BOOTS & COOTS INTERNATIONAL WELL CONTROL INC
Form 10-Q
May 14, 2001

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 OF 1934

FOR THE QUARTER ENDED MARCH 31, 2001

COMMISSION FILE NUMBER 1-13817

BOOTS & COOTS INTERNATIONAL
WELL CONTROL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	11-2908692
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

777 POST OAK BOULEVARD, SUITE 800 HOUSTON, TEXAS	77056
(Address of principal executive offices)	(Zip Code)

(713) 621-7911
Registrant's telephone number, including area code

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

The number of shares of the Registrant's Common Stock, par value $.00001 per share, outstanding at May 11, 2001, was 40,672,090.

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

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BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 2000	MARCH 200 (UNAUD
CURRENT ASSETS:		
Cash	$ 1,416,000	$ 1,19
Receivables - net.	5,620,000	5,68
Inventories.	401,000	33
Prepaid expenses and other current assets.	547,000	33
Total current assets	7,984,000	7,55
PROPERTY AND EQUIPMENT- net.	7,971,000	7,51
OTHER ASSETS:		
Goodwill - net	1,903,000	1,88
Deposits and other - net	268,000	29
Total assets	$ 18,126,000	$ 17,25

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

	DECEMBER 31, 2000	MARCH 200
CURRENT LIABILITIES:		
Accounts payable	$ 5,343,000	$ 3,72
Accrued liabilities and customer advances.	6,559,000	6,48
Current maturities of long-term debt and notes payable	100,000	10
Total current liabilities.	12,002,000	10,30
LONG-TERM DEBT AND NOTES PAYABLE - net of current maturities	12,520,000	12,52
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY (DEFICIT):		

Preferred stock ($.00001 par, 5,000,000 shares authorized, 365,000 and 304,000 issued and outstanding at December 31, 2000 and March 31, 2001, respectively)	-	
Common stock ($.00001 par, 125,000,000 shares authorized, 31,692,000 and 39,822,000 shares issued and outstanding at December 31, 2000 and March 31, 2001, respectively)	-	
Additional paid-in capital	53,098,000	53,88
Accumulated deficit	(59,494,000)	(59,46
Total shareholders' equity (deficit)	(6,396,000)	(5,57
Total liabilities and shareholders' equity (deficit)	$ 18,126,000	$ 17,25

See accompanying notes to condensed consolidated financial statements.

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BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	2001
REVENUES	$ 7,523,000	$ 8,973,000
COSTS AND EXPENSES:		
Cost of Sales and Operating Expenses	5,914,000	6,145,000
Selling, General and Administrative	1,371,000	1,855,000
Depreciation and Amortization	664,000	529,000
	7,949,000	8,529,000
Operating Income (Loss)	(426,000)	444,000
Interest expense (income) and other	3,033,000	(23,000)
Income (Loss) From Continuing Operations	(3,459,000)	467,000
Income From Discontinued Operations, net of Income Taxes	776,000	300,000
Net Income (Loss)	(2,683,000)	767,000
Preferred Dividend Requirements & Accretions	119,000	734,000
Net Income (Loss) Attributable to Common Shareholders	$(2,802,000)	$ 33,000
Basic and Diluted Earnings (Loss) per Common Share:		
Continuing Operations	$ (0.10)	$ (0.01)
Discontinued Operations	$ 0.02	$ 0.01
Net Income (loss)	$ (0.08)	$ 0.00
Weighted Average Common Shares Outstanding - Basic and Diluted	35,254,000	37,564,000

See accompanying notes to condensed consolidated financial statements.

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
THREE MONTHS ENDED MARCH 31, 2001
(UNAUDITED)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATE
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT
BALANCES, December 31, 2000. .	365,000	$ -	31,692,000	$ -	$53,098,000	$(59,494,000
Warrant discount accretion	-	-	-	-	13,000	(13,000
Preferred stock dividends accrued.	-	-	-	-	721,000	(721,000
Preferred stock conversion to common stock	(61,000)	-	8,130,000	-	-	-
Warrants issued for consulting services. . . .	-	-	-	-	54,000	-
Net Income	-	-	-	-	-	767,000
BALANCES, March 31, 2000	304,000	$ -	39,822,000	$ -	$53,886,000	$(59,461,000

See accompanying notes to condensed consolidated financial statements.

