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COLUMBUS MCKINNON CORP  
Form 10-Q  
August 10, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-Q

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

For the quarterly period ended July 1, 2007

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-27618  
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COLUMBUS MCKINNON CORPORATION

-----  
(Exact name of registrant as specified in its charter)

NEW YORK

16-0547600

-----  
(State or other jurisdiction of incorporation or organization)

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

140 JOHN JAMES AUDUBON PARKWAY, AMHERST, NY

14228-1197

-----  
(Address of principal executive offices)

(Zip code)

(716) 689-5400

-----  
(Registrant's telephone number, including area code)

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

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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The number of shares of common stock outstanding as of July 31, 2007 was: 18,911,034 shares.

### FORM 10-Q INDEX COLUMBUS MCKINNON CORPORATION JULY 1, 2007

	PAGE #
	-----
PART I. FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements (Unaudited)	
Condensed consolidated balance sheets - July 1, 2007 and March 31, 2007	2
Condensed consolidated statements of operations and retained earnings - Three months ended July 1, 2007 and July 2, 2006	3
Condensed consolidated statements of cash flows - Three months ended July 1, 2007 and July 2, 2006	4
Condensed consolidated statements of comprehensive income - Three months ended July 1, 2007 and July 2, 2006	5
Notes to condensed consolidated financial statements - July 1, 2007	6
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	20
Item 4. Controls and Procedures	20
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings - none.	21
Item 1A. Risk Factors	21
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - none.	21
Item 3. Defaults upon Senior Securities - none.	21
Item 4. Submission of Matters to a Vote of Security Holders - none.	21
Item 5. Other Information - none.	21
Item 6. Exhibits	21

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS MCKINNON CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

	JULY 1, 2007	MARCH 31, 2007
	-----	-----
(IN THOUSANDS)		
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 61,898	\$ 48,655
Trade accounts receivable	105,136	97,269
Unbilled revenues	7,935	15,050
Inventories	85,164	77,179
Prepaid expenses	17,741	18,029
	-----	-----
Total current assets	277,874	256,182
Property, plant, and equipment, net	55,265	55,231
Goodwill and other intangibles, net	186,044	185,903
Marketable securities	28,808	28,920
Deferred taxes on income	28,841	34,460
Other assets	4,845	4,942
	-----	-----
Total assets	\$ 581,677	\$ 565,638
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Notes payable to banks	\$ 8,712	\$ 9,598
Trade accounts payable	37,624	35,896
Accrued liabilities	53,203	52,344
Restructuring reserve	49	599
Current portion of long-term debt	22,606	297
	-----	-----
Total current liabilities	122,194	98,734
Senior debt, less current portion	7,389	26,168
Subordinated debt	136,000	136,000
Other non-current liabilities	62,833	63,411
	-----	-----
Total liabilities	328,416	324,313
	-----	-----
Shareholders' equity		
Common stock	189	188
Additional paid-in capital	175,519	174,654
Retained earnings	94,571	85,237
ESOP debt guarantee	(3,275)	(3,417)
Accumulated other comprehensive loss	(13,743)	(15,337)
	-----	-----
Total shareholders' equity	253,261	241,325
	-----	-----
Total liabilities and shareholders' equity	\$ 581,677	\$ 565,638
	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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COLUMBUS MCKINNON CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS  
 (UNAUDITED)

	THREE MONTHS ENDED	
	JULY 1, 2007	JULY 2, 2006
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net sales	\$ 148,110	\$ 146,694
Cost of products sold	104,222	104,411
Gross profit	43,888	42,283
Selling expenses	16,121	15,367
General and administrative expenses	9,196	9,089
Restructuring charges	276	4
Amortization of intangibles	28	43
	25,621	24,503
Income from operations	18,267	17,780
Interest and debt expense	4,178	4,512
Cost of bond redemptions	-	4,583
Investment income	(294)	(474)
Other (income) and expense, net	(954)	(539)
Income before income tax expense	15,337	9,698
Income tax expense	5,956	4,265
Income from continuing operations	9,381	5,433
Income from discontinued operations (net of tax)	139	139
Net income	9,520	5,572
Retained earnings - beginning of period	85,237	51,152
Change in accounting principle (note 5)	(186)	-
Retained earnings - end of period	\$ 94,571	\$ 56,724
Basic income per share:		
Income from continuing operations	\$ 0.50	\$ 0.29
Income from discontinued operations	0.01	0.01
Basic income per share	\$ 0.51	\$ 0.30
Diluted income per share:		
Income from continuing operations	\$ 0.49	\$ 0.28
Income from discontinued operations	0.01	0.01

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Diluted income per share \$ 0.50 \$ 0.29  
 =====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

