Veri-Tek International, Corporation
Second Quarter 2007 Financial Results
August 14, 2007

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Veri-Tek International conference call. At this time, all participants are in a listen-only mode. Later, we'll conduct a question and answer session and instructions will be given at that time. If you should require assistance at any time during the call please press the, star followed by the zero and an operator will assist you. As a reminder this call is being recorded today, Tuesday, August 14th, 2007.

I would now like to turn the conference over to Mr. David Langenvin. Please go ahead, sir.

David Langenvin: Thank you, Patty (sp?). Thank you to everyone on the call for your interest in Veri-Tek. With me today is Andrew Rooke, our President and Chief Operating Officer and he will start off with details on the quarter and the details to the financials and he will also give you the Safe Harbor Information which I urge you to read in the attach of the press release.

Also briefly, a few housekeeping duties. A replay will be available at the conclusion of this call. It can be accessed until Tuesday the 21st. To access the replay, please call 1(800)406-7325 and for participants internationally call (303)590-3030 and enter the conference ID number 3769199. And of course, feel free to access our website where the information will be available at the conclusion as well.

Now first let me talk about briefly the numbers. We definitely saw improvement in the second quarter. However, I don't want to give anyone the impression that we believe that we're satisfied with that. We still do have a long way to go. And we're just beginning as a public company.

As many of you know, we merged roughly a year ago in July of '06 between Manitex and Veri-Tek. And I thought I'd briefly summarize and review the progress that we've made in the first year.

For example we, coming out of the box issued 11.1 million in proceeds of new shares and we used those proceeds to lower our debt, our long-term debt, and to purchase Liftking. I'd like all of us to believe that Liftking was an excellent acquisition.

During the first six months of this year, it is running on a purchase price EBITDA multiple of approximately three times. And this stuff does well with the recently announced Noble acquisition. The reason being, that

Noble's strengths are Liftking's weaknesses. By that, I mean Noble has a very strong commercial application and commercial product, principally off the back of its heritage which comes from Caterpillar. And Liftking, as we know, is very strong in specialized equipment and military equipment, but it is weaker in its commercial products.

And so we believe that with the addition of Noble, we will be able to increase to flow through in the Liftking production, smooth out that flow through and also obviously be incremental and accretive to the earnings at Veri-Tek. Of course the obvious question is to what magnitude and to what extent? And because Noble has been lacking in capital in the last few years and not able to produce at a level that it was demanded to, its sales have been less than what we've expected.

We did announce in our press release, on the Noble release, that we expect sales to eventually go in the area of 20 million and with margins consistent with our Liftking business.

So we feel that it's a very positive acquisition to our shareholders at a purchase price of 4.2 million represented by a forgiveness of related party receivables.

Finally we also recently announced the sale of the assets involving the legacy Veri-Tek business. That's very important to us because we've used that money to also retire long-term debt and also eliminate, after the end of the third quarter, the ongoing discontinued business that we have, the losses that we've incurred at Veri-Tek.

With the reduction in debt that we've done over the last year, we've strengthened our balance sheet which allows us to continue to grow our company by acquisitions as well as internal growth and this is an important objective of ours.

The last thing I wish to mention, before I turn it over to Andrew, is a brief comment about the strength of the markets that our products serve and the one that we haven't talked about yet which is the Manitex business, the crane business.

As many of you know, our cranes are used for infrastructure - mostly road and bridges, energy, utilities and commercial construction. So we believe the underlying strength of these markets will bode well for the future growth of our business.

And with that, I would like to turn it over to Andrew who will walk us through the performance of the second quarter and then return for question and answers. Andrew?

Andrew Rooke: Thanks Dave and good afternoon and welcome everybody. As customary, I would like to start with the Safe Harbor Statement.

The press release and discussions on this conference call contain statements that are forward-looking in nature which express the beliefs and expectations of management, including statements with respect to anticipated revenue and EBITDA's percentage of sales and expected closings, testing and assembly segment. Such statements are based on current plans, estimates and expectations and involve a number of known and unknown risks, uncertainties and other factors that could cause the company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements.