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss).	$(2,683,000)	$ 767,000
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	664,000	529,000
Common stock issues in exchange for services.	48,000	-
Bad debt expense.	19,000	99,000
Equity issued for services and settlements.	1,679,000	54,000
Changes in assets and liabilities, net of acquisitions:		

Receivables	(2,093,000)	(166,000)
Inventories	125,000	62,000
Prepaid expenses and other current assets	148,000	209,000
Deferred financing costs and other assets (not current)	819,000	(27,000)
Accounts payable	(185,000)	(1,616,000)
Accrued liabilities and customer advances	2,009,000	(78,000)
Change in net assets of discontinued operations	(1,103,000)	-
Net cash used in operating activities	(553,000)	(167,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions	(166,000)	(54,000)
Net cash used in investing activities	(166,000)	(54,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit	1,280,000	-
Net cash provided by financing activities	1,280,000	-
Net increase (decrease) in cash and cash equivalents	561,000	(221,000)
CASH AND CASH EQUIVALENTS, Beginning of Period	222,000	1,416,000
CASH AND CASH EQUIVALENTS, End of Period	$ 783,000	$ 1,195,000
Supplemental Cash Flow Disclosures:		
Cash paid for interest	$ 374,000	$ 6,000
Non-cash Investing and Financing Activities:		
Preferred stock dividends accrued	$ 110,000	$ 721,000

See accompanying notes to condensed consolidated financial statements.

BOOTS & COOTS INTERNATIONAL WELL CONTROL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2001
(UNAUDITED)

A. GOING CONCERN

The following should be read in conjunction with the unaudited consolidated financial statements and notes thereto and the other financial information contained in this report and the audited financial statements and notes in the Company's annual report on Form 10K for the year ended December 31, 2000, and those reports filed previously with the Securities and Exchange Commission ("SEC").

The Company receives the majority of its revenues from customers in the energy industry. Demand for the Company's products and services is impacted by the number and size of projects available which fluctuate as changes in oil and gas prices affect customers' exploration and production activities, forecasts and budgets. These fluctuations have a significant effect on the Company's cash flows.

Recent activity levels in the oil and gas sector have increased the frequency of high-risk work and the volume of prevention related projects. However, the Company's well control business has only recently begun to benefit to a meaningful degree from an increase in the volume of critical events. In

the past, the well control business has provided the Company with the opportunity for profitable operating activities, but the timing of critical events is unpredictable. Consequently, the Company's financial performance has been, and continues to be, subject to significant fluctuations.

The relatively low incidences of critical events over the last two years have negatively affected the Company's financial position. In response, commencing in 1999 and continuing into 2001, the Company (a) downsized personnel, (b) improved its working capital, (c) closed and/or consolidated certain field offices, (d) consolidated administrative functions, and (e) discontinued certain business lines to ensure that the Company's resources were deployed in its most profitable operations. The Company's initial efforts to rationalize its operations were not sufficient to prevent significant operating losses in 1999 and 2000. During the first quarter of 2001, the result of these efforts was fully in place and the Company produced positive net income during the period.

The prior years' operating losses resulted in an impairment of the Company's liquidity and an inability to pay certain vendors in a timely manner. This hampered the Company's capacity to hire sub-contractors, obtain materials and supplies, and otherwise conduct effective or efficient operations. To alleviate the Company's liquidity problems and to improve its overall capital structure, the Company initiated and completed a program in 2000 to raise new funds, sell assets of certain subsidiaries, retire the Company's existing senior debt, restructure its subordinated debt and increase its shareholders' equity.

During the year ended December 31, 2000, the Company received approximately $8,700,000 in funds from the purchase of participation interests in its senior secured credit facility with Comerica Bank-Texas. In connection with this financing, the Company issued 147,058 shares of common stock and warrants representing the right to purchase an aggregate of 8,729,985 shares of common stock of the Company to the participation interest holders and warrants to purchase an aggregate of 3,625,000 shares of common stock to the investment group that arranged the financing. The warrants have a term of five years and can be exercised by the payment of cash in the amount of $0.625 per share as to 8,729,985 shares and $0.75 per share as to 3,625,000 shares of common stock, or by relinquishing a number of shares subject to the warrant with a market value equal to the aggregate exercise price of the portion of the warrant being exercised. On December 28, 2000, $7,729,985 of the participation interest, plus $757,315 in accrued interest thereon, was exchanged for 89,117 shares of Series H Cumulative Senior Preferred Stock in the Company. The remaining $1,000,000 of the participation interest was outstanding as senior secured debt as of March 31, 2001.