- 3 -

COLUMBUS MCKINNON CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	THREE MONTHS ENDED	
	JULY 1, 2007	JULY 2006
	(IN THOUSANDS)	
<b>OPERATING ACTIVITIES:</b>		
Income from continuing operations	\$ 9,381	\$ 5,
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	2,209	2,
Deferred income taxes	5,619	2,
Gain on sale of real estate/investments	(325)	(
Loss on early retirement of bonds	-	3,
Stock compensation expense	195	
Amortization/write-off of deferred financing costs	163	
Changes in operating assets and liabilities:		
Trade accounts receivable and unbilled revenues	(81)	(4,
Inventories	(7,642)	(5,
Prepaid expenses	308	(1,
Other assets	(118)	(
Trade accounts payable	1,605	3,
Accrued and non-current liabilities	(1,653)	(1,
	-----	-----
Net cash provided by operating activities	9,661	4,
	-----	-----
<b>INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	12,776	2,
Purchases of marketable securities	(12,663)	(2,
Capital expenditures	(2,553)	(1,
Proceeds from sale of facilities and surplus real estate	5,454	
Proceeds from discontinued operations note receivable	139	
	-----	-----
Net cash provided (used) by investing activities	3,153	(1,
	-----	-----
<b>FINANCING ACTIVITIES:</b>		
Proceeds from stock options exercised	569	1,
Net (payments) borrowings under revolving line-of-credit agreements	(1,034)	11,
Repayment of debt	(56)	(42,
Deferred financing costs incurred	-	(
Other	142	

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Net cash used by financing activities	(379)	(28,
EFFECT OF EXCHANGE RATE CHANGES ON CASH	808	
Net change in cash and cash equivalents	13,243	(25,
Cash and cash equivalents at beginning of period	48,655	45,
Cash and cash equivalents at end of period	\$ 61,898	\$ 19,

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

- 4 -

COLUMBUS MCKINNON CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

	THREE MONTHS ENDED	
	JULY 1, 2007	JULY 2, 2006
	----	----
	(IN THOUSANDS)	
Net income	\$ 9,520	\$ 5,572
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	1,637	2,350
Unrealized loss on investments:		
Unrealized holding gain (loss) arising during the period	1	(207)
Reclassification adjustment for gain included in net income	(44)	(316)
	(43)	(523)
Total other comprehensive income	1,594	1,827
Comprehensive income	\$ 11,114	\$ 7,399

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

- 5 -

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COLUMBUS MCKINNON CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)  
 (DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)  
 JULY 1, 2007

1. DESCRIPTION OF BUSINESS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at July 1, 2007 and the results of its operations and its cash flows for the three month periods ended July 1, 2007 and July 2, 2006, have been included. Results for the period ended July 1, 2007 are not necessarily indicative of the results that may be expected for the year ended March 31, 2008. The balance sheet at March 31, 2007 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2007.

The Company is a leading manufacturer and marketer of material handling products, systems and services which lift, secure, position and move material ergonomically, safely, precisely and efficiently. Key products include hoists, cranes, chain and forged attachments. The Company's material handling products are sold, domestically and internationally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to manufacturers and other end-users. The Company's integrated material handling solutions businesses deal primarily with end users and sales are concentrated, domestically and internationally (primarily Europe), in the consumer products, manufacturing, warehousing and, to a lesser extent, the steel, construction, automotive and other industrial markets.

2. INVENTORIES

Inventories consisted of the following:

	JULY 1, 2007	MARCH 31, 2007
	-----	-----
At cost - FIFO basis:		
Raw materials.....	\$ 48,322	\$ 45,006
Work-in-process.....	11,622	9,050
Finished goods.....	39,014	36,606
	-----	-----
	98,958	90,662
LIFO cost less than FIFO cost.....	(13,794)	(13,483)
	-----	-----
Net inventories.....	\$ 85,164	\$ 77,179
	=====	=====

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

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### 3. RESTRUCTURING CHARGES

During the first three-months of fiscal 2008, the Company recorded restructuring costs of \$276 for severance. All of these costs are related to the Solutions segment. The liability as of July 1, 2007 was \$49, consisting primarily of environmental remediation costs which were accrued in accordance with SFAS No. 143.

- 6 -

### 4. NET PERIODIC BENEFIT COST

The following table sets forth the components of net periodic pension cost for the Company's defined benefit pension plans:

	THREE MONTHS ENDED	
	JULY 1, 2007	JULY 2, 2006
Service costs.....	\$ 1,094	\$ 1,049
Interest cost.....	2,019	1,879
Expected return on plan assets.....	(2,043)	(1,831)
Net amortization.....	450	623
	-----	-----
Net periodic pension cost.....	\$ 1,520	\$ 1,720
	=====	=====

The following table sets forth the components of net periodic postretirement benefit cost for the Company's defined benefit postretirement plans:

	THREE MONTHS ENDED	
	JULY 1, 2007	JULY 2, 2006
Service costs.....	\$ 1	\$ 2
Interest cost .....	146	161
Amortization of plan net losses.....	96	100
	-----	-----
Net periodic postretirement cost.....	\$ 243	\$ 263
	=====	=====

For additional information on the Company's defined benefit pension and postretirement benefit plans, refer to Note 11 in the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended March 31, 2007.