These factors and additional information are discussed in the company's filings with the SEC and statements in this release should be evaluated in light of these important factors. And again, reiterating Dave’s comment, we’d encourage you to read the full statement that's attached to the press release.

I'm now going to start with a financial overview and highlights and summary of the quarter and then review a few areas of particular note that we'd like to highlight today.

As an overview, with regard to our financial statements, it's important to recognize that prior to July the 3rd, 2006 the company operated in a single segment of business, the testing and assembly equipment segment. Following the decision taken by the Board in March of 2007 for solely these operations, this segment is recorded as a discontinued operation. The continuing business is the lifting equipment segment that was established with the acquisition of Manitex in July of '06 and Liftking in November of '06.

Therefore, the comparative numbers for 2006 do not show any revenue or gross profit for this segment, only the corporate expenses that were involved in it. And to help evaluation and people understand the position, I'm going to use sequential comparisons of the first and second quarters of 2007, unless otherwise stated.

So firstly, I'd like to comment on the second quarter highlights of the continuing operations. We saw a 29.4% sequential increase in net sales to 30 million from 23.1 million compared to the first quarter of 2007. And this included delivery of two Liftking 400-ton capacity transporters to our customers.

Net income from continuing operations increased to 9.5 million compared to 9.1 million in the first quarter of 2007. We had a 210 basis point sequential improvement in EBITDA margin to 8.7% of sales. We generated 9.7 million in operating cash flow and long-term debt was reduced by 1.6 million to 38.3 million.

Subsequent to the end of the quarter, we made some important announcements that David has already alluded to, the sale of the testing assembly equipment assets for 1.1 million, and confirmed that we expect to completely close the segment in the third quarter of 2007. And we also announced the acquisition of the Noble Rough Terrain fork lift product line.

In a bit more detail then, our net sales for the second quarter of 2007 reached 30 million, an increase of 6.8 million or 29.4% from the 23.1 million in the first quarter of 2007. The revenue improvement was primarily due to improved manufacturing throughput at Manitex and strong sales of special vehicles and military products at Liftking including the two 400-ton transporters I mentioned earlier.

Gross profit was 5.8 million or 19.4% gross profit margin for the second quarter compared to 4.2 million or 18.2% gross profit margin for the first quarter of 2007. The improvement in gross profit percent was driven by the achievements of higher production efficiencies as well as the implementation of certain operation initiatives launched in the quarter in the supply chain and other sourcing improvements.

Total operating expenses for the second quarter of 2007 were 3.7 million compared to total operating expenses of 3.3 million in the first quarter.

Integration expenses associated with acquisitions as well as certain legal accounting consulting expenses relating to the company's registration statement on Form S3) and our Sarbanes-Oxley compliance initiative all contributed to the higher operating expenses in the quarter.

Net income from continuing operations for the second quarter was 9.5 million or $0.06 per share compared to net income from continuing operations of 9.1 million or $0.01 per share for the first quarter of 2007.

This does reflect the fact that operational improvements did not fully flow to the bottom line. As we were adversely impacted by an unusual strengthening in the Canadian to U.S. dollar exchange rate that generates foreign exchange losses of 9.5 million in the quarter from the currency translation of the seller note for the acquisition of Liftking and from the higher level of U.S. dollar sales by Liftking in the quarter.

Net income for the second quarter was 9.3 million or \$0.04 per share in basic and fully diluted share compared to net loss of 1 million or \$0.13 per basic and fully diluted share in the first quarter.

We believe the EBITDA and EBITDA of the percentage of sales represent key operating metrics for the business.

During the second quarter, the company generated 2.6 million of EBITDA equal to 8.7% of sales compared to 1.5 million, 6.6% of sales, for the first quarter of 2007. EBITDA for the first six months ended June 30th, 2007 was 4.1 million or 7.8% of sales.

Moving on to the balance sheet and cash flow, the company completed the quarter ended June 30th with 20.2 million in working capital and the current ratio of 2.1 to one.

