly. Therefore, the Company's liquidity and access to capital resources could be further affected by increasing interest rates.

*Prior Default of Credit Facilities.* The Company's failure to repay all outstanding principal, interest and any other amounts due and owing under the Junior Credit Facility at its original July 23, 2003 maturity date constituted an event of default under the Junior Credit Facility and also triggered an event of default under the cross default provisions of the Senior Credit Facility. Additionally, the Company was in default of the EBITDA covenant under the Junior Credit Facility only for the first quarter of calendar 2003. The Company was also in default under both the Senior and Junior Credit Facility as a result of the "going concern" explanatory paragraph included in the report of our prior auditor (which going concern qualification was removed, and an unqualified report subsequently delivered, in connection with the recent re-audit of the Company's 2002 financial statements by its current auditor), as well as the failure to file its Annual Report for the fiscal year ended December 31, 2002 prior to April 30, 2003.

Pursuant to the terms of the intercreditor agreement between the then-existing senior and junior lenders, the junior lender agent and the junior lenders were prevented from taking any enforcement action or exercising any remedies against the Company, its subsidiaries or its respective assets as a result of such events of default during a standstill period. On July 29, 2003, the junior lender agent gave a notice of enforcement to the senior lender agent based upon the event of default for failure to repay the outstanding obligations under the Junior Credit Facility on the Junior Credit Facility's maturity date. On August 5, 2003, the senior agent gave a payment blockage notice to the junior agent based upon certain events of default under the Senior Credit Facility, thereby preventing the junior agent and junior lenders from receiving any payments from the Company in respect of the Junior Credit Facility while such blockage notice remains in effect.

*2003 and 2004 Amendments and Restructuring.* On October 31, 2003, the Company entered into a forbearance agreement with the then-existing lenders and the senior lender agent under the Senior Credit Facility, pursuant to which, among other things, the senior lenders agreed to forbear from exercising any remedies in respect of the defaults then existing under the Senior Credit Facility as a result of (i) the failure to timely deliver financial statements for fiscal year 2002 and the failure to deliver a report of the Company's independent certified public accountants which is unqualified in any respect, as well as the event of default under the Senior Credit Facility caused by the event of default arising from such failure under the Junior Credit Facility; (ii) the failure to fulfill certain payment obligations to the junior lenders under the Junior Credit Facility; and (iii) the failure to fulfill certain financial covenants in the Junior Credit Facility for one or more of the quarters ending in 2003, which failure would constitute an event of default under the Senior Credit Facility. The forbearance period under the forbearance agreement was to expire on the earlier of (x) December 31, 2003, (y) the occurrence of certain bankruptcy type events in respect of the Company or any of its subsidiaries, and (z) the failure by the Company or any of its subsidiaries that are borrower parties under the Senior Credit Facility to perform the obligations under the Senior Credit Facility or the forbearance agreement. Under the forbearance agreement, the senior lenders and the senior lender agent did not waive their rights and remedies with respect to the existing senior facility defaults, but agreed to forbear from exercising rights and remedies with respect to the existing senior facility defaults solely during the forbearance period.

Simultaneous with entering into the forbearance agreement, William G. Miller, the Chairman of the Board and Co-Chief Executive Officer of the Company, made a \$2.0 million loan to the Company as a part of the Senior Credit Facility. The loan and Mr. Miller's participation in the Senior Credit Facility were effected by the Seventh Amendment to the credit agreement and a participation agreement between Mr. Miller and the Senior Credit Facility lenders.

On December 24, 2003, Mr. Miller increased his previous \$2.0 million participation in the existing Senior Credit Facility by an additional \$10.0 million. These funds, along with additional funds from CIT, an existing senior lender, were used to satisfy the obligations to two of the other existing senior lenders. This transaction resulted in CIT and Mr. Miller constituting the senior lenders to the Company, with CIT holding 62.5% of such loan and Mr. Miller participating in 37.5% of the commitment. Mr. Miller's portion of the loan is subordinated to that of CIT.