On September 28, 2000, the Company announced that it closed the sale of the assets of the Baylor Company and its subsidiaries to National Oilwell, Inc. The proceeds from the sale were approximately $29,000,000 cash. Comerica Bank-Texas, the Company's primary senior secured lender at that time, was paid in full as a component of the transaction. Specialty Finance Fund I, LLC, as a participant in the Comerica senior facility, remains as the senior secured lender.

On October 24, 2000, the Company announced that it had reached agreement in principle with Prudential Insurance Company of America, in the form of a letter of intent, regarding the restructuring of the Company's subordinated debt with Prudential. The Company had been in default under its subordinated note agreement with Prudential since the second quarter of 1999. A restructuring

agreement was executed by both parties on December 28, 2000. The Prudential

restructuring agreement provided that the aggregate indebtedness due to Prudential be resolved by the Company: (i) paying $12,000,000 cash at closing, (ii) establishing $7,200,000 of new subordinated debt, (iii) issuing $5,000,000 face value of Series E Cumulative Senior Preferred Stock ($2,850,000 fair value) and (iv) issuing $8,000,000 face value of Series G Cumulative Convertible Preferred Stock ($2,600,000 fair value). In addition, $500,000 is contingently payable upon the Company securing a new term loan with a third party lender. All interest payments and dividends are paid in kind and deferred for two years from the date of closing. Additionally, as a component of the transaction, Prudential received newly issued warrants to purchase 8,800,000 shares of the Company's Common Stock for $0.625 per share and the Company agreed to re-price the existing common stock purchase warrants to purchase 3,165,000 currently held by Prudential to $0.625 per share. The Company has the right to repurchase, at a discount to face value, all of the debt, stocks and warrants issued to Prudential for agreed periods of time.

The refinancing of the Company's debt with Prudential qualified as a troubled debt restructuring under the provisions of Statement of Financial Accounting Standards (SFAS) No. 15. As a result of the application of this accounting standard, the total indebtedness due to Prudential, inclusive of accrued interest, was reduced by the cash and fair market value of securities issued by the Company, and the residual balance of the indebtedness was recorded as the new carrying value of the subordinated note due to Prudential. Consequently, the $7,200,000 face value of the subordinated note is recorded on the Company's balance sheet at $11,520,000. The additional carrying value of the debt in excess of face value represents the accrual of future interest expense due on the face value of the subordinated note to Prudential. The remaining excess of amounts previously due Prudential over the new carrying value was $2,444,000 and was recognized as an extraordinary gain in the year ended December 31, 2000.

The financing obtained during 2000 from Specialty Finance Fund I, LLC, and the restructuring of the subordinated debt with Prudential has a potentially significant dilutive impact on existing common shareholders. This could adversely affect the market price for the Company's common stock and limit the price at which new stock can be issued for future capital requirements. Further, there can be no assurance that the Company will be able to obtain new capital, and if new capital is obtained that it will be on terms favorable to the Company.

During the quarter ended March 31, 2001, the Company's generated a net cash deficit from operating activities of $167,000 and the Company utilized net cash of $54,000 in investing activities. Overall, the Company's net cash position decreased by $221,000 during the period. At March 31, 2001, the Company had a cash balance of $1,195,000 (see Part 1, Item 1, Consolidated Statement of Cash Flows).

As of March 31, 2001, the Company's current assets totaled approximately $7,559,000 and current liabilities were $10,308,000, resulting in a working capital deficit of approximately $2,749,000. The Company's highly liquid current assets, represented by cash of $1,195,000 and receivables of $5,687,000, were collectively $3,426,000 less than the amount of current liabilities. Included in current liabilities is a provision of $1,833,000 related to a judgment against the Company for a guaranty (see Part 2, Item 1, Legal Proceedings). The Company has recently reached an agreement in principle to resolve this litigation which the Company is obligated to pay the full amount of that judgment by August 31, 2001, and has secured that obligation with a first lien against the accounts receivable of the Company up to the amount of the judgment. The payment of this obligation by August 31, 2001, absent additional financing, will have significant negative impact on the Company's liquidity and ability to pay its obligations. To alleviate the Company's liquidity problems the Company continues to pursue all available opportunities

to raise new funds through both debt and equity financing, but has not secured any such financing at present.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, as discussed the Company experienced recurring losses from operations during 1999 and 2000. The uncertainties surrounding the sufficiency of its future cash flows and the lack of firm commitments for additional capital raises substantial doubt about the ability of the Company to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

B. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete annual financial statements. The accompanying consolidated financial statements include all adjustments, including normal recurring accruals, which, in the opinion of management, are necessary in order to make the consolidated financial statements not be misleading.

The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

The results of operations for the three-month periods ended March 31, 2000 and 2001 are not necessarily indicative of the results to be expected for the full year.