### 5. INCOME TAXES

Income tax expense as a percentage of income from continuing operations before income tax expense was 38.8% and 44.0% in the fiscal 2008 and 2007 quarters, respectively. The fiscal 2007 percentage varies from the U.S. statutory rate due to \$798 of non-deductible stock option expense. As of July 1, 2007, the Company had U.S. federal net operating loss carry-forwards of approximately \$27,500 representing approximately \$9,600 of cash tax savings in future periods.

On April 1, 2007, the Company adopted the provisions of Financial Standards Accounting Board ("FASB") Interpretation ("FIN") No. 48 "Accounting for



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Uncertainty in Income Taxes," an interpretation of FASB Statement of Financial Accounting Standards ("SFAS") No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized under SFAS 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure.

Upon adoption of FIN No. 48 on April 1, 2007, the Company recorded a reduction in retained earnings for the cumulative effect adjustment of \$186 to its \$2,600 of unrecognized tax benefits, all of which would favorably impact the effective tax rate if recognized. At the end of the first quarter, there was no change in the balance of unrecognized tax benefits. The Company does not anticipate that total unrecognized tax benefits will change significantly due to the settlement of audits or the expiration of statutes of limitations prior to July 1, 2008.

The Company has decided to recognize interest expense or penalties related to uncertain tax positions as a part of income tax expense in its Consolidated Statement of Operations. The Company is currently open to audit by the Internal Revenue Service for the years ending March 31, 2004 through 2007.

- 7 -

### 6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED	
	JULY 1, 2007	JULY 2, 2006
	----	----
Numerator for basic and diluted earnings per share:		
Net income	\$ 9,520 =====	\$ 5,572 =====
Denominators:		
Weighted-average common stock outstanding - denominator for basic EPS	18,638	18,431
Effect of dilutive employee stock options	450 -----	530 -----
Adjusted weighted-average common stock outstanding and assumed conversions - denominator for diluted EPS	19,088 =====	18,961 =====

During the first three months of fiscal 2008, a total of 73 shares of stock were issued upon the exercising of stock options related to the Company's stock option plans.

### 7. BUSINESS SEGMENT INFORMATION

As a result of the way the Company manages the business, its reportable segments are strategic business units that offer products with different characteristics. The most defining characteristic is the extent of customized engineering required on a per-order basis. In addition, the segments serve different customer bases through differing methods of distribution. The Company has two reportable segments: Products and Solutions. The Company's Products segment

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sells hoists, industrial cranes, chain, attachments, and other material handling products principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. The Solutions segment sells engineered material handling systems such as conveyors and lift tables primarily to end-users in the consumer products, manufacturing, warehousing, and, to a lesser extent, the steel, construction, automotive, and other industrial markets. Intersegment sales are not significant. The Company evaluates performance based on operating income of the respective business units.

Segment information as of and for the three months ended July 1, 2007 and July 2, 2006, is as follows:

THREE MONTHS ENDED JULY 1, 2007			
	PRODUCTS	SOLUTIONS	TOTAL
Sales to external customers.....	\$ 136,766	\$ 11,344	\$ 148,110
Income from operations.....	18,871	(604)	18,267
Depreciation and amortization.....	2,000	209	2,209
Total assets.....	540,581	41,096	581,677
THREE MONTHS ENDED JULY 2, 2006			
	PRODUCTS	SOLUTIONS	TOTAL
Sales to external customers.....	\$ 128,139	\$ 18,555	\$ 146,694
Income from operations.....	16,809	971	17,780
Depreciation and amortization.....	1,889	216	2,105
Total assets.....	514,909	37,766	552,675

- 8 -

### 8. SUMMARY FINANCIAL INFORMATION

The following information sets forth the condensed consolidating summary financial information of the parent and guarantors, which guarantee the 8 7/8% Senior Subordinated Notes, and the nonguarantors. The guarantors are wholly owned and the guarantees are full, unconditional, joint and several.

	Parent	Guarantors	Nonguarantors	Elim
AS OF JULY 1, 2007				
Current assets:				
Cash and cash equivalents	\$ 32,834	\$ (1,691)	\$ 30,755	\$
Trade accounts receivable and unbilled revenues	64,512	150	48,409	
Inventories	37,455	18,672	31,197	
Other current assets	6,158	1,708	9,875	
Total current assets	140,959	18,839	120,236	