In conjunction with Mr. Miller's increased participation, the Senior Credit Facility was restructured and restated as a \$15.0 million revolving facility and \$12.0 million and \$5.0 million term loans. As a result of this restructuring, all previously existing defaults under the Senior Credit Facility were waived, the interest rate was lowered by 2.0% to reflect a non default rate, fees attributable to RoadOne of \$30,000 per month were eliminated, the financial covenants were substantially relaxed, and availability under the Senior Credit Facility was increased by approximately \$5.0 million. The senior lending group, consisting of CIT and Mr. Miller, earned fees of \$850,000 in connection with the restructuring, including previously unpaid fees of \$300,000 for the earlier forbearance agreement through December 31, 2003 and \$550,000 for the restructuring of the loans described above. Of these fees, 37.5% (\$318,750) were paid to Mr. Miller and the remainder (\$531,250) were paid to CIT. In addition, the Company will pay additional interest at a rate of 1.8% on Mr. Miller's portion of the loan, which is in recognition of the fact that Mr. Miller's rights to payments and collateral are subordinate to those of CIT. This transaction was approved by the Special Committee of the Board, as well as the full Board of Directors with Mr. Miller abstaining due to his personal interest in the transaction.

In order to enter into this restructuring of the Senior Credit Facility, CIT required that the junior lenders agree to extend the standstill and payment blockage periods, which were to expire at the end of April 2004, until July 31, 2005, which is after the July 23, 2005 maturity of the senior debt. The junior facility lenders were unwilling to extend such standstill and payment blockage dates without the conversion provisions described above having been committed to by the Company, subject only to shareholder approval of the conversion by Harbourside. As a result, the restructuring of the senior debt facility and the conversion and exchange of subordinated debt and warrants described above were cross conditioned upon each other and agreements effecting them were entered into simultaneously on December 24, 2003.

To effectuate the conversion and exchange of the subordinated debt and warrants, the Company entered into a Binding Restructuring Agreement with Contrarian and Harbourside on December 24, 2003. Under this agreement, Contrarian and Harbourside agreed to an exchange transaction where they would extend the maturity date of 70.0% of the outstanding principal amount of the junior debt, approximately \$9.75 million, convert the remaining 30.0% of the outstanding principal, plus all accrued interest and fees, into the Company's common stock and convert the warrants into the Company's common stock. This agreement contemplated that the conversions would be further documented in separate exchange agreements and also contemplated registration rights agreements. The Binding Restructuring Agreement also outlined the terms for amending the Junior Credit Facility to extend its maturity date to July 31, 2005 (which is after the July 23, 2005 maturity date of the Senior Credit Facility), to provide for an interest rate on the remaining debt of Contrarian at 18.0% and the remaining debt of Harbourside at a reduced rate (which was ultimately agreed to be 9.0%), to provide for financial covenants that match those of the Senior Credit Facility and to make other amendments to the Junior Credit Facility consistent with amendments made to the Senior Credit Facility as it was amended on December 24, 2003. The disparity in the interest rates to be earned by Contrarian and Harbourside is caused by Contrarian negotiating an interest rate of 18.0% as a condition to it entering into the Binding Restructuring Agreement, as a result of which Harbourside agreed to reduce the rate to be received by it to 9.0% so that the Company would continue to pay an effective blended interest rate of 14.0% on the aggregate of the subordinated debt following the exchange transactions. At the same time, Contrarian and Harbourside entered into an agreement with the senior lenders to extend the maturity date of the subordinated debt that they would continue to hold.

In January 2004, the Company entered into separate exchange agreements with Contrarian and Harbourside, a registration rights agreement with Contrarian and Harbourside and an amendment to the Junior Credit Facility with Contrarian and Harbourside, all as contemplated in the Binding Restructuring Agreement. Additional details regarding the specific terms of the exchange agreements can be found in Note 7 "Related Party Transactions". Under the amendment to the Junior Credit Facility, the maturity of the remaining subordinated debt was extended and the interest rates thereon were altered and the financial covenants were amended to match those in the Senior Credit Facility, which had been substantially relaxed in the Company's favor on December 24, 2003.