The Company has filed a form 10-Q/A amending Item 1 and Item 2 of the Company's quarterly report on Form 10-Q for the period ended March 31, 2000 (the "Original Form 10-Q") filed with the Securities and Exchange Commission on July 17, 2000. The purpose of the Form 10-Q/A was to amend the Company's first quarter financial information for 2000. This amendment resulted from a $1,679,000 provision to Other Expense required to properly reflect the fair value attributable to certain equity transactions within that quarter. After making this amendment, the Company's net loss increased by $1,679,000 ($0.05 per share). For the purposes of the Form 10-Q/A, and in accordance with the Rule 12b-5 under the Securities Act of 1934, as amended, the Company has amended and restated in its entirety each item of the Original Form 10-Q which has been affected by the restatement. Except for Item 1 and Item 2 of Part 1, no other information in the Original Form 10-Q is amended by the Form 10-Q/A.

Recently Issued Accounting Standards - In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") was issued. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument be measured at its fair value, recorded in the balance sheet as either an asset or liability and that changes in the derivative's fair value be recognized currently in earnings. SFAS 133, as amended, was adopted by the Company on January 1, 2001. The adoption in January 2001 did not have a material impact on the financial statements of the Company.

C. DISCONTINUED OPERATIONS

As previously discussed, the Company's subsidiary ITS Supply Corporation ("ITS") filed in Corpus Christi, Texas for protection under Chapter 11 of the U.S. Bankruptcy Code. ITS is now proceeding to liquidate its assets and liabilities pursuant to Chapter 7 of Title 11. At the time of the filing, ITS had total liabilities of approximately $6,900,000 and tangible assets of approximately $950,000. The Company has an outstanding guaranty on ITS debt upon which a judgment against the Company was entered by a state district court in the amount of approximately $1,833,000. The judgment creditor has agreed not to enforce the judgment prior to August 31, 2001. See Part 2, Item 1, Legal Proceeding.

On April 27, 2001, in the United States Bankruptcy Court for the Southern District of Texas, the Chapter 7 Trustee in the bankruptcy proceeding of ITS Supply Corporation, the Company's subsidiary, filed a complaint against Comerica Bank-Texas, the Company and various subsidiaries of the Company for a formal accounting of (1) all lockbox transfers that occurred between ITS and Comerica Bank, et al. and (2) all intercompany transfers between ITS and the Company or subsidiaries of the Company. The Chapter 7 Trustee seeks an accounting to determine if any of the transfers between the parties are avoidable under either Federal or State of Texas statutes and seeks repayment to ITS of all such amounts. The Trustee believes that approximately $400,000 of lockbox transfers and $3,000,000 of intercompany transfers were made between the parties. The Company believes it is not probable that an accounting of the transactions between the parties will demonstrate there is a liability owing by the parties to the ITS Chapter 7 estate.

On September 28, 2000, the Company announced that it closed the sale of the assets of the Baylor Company and its subsidiaries to National Oilwell, Inc. The proceeds from the sale were approximately $29,000,000 in cash. Comerica Bank-Texas, the Company's primary senior secured lender at the time, was paid in full as a component of the transaction.

D. COMMITMENTS AND CONTINGENCIES

The Company is involved in or threatened with various legal proceedings from time to time arising in the ordinary course of business. Management of the Company does not believe that any liabilities resulting from any such current proceedings will have a material adverse effect on its consolidated operations or financial position.

As previously discussed, the Company's subsidiary ITS Supply Corporation ("ITS") filed in Corpus Christi, Texas for protection under Chapter 11 of the U.S. Bankruptcy Code. ITS is now proceeding to liquidate its assets and liabilities pursuant to Chapter 7 of Title 11. At the time of the filing, ITS had total liabilities of approximately $6,900,000 and tangible assets of approximately $950,000. The Company has an outstanding guaranty on ITS debt upon which a judgment against the Company was entered by a state district court in the amount of approximately $1,833,000. The judgment creditor has agreed not to enforce the judgment prior to August 31, 2001. See Part 2, Item 1, Legal Proceeding.

E. BUSINESS SEGMENT INFORMATION

Information concerning operations in different business segments at March 31, 2000 and 2001, and for the three-month periods then ended is presented below. The Company considers that it operates in three segments: Response, Prevention and Restoration. Intercompany transfers between segments were not

material. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. For purposes of this presentation, general and corporate expenses have been allocated between segments on a pro rata basis based on revenue. In addition, general and corporate are included in the calculation of identifiable assets and are included in the Response and Restoration business segment and the domestic segment.