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Property, plant, and equipment, net	24,953	11,302	19,010	
Goodwill and other intangibles, net	88,731	57,036	40,277	
Intercompany	57,130	(67,370)	(63,499)	
Other assets	88,673	193,607	30,070	
Total assets	\$ 400,446	\$ 213,414	\$ 146,094	\$ ( )
Current liabilities	\$ 59,183	\$ 15,777	\$ 48,661	\$ ( )
Long-term debt, less current portion	136,000	3,291	4,098	
Other non-current liabilities	25,781	11,859	25,193	
Total liabilities	220,964	30,927	77,952	
Shareholders' equity	179,482	182,487	68,142	( )
Total liabilities and shareholders' equity	\$ 400,446	\$ 213,414	\$ 146,094	\$ ( )
FOR THE THREE MONTHS ENDED JULY 1, 2007				
Net sales	\$ 74,263	\$ 41,361	\$ 41,770	\$ ( )
Cost of products sold	54,410	30,428	28,668	
Gross profit	19,853	10,933	13,102	
Selling, general and administrative expenses	12,770	3,195	9,352	
Restructuring charges	8	-	268	
Amortization of intangibles	24	1	3	
	12,802	3,196	9,623	
Income from operations	7,051	7,737	3,479	
Interest and debt expense	2,920	997	261	
Other (income) and expense, net	(364)	(250)	(634)	
Income before income tax expense	4,495	6,990	3,852	
Income tax expense	1,827	2,740	1,389	
Income from continuing operations	2,668	4,250	2,463	
Income from discontinued operations	139	-	-	
Net income	\$ 2,807	\$ 4,250	\$ 2,463	\$ ( )

- 9 -

	Parent	Guarantors	Nonguarantors	Elim
FOR THE THREE MONTHS ENDED JULY 1, 2007				
OPERATING ACTIVITIES:				
Net cash provided (used) by operating activities	\$ 15,227	\$ (5,260)	\$ (306)	\$ ( )
INVESTING ACTIVITIES:				
Sale of marketable securities, net	-	-	113	

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Capital expenditures	(1,609)	(699)	(245)	
Proceeds from sale of facilities and surplus real estate	-	5,454	-	
Proceeds from discontinued operations note receivable	139	-	-	
Net cash (used) provided by investing activities	(1,470)	4,755	(132)	
FINANCING ACTIVITIES:				
Proceeds from stock options exercised	569	-	-	
Net borrowings under revolving line-of-credit agreements	-	-	(1,034)	
Repayment of debt	-	-	(56)	
Other	142	-	-	
Net cash provided (used) by financing activities	711	-	(1,090)	
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(24)	832	
Net change in cash and cash equivalents	14,468	(529)	(696)	
Cash and cash equivalents at beginning of period	18,366	(1,162)	31,451	
Cash and cash equivalents at end of period	\$ 32,834	\$ (1,691)	\$ 30,755	\$

AS OF MARCH 31, 2007

Current assets:				
Cash and cash equivalents	\$ 18,366	\$ (1,162)	\$ 31,451	\$
Trade accounts receivable and unbilled revenues	64,849	45	47,425	
Inventories	34,548	17,175	27,616	
Other current assets	6,237	2,707	9,085	
Total current assets	124,000	18,765	115,577	
Property, plant, and equipment, net	24,662	11,508	19,061	
Goodwill and other intangibles, net	88,703	57,037	40,163	
Intercompany	66,971	(77,385)	(63,602)	
Other assets	93,609	194,922	29,647	(
Total assets	\$ 397,945	\$ 204,847	\$ 140,846	\$ (
Current liabilities				
Long-term debt, less current portion	\$ 36,388	\$ 15,376	\$ 48,120	\$
Other non-current liabilities	158,125	-	4,043	
	27,646	11,143	24,622	
Total liabilities	222,159	26,519	76,785	
Shareholders' equity	175,786	178,328	64,061	(
Total liabilities and shareholders' equity	\$ 397,945	\$ 204,847	\$ 140,846	\$ (

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	Parent	Guarantors	Nonguarantors	Elim
FOR THE THREE MONTHS ENDED JULY 2, 2006				
Net sales	\$ 71,491	\$ 42,498	\$ 45,254	\$
Cost of products sold	52,145	31,521	33,144	
Gross profit	19,346	10,977	12,110	
Selling, general and administrative expenses	11,276	4,286	8,894	
Restructuring charges	4	-	-	
Amortization of intangibles	25	1	17	
	11,305	4,287	8,911	
Income (loss) from operations	8,041	6,690	3,199	
Interest and debt expense (income)	4,717	(293)	88	
Other (income) and expense, net	4,363	(7)	(786)	
(Loss) income before income tax expense	(1,039)	6,990	3,897	
Income tax expense	144	2,784	1,337	
(Loss) income from continuing operations	(1,183)	4,206	2,560	
Income from discontinued operations	139	-	-	
Net (loss) income	\$ (1,044)	\$ 4,206	\$ 2,560	\$
FOR THE THREE MONTHS ENDED JULY 2, 2006				
OPERATING ACTIVITIES:				
Net cash provided by operating activities	\$ 2,021	\$ 527	\$ 2,241	\$
INVESTING ACTIVITIES:				
Sale of marketable securities, net	-	-	47	
Capital expenditures	(1,041)	(145)	(717)	
Proceeds from discontinued operations note receivable	139	-	-	
Net cash used by investing activities	(902)	(145)	(670)	
FINANCING ACTIVITIES:				
Proceeds from stock options exercised	1,725	-	-	
Net borrowings under revolving line-of-credit agreements	11,632	-	211	
Repayment of debt	(42,328)	-	26	
Deferred financing costs incurred	(325)	-	-	
Other	145	-	-	
Net cash (used) provided by financing activities	(29,151)	-	237	
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(85)	256	
Net change in cash and cash equivalents	(28,032)	297	2,064	
Cash and cash equivalents at beginning of period	27,531	(1,461)	19,528	
Cash and cash equivalents at end of period	\$ (501)	\$ (1,164)	\$ 21,592	\$