Future maturities of long-term obligations at December 31, 2004 are as follows (in thousands):

	<b>Continuing Operations</b>	<b>Discontinued Operations</b>	<b>Total</b>
2005	\$2,052	\$665	\$2,717
2006	22,573	2,275	24,848
2007	129	-	129
2008	135	-	135
2009	1,508	-	1,508
Thereafter	-	-	-
	<u>\$26,397</u>	<u>\$2,940</u>	<u>\$29,337</u>

## 7. RELATED PARTY TRANSACTIONS

### Subordinated Debt and Warrant Conversion

Harbourside Investments LLLP is a limited liability limited partnership of which several of the Company's executive officers and directors are partners. Specifically, William G. Miller is the general partner of, and controls, Harbourside. Mr. Miller is the Company's Chairman of the Board and Co-Chief Executive Officer, as well as the holder of approximately 16% of the Company's outstanding common stock. Mr. Miller, Jeffrey I. Badgley, the Company's President and Co-Chief Executive Officer, J. Vincent Mish, the Company's Executive Vice President and Chief Financial Officer, and Frank Madonia, the Company's Executive Vice President, Secretary and General Counsel, are all limited partners in Harbourside. In connection with the formation of Harbourside, Mr. Miller made loans to the other executive officers, the proceeds of which the other executive officers then contributed to Harbourside. These loans from Mr. Miller to the other executive officers are secured by pledges of their respective limited partnership interests to Mr. Miller.

As partners of Harbourside, each of Messrs. Miller, Badgley, Mish and Madonia indirectly received shares of common stock in exchange for the subordinated debt and warrants held by Harbourside. As general partner of Harbourside, Mr. Miller has sole voting power over the shares of common stock that Harbourside received in the exchange. This transaction was approved by the Special Committee of the Board, as well as the full Board of Directors with Messrs. Miller and Badgley abstaining due to their personal interest in the transaction. The transaction was subsequently approved by the Company's shareholders at a meeting on February 12, 2004. Other than the exchange, the Company has not engaged in any transactions with Harbourside. Neither the Company nor Harbourside currently intend to engage in any other transactions in the future except as may be related to Harbourside's continuing ownership of a portion of the subordinated debt.

On November 24, 2003, Harbourside purchased from Contrarian 44.286% of (i) the Company's subordinated debt under its Junior Credit Facility and (ii) warrants to purchase 186,028 shares of the Company's common stock held by Contrarian. Contrarian had previously purchased all of the Company's outstanding subordinated debt in a series of transactions during the second half of 2003. As a result of this transaction, Harbourside acquired (x) approximately \$6.1 million of the outstanding principal of subordinated debt plus accrued interest and fees attributable to this outstanding principal and (y) warrants to purchase an aggregate of 82,382 shares of the Company's common stock, consisting of warrants to purchase up to 20,998 shares at an exercise price of \$3.48 and 61,384 shares at an exercise price of \$3.27. Contrarian retained the remaining principal outstanding under the Junior Credit Facility, which is approximately \$7.7 million, plus related interest and fees thereon of approximately \$1.7 million, and the remaining warrants to purchase 103,646 shares of common stock.

On January 14, 2004, the Company entered into an exchange agreement with Harbourside, pursuant to which it later issued 583,556 shares of the Company's common stock upon shareholder approval in exchange for approximately \$1.8 million principal amount of, plus approximately \$1.3 million of accrued interest and fees thereon.

Under the Exchange Agreement, Harbourside retained 70% of the outstanding principal amount of the subordinated debt that it held and converted the remaining 30% of the outstanding principal amount of such debt plus all accrued interest and commitment fees thereunder into shares of the Company's common stock. Immediately prior to entering into the Exchange Agreement, Harbourside held approximately \$7.5 million of the Company's subordinated debt, consisting of approximately \$6.1 million of outstanding principal and approximately \$1.3 million of accrued interest and fees. Harbourside continues to hold approximately \$4.3 million principal amount of subordinated debt and converted approximately \$3.2 million of the subordinated debt (30% of \$6.1 million principal amount, plus approximately \$1.3 million of accrued interest and fees) into 548,738 shares of the Company's common stock. In addition, Harbourside received 34,818 shares of the Company's common stock in exchange for the warrants to purchase 82,382 shares of the Company's common stock. The Company paid Harbourside approximately \$300,000 in interest expense on the subordinated holdings.