Long-term debt decreased in the second quarter by 1.6 million from March 31st reflecting the repayment of notes payable and a reduction in the amount drawn on the company's line of credit.

Shareholders equity increased 3.9% to 19.2 million from 18.4 million as of December 2006.

Moving onto our guidance, previously we provided guidance for 2007 indicating that we anticipated revenues between 95 and 100 million and EBITDA percentage of sales between 8 to 8.5%. Today, we can reaffirm this 2007 guidance. I'd now like to review a few more areas into more detail.

Revenue, as already stated, revenues increased over the first quarter by nearly 30% with strong contributions from both Manitex and Liftking. At Manitex, the absence of the adverse weather there having impacted our Texas Facility in January and some of the organizational changes in the supply chain improvements made through the first quarter had positive impacts on our financial performance. As we were able to increase throughput to our forecast levels and ship against our strong order book.

At Liftking, we benefited from the shipments of two specialist transporters and the high volume of military shipments. These orders are generally of longer lead time than commercial and industrial sales and also have higher average selling prices than those on Liftking's typical commercial product sales.

Our gross profit margin of 19.4% was an improvement of one percentage point over the first quarter of 2007. This was largely due to the improved production efficiencies, but we also started to see benefits from some of our supply chain sourcing activities. These actual items are in their early days but we do see these as opportunities for margin enhancements as we progress. Since today, we're only sourcing approximately 5% from what we would consider to be low cost sourcing countries and we see several opportunities to increase this.

Our operating expenses for the quarter were 3.7 million, an increase of 3.3 million over the same period of 2006 when only the corporate costs for the testing and assembly segment business were reported. Costs for 2007 obviously represent the lifting equipment segment and the corporate expenses associated with the company.

We continue to establish the infrastructure necessary to achieve our strategic objectives and to integrate the two acquisitions of Manitex and Liftking.

Additionally in the second quarter, we continue to incur legal and accounting expenditures related to the SEC review of our S-3 registration, costs for the preparation of the proxy, and the consulting costs relating to our Sarbanes-Oxley compliance project.

For the SOX project in particular, not only are we actively managing our total costs, we are monitoring the balance of internal and external resources applied to the overall objectives of this project. We do consider a good portion of these costs temporary or non-recurring in nature. In particular, for example, the SEC review of the S-3 was completed during the second quarter.

I referred to foreign currency losses earlier on. The strength of the Canadian dollar against the U.S. dollar hurt our net financial results in the second quarter. This loss is caused by the almost unprecedented depreciation of the U.S. dollar versus the Canadian dollar in three months when the exchange rate moved approximately 8%. This movement impacted two areas.

The outstanding balance on the seller notes of Canadian dollars of 2.8 million for the acquisition of Liftking which was revalued at June 30th, generating a loss through the increase in the liability of 9.2 million.

Liftking also recorded high levels of U.S. sales during the quarter and on settlement recorded an exchange loss of about 9.2 million.

Notwithstanding the fact that this exchange movement was unprecedented, we have accelerated our discussions on the appropriate actions to take to further mitigate exposures and hope to conclude these discussions in the next few weeks.

With regard to the balance sheet, as I stated earlier, we did reduce our long-term debt by 1.6 million in the quarter and in addition, in August, negotiated the extension of our credit facility until April 1st, 2009. It's an important objective for us to improve our ratios and in particular our EBITDA to debt ratio and we continue to take actions to address this.

Just referring to a couple of the subsequent events that are referred to on the discontinued operations, the legacy business of the testing assembly equipment segment, we did complete the sale of the diesel engine assets for 1.1 million on August the 1st and the closure of the remaining activities is on target for the end of this quarter.

We are also very excited to announce the completion of the Noble acquisition on July 31st, which is a great addition to our family of products with a tremendous history and future potential. We expect many benefits out of this acquisition. Noble has a reputation for providing a durable, innovative and higher quality product and the result is a very strong distribution network. Noble has a large install base which generates a healthy aftermarket parts business as well. And from a manufacturing standpoint, our plans are to integrate within our existing facilities.