9. LOSS CONTINGENCIES

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

Based on actuarial information, the Company has estimated its asbestos-related aggregate liability through March 31, 2025 and March 31, 2037 to range between \$5,000 and \$14,000 using actuarial parameters of continued claims for a period of 18 to 30 years. The Company's estimation of its asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates \$8,400 which has been reflected as a liability in the consolidated financial statements as of July 1, 2007. The recorded liability does not consider the impact of any potential favorable federal legislation. This liability may fluctuate based on the uncertainty in the number of future claims that will be filed and the cost to resolve those claims, which may be influenced by a number of factors, including the outcome of the ongoing broad-based settlement negotiations, defensive strategies, and the cost to resolve claims outside the broad-based settlement program. Of this amount, management expects to incur asbestos liability payments of approximately \$325 over the next 12 months. Because payment of the liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material after-tax effect on the financial condition of the Company or its liquidity, although the net after-tax effect of any future liabilities recorded could be material to earnings in a future period.

10. NEW ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes." FIN 48 is an interpretation of FASB Statement No. 109 "Accounting for Income Taxes." The Company adopted FIN 48 on April 1, 2007 as discussed in footnote 5.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The Company is assessing the impact the adoption of SFAS No. 157 will have on the Company's consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). Among other items, SFAS 158 requires recognition of the overfunded or underfunded status of an entity's defined benefit postretirement plan as an asset or liability in the financial statements and requires recognition of the funded status of defined benefit postretirement plans in other comprehensive income. We adopted all of the

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currently required provisions of Statement 158 in fiscal 2007. This statement also requires an entity to measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employers' fiscal year. This requirement is effective for fiscal years ending after December 15, 2008. The Company does not expect the adoption of this requirement to have a material impact on the Company's consolidated financial statements.

- 12 -

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities -- Including an Amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 allows the irrevocable election of fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities and other items on an instrument-by-instrument basis. Changes in fair value would be reflected in earnings as they occur. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. The Company is currently evaluating if it will elect the fair value option for any of its eligible financial instruments and other items.

### 11. SUBSEQUENT EVENTS

On August 1, 2007 the Company used cash on hand to redeem the remaining \$22,125 of its outstanding 10% Senior Secured Notes at a price of 105% of the principal amount. The redemption required a \$1,106 premium payment to Note holders and \$337 of unamortized financing costs will be written-off in the fiscal 2008 second quarter ending September 30, 2007.

- 13 -

### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (DOLLAR AMOUNTS IN THOUSANDS)

#### EXECUTIVE OVERVIEW

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

Founded in 1875, we have grown to our current size and leadership position through organic growth and the acquisition of 14 businesses between February 1994 and April 1999. We have developed our leading market position over our 132-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. In addition, the acquisitions

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significantly broadened our product lines and services and expanded our geographic reach, end-user markets and customer base. Ongoing operation of these businesses includes improving our productivity and extending our sales activities to the European and Asian marketplaces. We are executing those initiatives through our Lean Manufacturing efforts, new product development and expanded sales activities. Shareholder value will be enhanced through continued emphasis on improvement of the fundamentals including manufacturing efficiency, cost containment, efficient capital investment, market expansion and renewed customer focus.

We maintain a strong domestic market share with significant leading North American market positions in hoists, lifting and sling chain, and forged attachments. To broaden our product offering in markets where we have a strong competitive position as well as to facilitate penetration into new geographic markets, we have heightened our new product development activities. Over the past year, this includes the introduction of powered hoist lines in accordance with international standards, to complement our current offering of hoist products designed in accordance with U.S. standards. To further expand our global sales, we are introducing certain of our products that historically have been distributed only in North America and also introducing new products through our existing European distribution network. Furthermore, we are working to build a distribution network in China to capture an anticipated growing demand for material handling products as that economy continues to industrialize. We have recently reorganized and expanded our management team to align with these strategic initiatives. These investments in international markets and new products are part of our focus on our greatest opportunities for growth. As a result of these efforts and the continued strong industrial economy in our important markets of interest, we believe we can sustain our expected Products segment growth rate in the mid single-digit range for fiscal 2008. Management monitors U.S. Industrial Capacity Utilization, which has exceeded 80% for the past year, as an indicator of anticipated demand for our product. In addition, we continue to monitor the potential impact of other global and domestic trends, including energy costs, steel price fluctuations, interest rates and activity in a variety of end-user markets around the globe.