The subordinated debt was originally issued pursuant to that certain Amended and Restated Credit Agreement, dated July 23, 2001, as amended, by and among the Company and Miller Industries Towing Equipment, Inc., a Delaware corporation and Bank of America, N.A. in its capacity as a lender, and certain other financial institutions. This Junior Credit Facility and the notes issued pursuant to it are subordinate to the Senior Credit Facility which was also

entered into on July 23, 2001. The subordinated debt had an original aggregate principal amount of \$14.0 million bearing interest at the prime rate plus 6.0% per annum and at the time of Contrarian's purchases had an outstanding principal amount of approximately \$13.9 million bearing interest at the default rate of 14% per annum. The original maturity date of the subordinated debt was July 23, 2003. The total amount outstanding on the subordinated debt as of January 14, 2004, including accrued interest and commitment fees, was approximately \$16.8 million with an interest rate of 14% per annum continuing to apply.

As a part of its purchases of the subordinated debt, Contrarian also purchased warrants, or the rights to receive warrants, to purchase 186,028 shares of the Company's common stock. The Company issued these warrants to the initial lenders under the Junior Credit Facility pursuant to a Warrant Agreement, dated July 23, 2001, by and among the Company and the initial lenders. The 186,028 total consists of warrants issued in July 2002 for the purchase of 47,417 shares of the Company's common stock at an exercise price of \$3.48 and warrants issued in October 2003 for 138,611 shares of common stock at an exercise price of \$3.27. Other than these transactions relating to the subordinated debt and the warrants, which it purchased without the Company's involvement, Contrarian has no relationship with the Company or Harbourside.

### **Senior Credit Facility**

Simultaneously with entering into a forbearance agreement on October 31, 2003 with respect to the Senior Credit Facility, Mr. Miller made a \$2.0 million loan to the Company as a part of the Senior Credit Facility. The loan to the Company and Mr. Miller's participation in the Senior Credit Facility were effected by an amendment to the credit agreement and a participation agreement between Mr. Miller and the Senior Credit Facility lenders.

On December 24, 2003, Mr. Miller increased his \$2.0 million participation in the existing Senior Credit Facility by an additional \$10.0 million. These funds, along with additional funds from CIT, were used to satisfy the Company's obligations to two of the existing senior lenders with the result being that CIT, an existing senior lender, and Mr. Miller constituted the senior lenders to the Company, with CIT holding 62.5% of such loan and Mr. Miller participating in 37.5% of the loan. Mr. Miller's portion of the loan is subordinated to that of CIT. The Company paid Mr. Miller approximately \$900,000 in interest expense related to his portion of the senior credit facility.

In conjunction with Mr. Miller's increased participation, the Senior Credit Facility was restructured and restated as a \$15.0 million revolving facility and \$12.0 million and \$5.0 million term loans. The senior lending group, consisting of CIT and Mr. Miller, earned fees of \$850,000 in connection with the restructuring, including previously unpaid fees of \$300,000 for the earlier forbearance agreement through December 31, 2003 and \$550,000 for the restructuring of the loans described above. Of these fees, 37.5% (\$318,750) were paid to Mr. Miller and the remainder (\$531,250) were paid to CIT. In addition, the Company will pay additional interest at a rate of 1.8% on Mr. Miller's portion of the loan, which is in recognition of the fact that Mr. Miller's rights to payments and collateral are subordinate to those of CIT. This transaction was approved by the Special Committee of the Board, as well as the full Board of Directors with Mr. Miller abstaining due to his personal interest in the transaction.

## **8. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", establishes accounting and reporting standards requiring that every derivative instrument (including certain derivatives embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item on the income statement, and requires that the Company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

In October 2001, the Company obtained interest rate swaps as required by terms in its Senior Credit Facility to hedge exposure to market fluctuations. The interest rate swaps cover \$40.0 million in notional amounts of variable rate debt and with fixed rates ranging from 2.535% to 3.920%. The swaps expired annually from October 2002 to October 2004. Because the Company hedges only with derivatives that have high correlation with the underlying transaction pricing, changes in derivatives fair values and the underlying pricing largely offset. Upon expiration of these hedges, the amount recorded in Other Comprehensive Loss will be reclassified into earnings as interest. In



2002, the borrowing base was converted from LIBOR to prime, which rendered the swap ineffective as a hedge. Accordingly, concurrent with the conversion, the Company prematurely terminated the swap in 2002 at a cost of \$341,000. The resulting loss was recorded in Other Comprehensive Loss in 2002 and is being reclassified to earning as interest expense over the term of the Senior Credit Facility.