Our sales and marketing team is excited about the opportunity to offer an expanded high quality rough terrain product line to our customers while also gaining access for all the other products to Noble's (inaudible) network.

It's a bit premature I think at the moment to comment on the specifics in terms of the numbers, but we do consider that the Noble business will be very significant for us as we move forward, along the lines that Dave has already discussed.

With that, I'd like to hand back now to Dave.

David Langenvin: Okay, Patty. If you would please open it up for questions.

Operator: Thank you. Ladies and gentlemen, at this time we will conduct our question and answer session. If you'd like to ask a question, please press the, star followed by the one on your touchtone phone. You'll hear a tone indicating that you've been placed in the queue. You may remove yourself from the queue at any time by pressing the star followed by the two. We also ask if you are using a speakerphone, please pick up the handset prior to pressing the numbers. Once again, if you do have a question please press the star followed by the one at this time.

And our first question comes from the line of Sam Nicholls from Quillen Securities. Please go ahead.

Sam Nicholls: Hi, David. How are you?

David Langenvin: Fine, Sam. Thanks.

Sam Nicholls: Two, actually just two questions, if I could. On the top line, was any of Noble included in the second quarter? Was second quarter on a like for like basis versus the first quarter?

David Langenvin: Noble was not included. It was acquired on July 31st so (inaudible) it will have a small piece in the third quarter.

Sam Nicholls: Okay. And your EBITDA margin improvement, if we were to actually toss back in the D&A there, I'm coming up with operating margins at 6.9% in the second quarter and last quarter it was 4%.

I was wondering if you could walk us through some of the reasons for the improvement. And there were a couple one-timers, if I recall, in the first quarter of legal and accounting expenses, if there's any way to breakout what led to the improvement that would be terrific.

David Langenvin: Andrew, do you want to try to generally respond to Sam on that question?

Andrew Rooke: Yes, absolutely.

Sam Nicholls: Yes, thank you.

Andrew Rooke: I think we stated in the call earlier, one of the key elements was the improved throughput at Manitex. We had some issues in the first part of the first quarter, if you recall, we had some adverse weather conditions which affected us. We made some operational changes in the facility during the latter part of the quarter, of the first quarter. And really that allowed us to improve our throughput through that facility and that really helped drive our operating and our gross profit margin through to the levels that we saw in the second quarter.

We also saw some benefit from the higher level of sales at Liftking. We refer to that particularly higher level of military sales and the two transporters that we shipped. And those do have also a higher selling price than the average Liftking products. Those things in particular drove the gross margin through.

In terms of our operating expenses, I think we've mentioned also that those, I think, increase quarter on quarter. We did have some higher legal costs relating to the things that we talked about, the SEC review, et cetera, the proxy, et cetera. So really, our biggest drive was through the efficiency and the supply chain improvements that we saw.

Sam Nicholl: Okay. Thank you. One more question, I lied actually. Your back log, how is your back log now?

David Langenvin: You know, it's something that we have reported on, on an end-of-the-year basis and as I mentioned in my statement, our end markets remain strong. And we typically, right now, are in the process of developing our '08 business and our '08 back log. So, I think rather than give a specific number, we'll just indicate that the back log and the end markets remain strong.

We typically, I hate to always get in exactly what a back log is because it's sometimes difficult for us to determine with all the customers that we have in process. But suffice it to say, it continues with the markets that we serve to be a lot of activity in our demands for our products as we stated in our queue.

Sam Nicholls: Okay. Thank you very much.

David Langenvin: Sure. Thanks, Sam.

Operator: Thank you. And our next question comes from the line of Jeff Feinberg from JLF Asset Management. Please go ahead.

David Langenvin: Good afternoon, Mr. Feinberg.

Jeff Feinberg: Good afternoon, excellent results. Thank you very much.

David Langenvin: Thank you.

Jeff Feinberg: A couple follow-up questions please. I guess the first thing was thinking about the Noble opportunity, just piecing together the pieces that you have mentioned here in the call and thinking about the longer term opportunity for the company just the way we did with Liftking.