Our Lean Manufacturing efforts continue to fundamentally change our manufacturing processes to be more responsive to customer demand and improve on-time delivery and productivity. We are evaluating strategic alternatives of certain other businesses performing at levels below the corporate average, including Univeyor, our material handling systems business. During fiscal 2007, in furtherance of our facility rationalization projects, we completed the sale of one of our less strategic businesses, a specialty crane manufacturer, and sold two pieces of excess real estate, generating \$4.5 million of proceeds. During the first quarter of fiscal 2008, we completed the sale and partial leaseback of a manufacturing facility in Charlotte, North Carolina, generating \$5.2 million of proceeds. The proceeds have been, and will continue to be used to repay our outstanding debt.

- 14 -

We keep a close watch on the costs for fringe benefits such as health insurance, workers compensation insurance and pension. Combined, those benefits cost us over \$35,000 in fiscal 2007 and we work diligently to balance cost control with the need to provide competitive employee benefits packages for our associates. Another cost area of focus is steel. We utilize approximately \$35,000 to \$40,000 of steel annually in a variety of forms including rod, wire, bar, structural and others. With increases in worldwide demand for steel and fluctuating scrap steel prices, as we experience fluctuations in our costs, we reflect them as price increases to our customers. We have announced a price increase that will impact steel-intensive products and take effect early September to capture recent steel



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cost increases. We will continue to monitor our costs and reevaluate our pricing policies. We continue to operate in a highly competitive business environment in the markets and geographies served. Our performance will be impacted by our ability to address a variety of challenges and opportunities in those markets and geographies, including trends towards increased utilization of the global labor force and the expansion of market opportunities in Asia and other emerging markets.

### RESULTS OF OPERATIONS

#### THREE MONTHS ENDED JULY 1, 2007 AND JULY 2, 2006

Net sales in the fiscal 2008 quarter ended July 1, 2007 were \$148,110, up \$1,416 or 1.0% from the fiscal 2007 quarter ended July 2, 2006. Sales in the Products segment increased by \$8,627 or 6.7% from the previous year's quarter. The increase was due to the continued strength of the U.S. and European industrial markets, as well as the impact of price increases of \$600 in the quarter ended July 1, 2007. Translation of foreign currencies, particularly the Euro and Canadian dollar, into U.S. dollars contributed \$1,500 toward the Products segment increase in sales for the quarter ended July 1, 2007. Sales in the Solutions segment decreased 38.9% or \$7,211 from the previous year's quarter. The quarter's decrease in this segment is primarily due to lower volume in our European conveyor business as revenue has been intentionally held back as a result of unacceptable returns on certain projects. Translation of foreign currencies into U.S. dollars contributed \$400 to the Solutions segment sales for the quarter ended July 1, 2007. Sales in the segments are summarized as follows:

	THREE MONTHS ENDED			
	JULY 1, 2007	JULY 2, 2006	CHANGE AMOUNT	%
Products.....	\$ 136,766	\$ 128,139	\$ 8,627	6.7
Solutions.....	11,344	18,555	(7,211)	(38.9)
Net sales.....	\$ 148,110	\$ 146,694	\$ 1,416	1.0

Gross profit and gross profit margins by operating segment are summarized as follows:

	THREE MONTHS ENDED			
	JULY 1, 2007		JULY 2, 2006	
	\$	%	\$	%
Products.....	\$ 42,099	30.8	\$ 39,417	30.8
Solutions.....	1,789	15.8	2,866	15.4
Total Gross Profit.....	\$ 43,888	29.6	\$ 42,283	28.8

The gross profit margin for the Products segment was consistent in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007. The Solutions segment reflected gross margin improvement due to restructuring activities undertaken at our Univeyor business. The increase in the overall gross profit margin was the result of the change in product mix and the realization of operational leverage.

Selling expenses were \$16,121 and \$15,367 in the fiscal 2008 and 2007 quarters, respectively. The change in expense dollars was primarily impacted by increased investment to support our strategic growth initiatives (\$650). As a percentage

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of consolidated net sales, selling expenses were 10.9% and 10.5% in the fiscal 2008 and 2007 quarters, respectively.

- 15 -

General and administrative expenses were \$9,196 and \$9,089 in the fiscal 2008 and 2007 quarters, respectively. An increase in group health insurance costs (\$380) was offset by a decrease in stock based compensation expense (\$325). As a percentage of consolidated net sales, general and administrative expenses were 6.2% in the fiscal 2008 and 2007 quarters.

Restructuring charges were \$276 and \$4 in the fiscal 2008 and 2007 quarters, respectively. The 2008 restructuring costs were incurred to reduce ongoing operating costs and change our Univeyor business model to increase its focus on offering products as packaged solutions rather than engineered to order systems.

Interest and debt expense was \$4,178 and \$4,512 in the fiscal 2008 and 2007 quarters, respectively. This decrease is the result of lower debt levels. As a percentage of consolidated net sales, interest and debt expense was 2.8% and 3.1% in the fiscal 2008 and 2007 quarters, respectively.

Cost of bond redemptions was \$0 and \$4,583 in the fiscal 2008 and 2007 quarters, respectively, with the fiscal 2007 charge to redeem some of our 10% notes.

Investment income was \$294 and \$474 in the fiscal 2008 and 2007 quarters, respectively.