As described in Note 7, the Junior Credit Facility contains provisions for the issuance of warrants of up to 0.5% of the outstanding shares of the Company's common stock in July 2002 and up to an additional 1.5% in July 2003. The warrants were valued as of July 2001 based on the estimated relative fair value using the Black Scholes model with the following assumptions: risk-free rate of 4.9% estimated life of 7 years, 72% volatility and no dividend yield. Accordingly, the Company recorded a liability and made periodic mark to market adjustments, which are reflected in the accompanying consolidated statements of operations in accordance with EITF Issue 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". At December 31, 2003, the related liability was \$349,000 and is included in accrued liabilities in the accompanying consolidated financial statements.

As described in Note 7 - "Related Party Transactions", in 2004, the warrants were exchanged for shares of the Company's common stock and are no longer outstanding.

## 9. STOCK-BASED COMPENSATION PLANS

In accordance with the Company's stock-based compensation plans, the Company may grant incentive stock options as well as non-qualified and other stock-related incentives to officers, employees, and non-employee directors of the Company. Options vest ratably over a two to four-year period beginning on the grant date and expire ten years from the date of grant. Shares available for granting options at December 31, 2004, 2003 and 2002 were approximately 0.6 million, 0.5 million and 0.5 million, respectively.

A summary of the activity of stock options for the years ended December 31, 2004, 2003 and 2002, is presented below (shares in thousands):

	2004		2003		2002	
	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price
Outstanding at Beginning of Period	745	\$ 19.90	761	\$ 19.58	948	\$ 19.49
Granted	340	8.31	-	-	28	3.37
Exercised	(9)	3.15	(1)	3.05	-	-
Forfeited and cancelled	(271)	17.99	(15)	5.02	(215)	16.91
Outstanding at End of Period	<u>805</u>	<u>\$ 15.46</u>	<u>745</u>	<u>\$ 19.90</u>	<u>761</u>	<u>\$ 19.58</u>
Options exercisable at year end	<u>455</u>	<u>\$ 21.12</u>	<u>714</u>	<u>\$ 20.64</u>	<u>648</u>	<u>\$ 22.22</u>
Weighted average fair value of options granted		\$ 3.65		-		\$ 1.88

A summary of options outstanding under the Company's stock-based compensation plans at December 31, 2004 is presented below (shares in thousands):

Exercise Price Range	Shares Under Option	Weighted Average Exercise Price of Options Outstanding	Weighted Average Remaining Life	Options Exercisable	Weighted Average Exercise Price of Shares Exercisable
\$ 3.05 - \$ 3.37	87	\$ 3.15	7.0	74	\$ 3.17
4.60 - 5.63	37	4.62	6.5	37	4.62
7.01 - 8.31	370	8.19	8.9	33	7.02
10.62 - 11.67	41	10.94	4.7	41	10.94
17.50 - 22.50	152	19.36	1.5	152	19.36
28.74 - 38.20	57	34.50	2.7	57	34.50
43.95 - 63.55	42	53.38	1.7	42	53.38
70.00 - 82.50	19	73.28	2.4	19	73.28
<b>Total</b>	<u>805</u>	<u>\$ 15.46</u>	<u>6.0</u>	<u>455</u>	<u>\$ 21.12</u>

## 10. COMMITMENTS AND CONTINGENCIES

### Commitments

The Company has entered into various operating leases for buildings, office equipment, and trucks. Rental expense under these leases for continuing operations was \$850,000, \$1,928,000 and \$2,729,000 in 2004, 2003 and 2002, respectively. Rental expense under these leases for discontinued operations was \$551,000, \$2,011,000 and \$8,153,000 in 2004, 2003 and 2002, respectively.