It sounds like, as for the press release, that this could be a $20 million business and have similar 10%-ish type margins. Decreasing on this should be on the order of the magnitude $0.15, $0.17 a share. Is my thought process correct based on what you talked about here?

David Langenvin: Well again, Jeff, as you know we're very hesitant and we have been very hesitant to be real specific. But you certainly summarized what we have discussed on this call and in our press releases, yes.

Jeff Feinberg: Okay, great. I just wanted to make sure. I jumped on the call a little late and someone had mentioned to me that you talked about margins and some of the corporates and I was just putting the pieces together.

David Langenvin: That's correct.

Jeff Feinberg: Thank you. The second thing was, I was just curious and this probably goes to just a corporate philosophy question. But for that first half of the year, I know you had a number of one-time manufacturing issues in the first quarter which caused your EBITDA margin to be less than you would have liked and did 8.7% here in the second quarter which got you the 78 for the first half. It certainly seems awfully conservative when you're running above 8.5 now to leave the target for the year at 8 to 8.5.

I was just wondering if that's conservatism or if there are any specific manufacturing issues that you foresee?

David Langenvin: I don't think there's anything that we foresee specifically. Our team, and again I have to obviously take total and complete responsibility as leader of the team, but I just want to be very conservative and make sure that we have a little bit more visibility to make sure that we're going to improve indeed the numbers that we put out in the marketplace.

I don't think there'll be any more ice storms in Texas but maybe we'll fight some other calamity. But I think it's just my nature not to be overstating anything. So again, I have to take ownership of that.

Jeff Feinberg: Understood. Well, I certainly appreciate it. And I guess if I'm doing the math correctly, embedded in this quarter who knows how currencies will move. But if I'm reading the presses correctly, the actual impact this quarter was on the Canadian dollar cost you half a million dollars and it looks like that was similar to the total earnings overall for the company. So, if we add that back and assuming stable (inaudible) going forward, we're sort of at a $0.10 a quarter plus one rate if I'm doing the math correctly.

David Langenvin: Yes, the Canadian dollar was really something that kind of moved up much quicker than we anticipated obviously. It was insignificant in the first quarter and it's not like Andrew and I haven't had many years of experience with exchange rates and we just didn't anticipate, and neither did our Canadian friends, that operating the business the extent of that movement versus the U.S. dollar. But we are looking at it diligently now and we'll see what we do in the future to hedge that so that we don't have that kind of impact on a quarterly basis.

Jeff Feinberg: Yes. And if that had been hedged, you would have made $0.11. Okay. Thank you very much.

David Langenvin: Thanks Jeff.

Operator: Thank you. And our next question comes from the line of Phillip Anderson from Pinnacle Fund. Please go ahead.

Phillip Anderson: Hi, Dave and Andrew. How you guys doing?

David Langenvin: Hi, Phil. Thanks, Phil.

Phillip Anderson: I want to continue along the lines of some of Jeff's questioning here.

Dave, you said earlier in prepared remarks and in the response to Sam's question regarding back log, that at this point in time that was an annual number which you were giving earlier and this point in time you're working on '08 numbers and '08 business plan and so on.

David Langenvin: That's right.

Phillip Anderson: From which one could infer, if you're not working on '07 numbers, i.e.'07, the back log is there or is essentially there to support whatever expectation you had created internally in terms of business for the rest of this calendar year.

David Langenvin: Yes, I think in our type of business there's a lead time for suppliers and vendors. We have the visibility to be working on the '08 numbers right now and not the '07 numbers, although we have to obviously stay on top of it so we maximize the best we can for '07. Our planning meetings now are concentrating on, you know, what are we going to deliver on in '08.

Phillip Anderson: So, you have the orders now for '07 but you still obviously have to manufacture the equipment and sell it and manufacture it at an appropriate margin.

David Langenvin: That's correct.

Phillip Anderson: Okay. And getting back to, again on the Noble acquisition. Can you give us a sense, as obviously one point in time this was a very substantial company, can you help us understand why it became much smaller and what it may take to make it larger again?