Other (income) and expense, net was (\$954) and (\$539) in the fiscal 2008 and 2007 quarters, respectively.

Income tax expense as a percentage of income from continuing operations before income tax expense was 38.8% and 44.0% in the fiscal 2008 and 2007 quarters, respectively. The fiscal 2007 percentage varies from the U.S. statutory rate due to \$798 of non-deductible stock option expense. As of July 1, 2007, we had U.S. federal net operating loss carry-forwards of approximately \$27,500, representing approximately \$9,600 of cash tax savings in future periods.

On April 1, 2007, the Company adopted the provisions of Financial Standards Accounting Board ("FASB") Interpretation ("FIN") No. 48 "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement of Financial Accounting Standards ("SFAS") No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized under SFAS 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure.

Upon adoption of FIN No. 48 on April 1, 2007, the Company recorded a reduction in retained earnings for the cumulative effect adjustment of \$186 to its \$2,600 of unrecognized tax benefits, all of which would favorably impact the effective tax rate if recognized. At the end of the first quarter, there was no change in the balance of unrecognized tax benefits. The Company does not anticipate that total unrecognized tax benefits will change significantly due to the settlement of audits or the expiration of statute of limitations prior to July 1, 2008.

The Company has decided to recognize interest expense or penalties related to uncertain tax positions as a part of income tax expense in its Consolidated Statement of Operations. The Company is currently open to audit by the Internal Revenue Service for the years ending March 31, 2004 through 2007.

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### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$61,898 at July 1, 2007, an increase of \$13,243 from the March 31, 2007 balance of \$48,655.

Net cash provided by operating activities was \$9,661 for the three months ended July 1, 2007 compared to \$4,789 for the three months ended July 2, 2006. The \$4,872 increase is the result of stronger operating performance in fiscal 2008 (\$2,284) and changes in working capital components. During the fiscal 2008 quarter, changes in working capital components used \$7,581, compared to \$10,169 used in the fiscal 2007 quarter. Changes in net working capital include a favorable change of \$4,368 on accounts receivables and unbilled revenues as a result of improved collection results and a favorable change in prepaid expenses and other assets of \$2,363 due to timing of payments. These were offset by an

- 16 -

unfavorable change of \$2,034 on inventory (resulting from support for upcoming new product launches, a surge in demand for larger capacity equipment and timing of offshore purchases) and an unfavorable change of \$2,109 in accounts payable and accrued and non-current liabilities (resulting from timing of disbursements and changing product liability reserves).

Net cash provided (used) by investing activities was \$3,153 for the three months ended July 1, 2007 compared to (\$1,717) for the three months ended July 2, 2006. The \$4,870 change in net cash provided (used) by investing activities was the result of \$5,454 of proceeds received from the sale of facilities and surplus real estate in fiscal 2008 compared to \$0 in fiscal 2007. This increase was partially offset by a \$650 increase in capital expenditures.

Net cash used in financing activities was \$379 for the three months ended July 1, 2007 compared to \$28,914 for the three months ended July 2, 2006. The net cash used in financing activities for the three months ended July 1, 2007 consisted of \$1,090 of net debt repayments, partially offset by \$569 of proceeds from stock options exercised. The net cash used in financing activities for the three months ended July 2, 2006 consisted of \$30,459 of net debt repayments, including the repurchase of \$38,548 of our 10% notes, partially offset by \$1,725 of proceeds from stock options exercised.

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

In March 2006, we entered into a Revolving Credit Facility which provides availability up to \$75,000. Provided there is no default, the Company may request an increase in the availability of the Revolving Credit Facility by an amount not exceeding \$50,000. The Revolving Credit Facility matures February 2011.

The unused portion of the Revolving Credit Facility totaled \$64,850, net of outstanding borrowings of zero and outstanding letters of credit of \$10,150 of July 1, 2007. Interest is payable at a Eurodollar Rate or a prime rate plus an applicable margin determined by our leverage ratio. At our current leverage ratio, we qualify for the lowest applicable margin level, which amounts to 87.5

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basis points for Eurodollar borrowings and zero basis points for prime rate based borrowings. The Revolving Credit Facility is secured by all domestic inventory, receivables, equipment, real property, subsidiary stock (limited to 65% for foreign subsidiaries) and intellectual property. The corresponding credit agreement associated with the Revolving Credit Facility places certain debt covenant restrictions on us, including certain financial requirements and a limitation on dividend payments.

The Senior Subordinated 8 7/8% Notes (8 7/8% Notes) issued on September 2, 2005 amounted to \$136,000 and are due November 1, 2013. Provisions of the 8 7/8% Notes include limitations on indebtedness, asset sales, and dividends and other restricted payments. Until November 1, 2008, we may redeem up to 35% of the outstanding notes at a redemption price of 108.875% with the proceeds of equity offerings, subject to certain restrictions. On or after November 1, 2009, the 8 7/8% Notes are redeemable at the option of the Company, in whole or in part, at prices declining annually from 104.438% to 100% on and after November 1, 2011. In the event of a Change of Control (as defined in the indenture for such notes), each holder of the 8 7/8% Notes may require us to repurchase all or a portion of such holder's 8 7/8% Notes at a purchase price equal to 101% of the principal amount thereof. The 8 7/8% Notes are guaranteed by certain existing and future domestic subsidiaries and are not subject to any sinking fund requirements.