At December 31, 2004, future minimum lease payments under non-cancelable operating leases for the next five fiscal years are as follows (in thousands):

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
2005	\$678	\$246	\$924
2006	462	220	682
2007	294	168	462
2008	51	98	149
2009	20	-	20
Thereafter	93	-	93

### Contingencies

The Company is, from time to time, a party to litigation arising in the normal course of its business. Litigation is subject to various inherent uncertainties, and it is possible that some of these matters could be resolved unfavorably to the Company, which could result in substantial damages against the Company. The Company has established accruals for matters that are probable and reasonably estimable and maintains product liability and other insurance that management believes to be adequate. Management believes that any liability that may ultimately result from the resolution of these matters in excess of available insurance coverage and accruals will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

## 11. INCOME TAXES

Deferred tax assets and liabilities are determined based on the differences between the financial and tax basis of existing assets and liabilities using the currently enacted tax rates in effect for the year in which the differences are expected to reverse.

The (benefit) provision for income taxes on income from continuing operations consisted of the following in 2004, 2003 and 2002, (in thousands):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current:			
Federal	\$-	\$839	\$(256)
State	317	246	297
Foreign	423	131	533
	<u>740</u>	<u>1,216</u>	<u>574</u>
Deferred:			
Federal	-	(290)	6,620
State	-	288	(177)
Foreign	-	2	191
		<u>-</u>	<u>6,634</u>
	<u>\$740</u>	<u>\$1,216</u>	<u>\$7,208</u>

The principal differences between the federal statutory tax rate and the income expense (benefit) from continuing operations in 2004, 2003 and 2002:

	<u>2004</u>		<u>2003</u>		<u>2002</u>	
Federal statutory tax rate	<b>34.0</b>	%	34.0	%	34.0	%
State taxes, net of federal tax benefit	<b>4.0</b>	%	4.0	%	5.5	%
Change in deferred tax asset valuation allowance	<b>(34.0</b>	%)	0.0	%	26.1	%
Excess of foreign tax over US tax on foreign income	<b>4.9</b>	%	0.0	%	5.0	%
Other	<b>0.7</b>	%	(1.0	%)	(0.6	)%
Effective tax rate	<b>9.6</b>	%	37.0	%	70.0	%

Deferred income tax assets and liabilities at December 31, 2004, 2003 and 2002 reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting and income tax reporting purposes. Temporary differences and carry forwards which give rise to deferred tax assets and liabilities at December 31, 2004, 2003 and 2002 are as follows (in thousands):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Deferred tax assets:			
Allowance for doubtful accounts	<b>\$423</b>	\$377	\$305
Accruals and reserves	<b>1,496</b>	1,463	1,326
Federal net operating loss carryforward	<b>14,146</b>	10,078	8,118
Deductible goodwill and impairment charges	<b>(18</b>	(22	9,391
Other	-	1,957	272
Total deferred tax assets	<b>16,047</b>	13,853	19,412
Less valuation allowance	<b>(14,834</b>	(9,001	(13,601
Net deferred tax asset	<b>1,213</b>	4,852	5,811
Deferred tax liabilities:			
Property, plant, and equipment	<b>1,213</b>	4,852	5,811
Total deferred tax liabilities	<b>1,213</b>	4,852	5,811
Net deferred tax asset	<b>\$-</b>	\$-	\$-

Included in the Company's noncurrent assets of discontinued operations at December 31, 2004 and 2003, is a net noncurrent deferred tax asset of \$1.4 million and \$4.1 million, respectively, relating primarily to tax deductible goodwill and reserves that are not deductible for tax purposes until paid. In addition, the Company's noncurrent liabilities of discontinued operations at December 31, 2004 and 2003, include noncurrent deferred tax liability of \$0.0 million and \$0.2 million, respectively, related primarily to differences in the book and tax bases of fixed assets. The net deferred tax assets of the discontinued operations of \$1.4 and \$4.3 million have a full valuation allowance.

As of December 31, 2004, the Company had federal net operating loss carryforwards of approximately \$37.2 million which will expire between 2005 and 2024. While the majority of these loss carryforwards are associated with the Company's discontinued operations, the Company has classified the related deferred tax asset and valuation allowance as a component of continuing operations since it believes it will be able to retain these tax attributes. In addition, the Company had charitable contributions of \$0.3 million that may be carried forward through 2007 and an AMT credit carryforward of approximately \$0.2 million, which may be carried forward indefinitely.