And I guess lastly, give us a sense as to how this acquisition was valued on some type of a trailing revenue or EBITDA basis?

David Langenvin: The company, it has been publicly released and should be made known that I was involved as a shareholder in the company and a part of the related party that's mentioned in the forgiveness of the inner company, or not inner company but the receivable that was sitting on the books of Veri-Tek International. So I've known the company for a number of years and it really wasn't orphaned within the group as when we developed a number of our companies, we moved it, Lubbock to Mexico to Georgetown to Chicago. So, we moved it four times in four years and as you know, that's no way to run a business, no way to grow or substantiate a product line.

And it was really not until we had the opportunity to put Liftking together that I really saw that the combination of the two would be tremendous and then of course we had to, the reason it took time from the Liftking acquisition which was December 1st until July 31st was to go through the analysis that had to be done for independent committee fairness opinion evaluation, all that type of stuff. So we had to go through all that and once we completed that, we put together the acquisition.

The EBITDA multiple was a model that was put together by an outside party and I think it's on a historical and future basis. I don't want to throw out some number but roughly four times I think is kind of the type of number we were looking at. And again, as we mentioned in our press release and our prepared statements, we hope to do better than that as we go forward. But again, that will take time as we develop the resources internally and the supply base, et cetera to wrap it up to higher levels. Because certainly, at least preliminarily, we've been told by the sales group and the organization, the distribution group that there's significant demand for the product.

Phillip Anderson: So you paid four times EBITDA trailing multiple basis or some type of a trailing multiple basis for a company which has been, you know, discombobulated four times over the last four years as it's been moved around and has been, sounds like it has been starved for attention and perhaps starved for capital and your sales guys already have a sense as to how they can, would it be a VCC sales force which can sell this in addition to whatever sales force Noble had? Can your same sales guy sell this out of their same bag in effect?

David Langenvin: Yes, we have, it's very interesting. We have a sales group that's part of the material handling group and several of them in the past in their history have sold this product, has been part of this organization.

So as you mentioned historically this company was significantly higher than the numbers that we've mentioned as far as sales. So that kind of duck tails Andrew's statement that these guys are really excited about having this product again and of course salesman love to have products to sell because they're paid on a salary plus commission basis. So this is something that we can all have some substantial profits going forward.

Phillip Anderson: Sounds good to me. I like substantial profits.

I'm turning the page and asking you and Andrew to elaborate a little bit. The comments regarding, quote, certain efficiencies that were launched in the second quarter to reduce operating costs. And going on, let me stop there.

Can you elaborate on the opportunity to improve the profitability of, I believe that statement refers to improving the profitability in effect on a per boom truck basis? But can you elaborate what the opportunity is and how organized the company is to execute on whatever opportunity there is?

Andrew Rooke: Should I take that, Dave?

David Langenvin: No, I'll just briefly summarize Andrew's comments which I think are relevant to what you were saying. Is that the amount of components that are used to produce our products and the amount of material that are used to produce our products is obviously a very high material content. And as Andrew mentioned, only a few percentage of our materials at this point come from what we consider to be low cost providers. And Andrew is working very diligently with the operating teams to significantly improve that as we go forward and that could have a substantial impact on our operating earnings and therefore our earnings per share.

But Andrew, go ahead and comment on some specifics. That's just where we're trying to go.

Andrew Rooke: Yes. I think the general point is very well made there.

And the other point I'll add to it is we're in the very early stages of this. We've had, some of the management team here, myself in particular, have had exposure and experience of these type of sourcing activity, of starting to drive manufacturing efficiencies through the business, through the applications with lean techniques and things like that. But we are really just touching the surface of this as we start today. And therefore, that's why we believe there's an opportunity.

We started to look at that opportunity and we started to do some good things. We started to look at simple things in terms of our supply chain which make the business simpler and make it more efficient. And we will continue to drive forward on those particular things. We will continue to update people with that because it's a very exciting part of the story, we think.