Business segment operating data from continuing operations is presented for purposes of discussion and analysis of operating results. On January 1, 2001, the Company redefined the segments that it operates in as a result of the decision to discontinue ITS and Baylor business operations. The current segments are Response, Prevention and Restoration. Most of the Company's subsidiaries operate in all three segments. Accordingly, business segments disclosures included in this report reflect this classification for all periods presented. Identifiable assets at March 31, 2000, exclude $31,087,000 of net assets of discontinued operations.

	Response	Prevention	Restoration	Consolidated
Three Months Ended March 31, 2001:				
Net Operating Revenues.	$ 6,995,000	$ 1,150,000	$ 828,000	$ 8,973,000
Operating Income (Loss)	410,000	528,000	(494,000)	444,000
Identifiable Operating Assets . .	13,450,000	2,211,000	1,592,000	17,253,000
Capital Expenditures.	47,000	4,000	3,000	54,000
Depreciation and Amortization . .	396,000	56,000	77,000	529,000
Interest Expense.	37,000	6,000	4,000	47,000
Three Months Ended March 31, 2000:				
Net Operating Revenues.	$ 5,379,000	$ 496,000	$ 1,648,000	$ 7,523,000
Operating Income (Loss)	395,000	27,000	(848,000)	(426,000)
Identifiable Operating Assets . .	19,112,000	3,142,000	2,262,000	24,516,000
Capital Expenditures.	119,000	11,000	36,000	166,000
Depreciation and Amortization . .	463,000	40,000	161,000	664,000
Interest Expense.	962,000	89,000	293,000	1,344,000

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For the three-month periods ended March 31, 2000 and 2001, the Company's revenues were substantially consistent with those for the year ended December 31, 2000 (domestic - 81%, foreign - 19%).

F. EARNINGS PER SHARE

Earnings per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period. For the three months ended March 31, the Company incurred a loss to common shareholders before consideration of the income from discontinued operations. As a result, the potential dilutive effect of options, warrants and preferred stock conversions is not calculated because to do so would have been antidilutive for the period presented. The excluded securities include: (1) 35,048,000 common shares issuable upon exercise of stock purchase warrants; (2) 1,680,000 common shares issuable upon conversion of senior convertible debt; 7,913,000 common shares issuable upon exercise of stock options; (4) 25,508,000 common shares issuable upon conversion of convertible preferred stock. For the three months ended March 31,2000, the Company had a loss which precluded calculating the potential dilutive effect of options, warrants and preferred

stock because to do so would reduce the loss per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto and the other financial information included in this report and contained in the Company's periodic reports previously filed with the Commission.

The Company completed the acquisitions of: Boots & Coots, L.P. as of July 31, 1997; ABASCO, Inc. as of September 25, 1997; ITS Supply Corporation as of January 2, 1998; Boots & Coots Special Services, Inc. (formerly known as Code 3, Inc.) as of February 20, 1998; Baylor Company as of July 23, 1998, and HAZ-TECH Environmental Services, Inc. as of November 4, 1998. For all periods presented, the operations of ITS and Baylor have been reclassified as discontinued operations.

Business segment operating data from continuing operations is presented for purposes of discussion and analysis of operating results. On January 1, 2001, the Company redefined the segments that it operates in as a result of the decision to discontinue ITS and Baylor business operations. The current segments are Response, Prevention and Restoration. Most of the Company's subsidiaries operate in all three segments. Accordingly, business segments disclosures included in this report reflect this classification for all periods presented.

	Three Months Ended March 31,	
	2000	2001
Revenues		
Response.	$5,379,000	$6,995,000
Prevention.	496,000	1,150,000
Restoration	1,648,000	828,000
	$7,523,000	$8,973,000
Cost of Sales and Operating Expenses		
Response.	$3,526,000	$4,762,000
Prevention.	341,000	370,000
Restoration	2,047,000	1,013,000
	$5,914,000	$6,145,000
Selling, General and Administrative Expenses (1)		
Response.	$ 993,000	$1,427,000
Prevention.	89,000	195,000
Restoration	289,000	233,000
	$1,371,000	$1,855,000

Depreciation and Amortization (2)		
Response.	$ 463,000	$ 396,000
Prevention.	40,000	56,000
Restoration	161,000	77,000
	$ 664,000	$ 529,000
Operating Income (Loss)		
Response.	$ 395,000	$ 410,000
Prevention.	27,000	528,000
Restoration	(848,000)	(494,000)
	$ (426,000)	$ 444,000