The Senior Secured 10% Notes (10% Notes) issued on July 22, 2003 amounted to \$22,125 as of July 1, 2007. On August 1, 2007 the Company used cash on hand to redeem all of the outstanding 10% Notes at a price of 105% of the principal amount. The redemption required a \$1,106 premium payment to Noteholders and \$337 of unamortized financing costs will be written-off in the fiscal 2008 second quarter ending September 30, 2007.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for our subsidiaries operating outside of the United States. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of

- 17 -

default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of July 1, 2007, significant credit lines totaled approximately \$10,010 of which \$8,565 was drawn.

In addition to the above facilities, our foreign subsidiaries have certain fixed term bank loans. As of March 31, 2007, significant loans totaled \$3,960 of which \$2,868 were secured loans.

### CAPITAL EXPENDITURES

In addition to keeping our current equipment and plants properly maintained, we are committed to replacing, enhancing, and upgrading our property, plant, and equipment to support new product development, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements, enhance safety, and promote ergonomically correct work stations. Consolidated capital expenditures for the three months ended July 1, 2007 and July 2, 2006 were \$2,553 and \$1,903, respectively. We expect capital spending for fiscal 2008 to be approximately \$10 to \$12 million compared with \$10.7 million in fiscal 2007. Incremental capital expenditures for fiscal 2008 will be primarily directed toward new product development and productivity improvement.

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### INFLATION AND OTHER MARKET CONDITIONS

Our costs are affected by inflation in the U.S. economy and, to a lesser extent, in foreign economies including those of Europe, Canada, Mexico, South America, and the Pacific Rim. We do not believe that general inflation has had a material effect on results of operations over the periods presented primarily due to overall low inflation levels of most costs over such periods and our ability to generally pass on rising costs through price increases. However, we have been impacted by fluctuations in steel costs, which vary by type of steel and we continue to monitor them. In addition, U.S. employee benefits costs such as health insurance and workers compensation insurance as well as energy costs have exceeded general inflation levels. We generally incorporate those cost increases into our sales price increases and consider surcharges on certain products, as determined necessary. In the future, we may be further affected by inflation that we may not be able to pass on as price increases or surcharges.

### SEASONALITY AND QUARTERLY RESULTS

Quarterly results may be materially affected by the timing of large customer orders, periods of high vacation and holiday concentrations, gains or losses on early retirement of bonds, restructuring charges, divestitures and acquisitions. Therefore, the operating results for any particular fiscal quarter are not necessarily indicative of results for any subsequent fiscal quarter or for the full fiscal year.

### EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes." FIN 48 is an interpretation of FASB Statement No. 109 "Accounting for Income Taxes." We adopted FIN 48 on April 1, 2007 as discussed in footnote 5.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. We are assessing the impact the adoption of SFAS No. 157 will have on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). Among other items, SFAS 158 requires recognition of the overfunded or underfunded status of an entity's defined benefit postretirement plan as an asset or liability in the financial statements and requires recognition of the funded status of defined benefit postretirement plans in other comprehensive income. We adopted all of the currently required provisions of Statement 158 in fiscal 2007. This statement also requires an entity to measure a defined benefit postretirement plan's

- 18 -

assets and obligations that determine its funded status as of the end of the employers' fiscal year. This requirement is effective for fiscal years ending after December 15, 2008. We do not expect the adoption of this requirement to have a material impact on our consolidated financial statements.

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

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fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities and other items on an instrument-by-instrument basis. Changes in fair value would be reflected in earnings as they occur. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. We are currently evaluating whether we will elect the fair value option for any of our eligible financial instruments and other items.

### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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

- 19 -

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the market risks since the end of Fiscal 2007.

#### Item 4. Controls and Procedures

As of July 1, 2007, an evaluation was performed under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the chief executive officer and chief financial officer, concluded that the Company's disclosure controls and procedures were effective as of July 1, 2007. There were no changes in the Company's internal controls or other factors during our first quarter ended July 1, 2007.

- 20 -

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings - none.

Item 1A. Risk Factors

No material changes from risk factors as previously disclosed in the Company's Form 10-K for the year ended March 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - none.

Item 3. Defaults upon Senior Securities - none.

Item 4. Submission of Matters to a Vote of Security Holders - none.

Item 5. Other Information - none.

Item 6. Exhibits

(a) Exhibits:

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- 21 -

SIGNATURES

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

COLUMBUS MCKINNON CORPORATION

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(Registrant)

Date: AUGUST 10, 2007  
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/S/ KAREN L. HOWARD  
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Karen L. Howard  
Vice President and Chief Financial Officer  
(Principal Financial Officer)