Phillip Anderson: Andrew, you say that you're just starting out. Can you give me a sense, give us all a sense, I don't know whether is it an 18-month process, is it a 6-month process if you have whatever changes you're going to make with suppliers, if you have contracts that you're engaged to for a long period of time or if you have inventory that you have to work through or what a testing and acceptance period might be for a new supplier.

But in a practical business person's terms, can you give us a clear understanding as to the work which has to be done until we begin to benefit from it from a profitability perspective?

Andrew Rooke: I think it's a long-term journey but you can get short-term and medium-term benefits as well. So the tendency is for those to start to filter through the system slowly at first and then to gain the momentum as you do these things. We are in the early stages of it.

There are, to the best of my knowledge, few long-term contracts that we need to work through. But one of the key issues in all of this is to maintaining the high degree of quality that we have the reputation for and therefore engineer and validation and things like that are important to us and obviously to our customers. And those vary depending on the type of product that you're talking about or type of component that you're talking about.

So, I don't mean to talk around the subject, Phil, but we will start to see benefits come through and they will continue to come through because it's a continuous thing. That's the key to these things, continuous improvement and we're starting on that journey now. And there's a lot of education that has to take place and a lot of activities that have to take place to deliver on them. But we certainly believe we're starting and we'll continue to move in the right direction.

Phillip Anderson: All right. Thank you for that, Andrew. And then if I were to tie your response to my question into Jeff's observation regarding the improvement in the EBITDA margin, one, I being one, could expect that the results of this program which you've just described would continue to cause EBITDA expansion as a percentage of revenue?

Andrew Rooke: Yes. I mean the other thing you have to bear in mind, of course, but there are other factors that come into play. You know, people put prices up, material prices increase and things like that. So, those are always offsets to the benefits that you gain from these type of activities.

So at the end of the day, we see those particular things as being positive and hopefully they do drop through to the bottom line.

Phillip Anderson: Okay. I did not mean to put you in the position to make a forward-looking statement, Andrew.

I guess lastly, do you have a summary of the one-time expenses that you referred to and you're prepared remarks. What they may have been on an approximate dollar basis in the quarter you referred to, you know, Sarb-Ox (sp?) compliance and some other things. Do you have an approximate total for that?

Andrew Rooke: We haven't actually put one out, no. We know the costs relating to the S-3 registration, for example, were probably in the region of (inaudible) for 150,000, something like that. We have continued to invest in the Sarbanes-Oxley work and that's an ongoing project as I'm sure you know. But we are very conscious of what level of costs we're putting into there and we're trying to balance that, as I said, with external and internal.

What we do see is that we should see some reduction in those, particularly now that the S-3 statement has been completed and signed off. So we see some stabilization and benefits hopefully coming through in the next quarters from now.

Phillip Anderson: Okay. Well, thanks very much, guys. Looks like a very strong quarter and you're clearly making a lot of progress in building a company which should become of real consequence and seems to be doing a terrific job and I look forward to seeing you guys in a few weeks at the (Inaudible) Conference.

David Langenvin: Thank you.

Andrew Rooke: Thanks, Phil.

Operator: Thank you. And once again ladies and gentlemen, if you would like to ask a question please press the, star followed by the one on your touchtone phone. As a reminder, if you are using a speakerphone we do ask that you lift the handset prior to pressing the numbers.

Your next question comes from the line of Jeffrey Lown from Tuxedo Road Associates. Please go ahead.

Jeffrey Lown: Good afternoon, Dave.

David Langenvin: Good afternoon, Jeff.

Jeffrey Lown: In previous conference calls we talked about, or you talked about I should say, looking at expanding the lower end of the product line, an area that you really haven't paid as much attention to at the higher end of the line. Has there been any progress made there?

David Langenvin: Thanks, Jeff. And I'll just kind of resummarize that for folks who haven't heard this in previous quarters and this relates to the Manitex business.

There's a full product line that runs in the kind of products and we serve run from 17-ton crane size to 50-ton lifting capacity crane size. And we really dominate and concentrate in the higher end of that range, so 26 and ton higher.