The valuation allowance reflects the Company's recognition that continuing losses from operations and certain liquidity matters indicate that it is unclear whether certain future tax benefits will be realized as a result of future taxable income. At December 31, 2004, 2003 and 2002, the Company recorded a full valuation allowance against its net deferred tax asset from continuing and discontinuing operations totaling approximately \$16.2 million, \$13.3 million and \$18.0 million, respectively.



As of December 31, 2004, the Company has state net operating loss carryforwards of approximately \$97.0 million. As the Company believes that realization of the benefit of these state losses is remote because the Company no longer has operations in many of these states, it has not recorded deferred tax assets associated with these losses.

The Company received federal tax refunds of approximately \$8.8 million during 2002, which was used to reduce the RoadOne revolver and cured the over-advance position that existed at that time.

## 12. PREFERRED STOCK

The Company has authorized 5,000,000 shares of undesignated preferred stock which can be issued in one or more series. The terms, price, and conditions of the preferred shares will be set by the board of directors. No shares have been issued.

## 13. EMPLOYEE BENEFIT PLANS

During 1996, the Company established a contributory retirement plan for all full-time employees with at least 90 days of service. Effective January 1, 1999, the Company split the plan into two identical plans by operating segment. As a result of the Company's decision to dispose of its towing services operations the two separate plans were combined to form a consolidated plan effective January 1, 2003. These plans are designed to provide tax-deferred income to the Company's employees in accordance with the provisions of Section 401 (k) of the Internal Revenue Code.

These plans provide that each participant may contribute up to 15% of his or her salary. The Company matches 33.33% of the first 3% of participant contributions. Matching contributions vest over the first five years of employment. Company contributions to the plans were not significant in 2004, 2003 and 2002.

## 14. GEOGRAPHIC AND CUSTOMER INFORMATION

Net sales and long-lived assets (property, plant and equipment and goodwill and intangible assets) by region was as follows (revenue is attributed to regions based on the locations of customers) (in thousands):

	2004		2003		2002	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
North America	\$196,902	\$28,026	\$171,627	\$30,086	\$199,620	\$32,341
Foreign	39,406	2,607	34,369	2,902	31,883	2,934
	<u>\$236,308</u>	<u>\$30,633</u>	<u>\$205,996</u>	<u>\$32,988</u>	<u>\$231,503</u>	<u>\$35,275</u>

No single customer accounted for 10% or more of consolidated net sales in 2004, 2003 or 2002.

## 15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2004 and 2003 (in thousands, except per share data):

	Net Sales	Operating Income (Loss)	Loss From Discontinued Operations	Net Income (Loss)(a)	Basic Income (Loss) Per Share	Diluted Income (Loss) Per Share
<b>2004</b>						
First Quarter	\$46,158	\$2,329	\$(488)	\$612	\$0.06	\$0.06
Second Quarter	59,648	3,327	(322)	1,753	0.16	0.16
Third Quarter	63,300	3,376	(471)	1,522	0.14	0.14
Fourth Quarter	67,202	3,351	(230)	1,588	0.14	0.14
Total	<u>\$236,308</u>	<u>\$12,383</u>	<u>\$(1,511)</u>	<u>\$5,475</u>	<u>\$0.50</u>	<u>\$0.50</u>
<b>2003</b>						
First Quarter	\$47,893	\$3,310	\$(2,302)	\$(559)	\$(0.06)	\$(0.06)
Second Quarter	57,962	3,217	(2,136)	(493)	(0.05)	(0.05)
Third Quarter	50,321	1,439	(4,845)	(6,835)(b)	(0.74)	(0.74)
Fourth Quarter	49,820	1,611	(6,940)	(6,266)(b)	(0.67)	(0.67)
Total	<u>\$205,996</u>	<u>\$9,577</u>	<u>\$(16,223)</u>	<u>\$(14,153)</u>	<u>\$(1.52)</u>	<u>\$(1.52)</u>

(a) The income tax provision (benefit) has been allocated by quarter based on the effective rate for the twelve months ended December 31, 2004 and 2003.

(b) The results of operations reflect asset impairments and other special charges as discussed in Notes 4 and 5.