We've not participated to a great extent in the development of our products and the engineering of our products on the lower end. That's been by design because the lower end has been a lot more pricier and, from my standpoint, a lot more difficult for us to compete and we can really bring out the specialty and the concentration of our engineering at the higher end.

Having said that, we have been spending the last year aggressively looking at costing and sourcing components for the lower end that allows us to be competitive because it's a large piece of the market. It's a larger market even though it's a much lower margin market.

So to answer your question, Jeff, we have prototype now and Andrew and I are leaving tonight for Texas and spend the next couple of days and we'll see the prototype and then try to figure out, along with our management, how soon we'll start hitting the market with that. But I know we had said in the third quarter, we do have I believe a prototype that we can start to advertise and market. But I suspect that it may be fourth quarter '08 before we see full production of that product.

Jeffrey Lown: All right. Thanks, Dave. Thanks.

David Langenvin: Sure.

Operator: Thank you. And once again, ladies and gentlemen, if you do have an audio question please press the, star followed by the one on your touchtone phone. Again, as a reminder if you are using a speakerphone, please pick up the handset prior to pressing the numbers.

Our next question comes from the line of FL Kirby from Morgan Stanley. Please go ahead.

David Langenvin: Hey, FL.

FL Kirby: Hi. I haven't talked to you for a while but two questions. One, first one, are you adjusting or are you, how are you handling your EPS numbers for the year?

David Langenvin: How are we handling the EPS numbers?

FL Kirby: Yes.

David Langenvin: I'll say according to a generally accepted accounting principles. That's a good escape route because I don't really know. I assume it's accretive or dilutive and primary, correct Andrew?

Andrew Rooke: Yes, I'm sorry. I'm not sure of the question really.

FL Kirby: Well, like what are your estimates now…

David Langenvin: …of discontinued and not been discontinued? The only guidance we've given to the market is sales and a operating percentage. We have not given a specific EPS number.

FL Kirby: Okay. And you've given some EBITDA guidance…-

David Langenvin: And that's about it. The EPS for us certainly is very important going forward as we develop this company and it enters certainly not maturity. We're not anywhere near maturity. But as we continue to develop and get rid of the discontinued business which we've done and get on a freestanding sector and segment, we will be able to do a better job of having confidence in our EPS numbers. This was very difficult as we start and we looked at this in '07 or '06.

FL Kirby: Right. Okay. On a more fundamental basis, and this is kind of a hard question, but with the problem that Minnesota experienced with this bridge collapsing, does this enter into your potential market for the Manitex equipment that's being sold? I've been kind of interested to hear whether or not that would fit into your market. I'm talking about the amount of bridge building that needs to be reconstructed, that kind of thing.

David Langenvin: As you said, it's a difficult question to answer because you're talking about, and I've been not inundated, but I've seen a lot of information from dealers and investors, shareholders. These articles were, all of a sudden all the political geniuses of the world are talking about how they're going to finally spend all the money that's necessary to fix the bridges and roads and all those things and of course that's the heart of our business. That's where our business is.

And, you know, I've been in this for better or worse for many years and I'm still waiting for all that money to flow through but it certainly can't, it certainly is going to help and I hope that this time they are serious about providing more support because it clearly is an area that needs it and requires it. So I'm hopeful that this will be a very positive influence to our business going forward. But, you know, it's out of our hands from the standpoint that it's in politicians hands in both state, federal and local level as we know are all involved with buildings and infrastructures.

FL Kirby: But it is an opportune time if the money flows.

David Langenvin: That's correct. That's right.

FL Kirby: Okay, all right. And if we could get together and schedule that even that we were talking about, I'd appreciate it.

David Langenvin: Absolutely. I'll follow up with you, FL. Thank you very much.

FL Kirby: Thank you.

Operator: Thank you. And I'm showing that we have no further questions at this time. Please continue.

David Langenvin: Okay. Just again, this is David Langenvin. I'd just again like to thank everyone for their interest in Veri-Tek and welcome comments and questions and look forward to our next call. Thank you very much. Bye bye.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation. You may now disconnect.