MILLER INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	<u>Balance at Beginning of Period</u>	<u>Charged to Expenses</u>	<u>Charged to Other</u>	<u>Accounts Written Off</u>	<u>Balance at End of Period</u>
	(In Thousands)				
Year ended December 31, 2002:					
Deduction from asset accounts:					
Allowance for doubtful accounts	\$576	563	-	(334	) \$805
Year ended December 31, 2003:					
Deduction from asset accounts:					
Allowance for doubtful accounts	\$805	492	-	(235	) \$1,062
Year ended December 31, 2004:					
Deduction from asset accounts:					
Allowance for doubtful accounts	\$1,062	567	-	(513	) \$1,116

	<u>Balance at Beginning of Period</u>	<u>Charged to Expense</u>	<u>Claims</u>	<u>Balance at End of Period</u>
	(In Thousands)			
Year ended December 31, 2002:				
Product Warranty Reserve:	\$926	1,489	(1,861	) \$554
Year ended December 31, 2003:				
Product Warranty Reserve:	\$554	1,547	(1,462	) \$639
Year ended December 31, 2004:				
Product Warranty Reserve:	\$639	1,520	(1,494	) \$665

	<u>Balance at Beginning of Period</u>	<u>Additions (Reductions) (In Thousands)</u>	<u>Balance at End of Period</u>
Year ended December 31, 2002:			
Deferred Tax Valuation Allowance:	\$6,011	12,021	\$18,032
Year ended December 31, 2003:			
Deferred Tax Valuation Allowance:	\$18,032	(4,733 )	\$13,299
Year ended December 31, 2004:			
Deferred Tax Valuation Allowance:	\$13,299	2,889	\$16,188

Note: The Allowance for Doubtful Accounts and Product Warranty Reserve tables above reflect activity for continuing operations for the years ended December 31, 2004, 2003 and 2002. The Deferred Tax Valuation Allowance table reflects consolidated operations for all periods presented.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 2<sup>nd</sup> day of May, 2005.

### MILLER INDUSTRIES, INC.

By: /s/ Jeffrey I. Badgley \_\_\_\_\_

Jeffrey I. Badgley

President, Co-Chief Executive Officer and Director

---

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
23.1	Consent of Joseph Decosimo and Company, PLLC
31.1	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Co-Chief Executive Officer
31.2	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Co-Chief Executive Officer
31.3	Certification Pursuant to Rules 13a-14(a)/15d-14(a) by Chief Financial Officer

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement on Form S-4 (File No. 333-34641);
- (2) Registration Statement on Form S-8 (File No. 33-82282);
- (3) Registration Statement on Form S-3 (File No. 333-113782); and
- (4) Registration Statement on Form S-3 (File No. 333-116107).

of our report dated February 25, 2005, except for note 6, as to which the date is March 7, 2005, relating to the consolidated financial statements and financial statement schedule of Miller Industries, Inc. and subsidiaries, and our report dated April 30, 2005, with respect to Miller Industries, Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which reports are included in this amended annual report on Form 10-K/A of Miller Industries, Inc. for the year ended December 31, 2004.

/s/ Joseph Decosimo and Company, PLLC  
Chattanooga, Tennessee  
April 30, 2005

I, Jeffrey I. Badgley, certify that:

1. I have reviewed the Annual Report on Form 10-K, as amended by Amendment No. 1 to such Annual Report on Form 10-K/A, of Miller Industries, Inc.;
  
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2005



/s/ Jeffrey I.

Badgley \_\_\_\_\_

Jeffrey I. Badgley

President and Co-Chief Executive Officer

I, William G. Miller, certify that:

1. I have reviewed the Annual Report on Form 10-K, as amended by Amendment No. 1 to such Annual Report on Form 10-K/A, of Miller Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2005

/s/ William G. Miller

William G. Miller

Chairman of the Board and Co-Chief Executive Officer

I, J. Vincent Mish, certify that:

1. I have reviewed the Annual Report on Form 10-K, as amended by Amendment No. 1 to such Annual Report on Form 10-K/A, of Miller Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2005

/s/ J. Vincent Mish

J. Vincent Mish

Executive Vice President and Chief Financial Officer