

MILLER INDUSTRIES INC /TN/  
Form 10-Q/A  
January 26, 2004

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2003  
Commission File No. 0-24298

**MILLER INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

**Tennessee**  
(State or other jurisdiction of  
incorporation or organization)

**62-1566286**  
(I.R.S. Employer Identification No.)

**8503 Hilltop Drive  
Ooltewah, Tennessee**  
(Address of principal executive offices)

**37363**  
(Zip Code)

**(423) 238-4171**  
*(Registrant's telephone number, including area code)*

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

**(if applicable)**

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

Yes       No

The number of shares outstanding of the registrant's Common Stock, \$.01 par value, as of October 31, 2003 was 9,341,436.

**EXPLANATORY STATEMENT**

Miller Industries, Inc. (the "Company") is filing this Amendment to its Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2003 to conform Part I, Item 2 to comparable discussion contained in the Company's Definitive Proxy Statement filed with the Commission on January 23, 2004. All modifications appear in bolded, italicized and bracketed text.

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## PART I. FINANCIAL INFORMATION

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### *Recent Developments*

##### *Going Concern*

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Subsequent to December 31, 2002, the Company was in default of certain covenants under its Senior and Junior Credit Facility Agreements, and its Junior Credit Facility matured on July 23, 2003. The Senior and Junior Credit Facility Agreements contain certain cross-default provisions and provide for acceleration of amounts due as well as other remedies in the event of default. These circumstances raise substantial doubt about the Company's ability to continue as a going concern without refinancing such credit facilities.

##### *New York Stock Exchange Listing Standards*

The Company received notification from the New York Stock Exchange ("NYSE") on June 26, 2003 that, based on market information and information in the Company's recent public filings, it is not in compliance with the NYSE's continued listing standards. The NYSE requires shareholders' equity of not less than \$50.0 million and a 30-day average market capitalization of \$50.0 million. The Company's shareholders' equity was \$40.7 million, as of June 30, 2003 and was \$33.4 as of September 30, 2003. As of October 31, 2003, the Company had a 30-day average market capitalization of \$44.1 million.

The Company has compiled a three-pronged plan for regaining compliance with the continued listing standards. The Company's plan is to restructure the Company's bank facilities and rationalize the timing of the Company's debt service, dispose of the Company's remaining RoadOne and distributor operations within the time period specified and focus all of the Company's resources, manpower as well as financial, on returning the manufacturing operations to their historically profitable levels. In September 2003, the Company was notified that the NYSE accepted its plan to regain compliance with the NYSE's continued listing standards related to shareholders' equity and market capitalization within an eighteen month timeframe. During this timeframe, the Company will be subject to quarterly monitoring for compliance by the NYSE.

##### *Discontinued Operations*

During the year ended December 31, 2002, the Company's management and its board of directors made the decision to divest of its remaining towing services segment, as well as the operations of the distribution group of the towing and recovery equipment segment. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the assets for the towing services segment and the distribution group are considered a "disposal group" and the assets are no longer being depreciated. All assets and liabilities and results of operations associated with these assets have been separately presented in the accompanying financial statements. The statements of operations and related financial statement disclosures for all prior years have been restated to present the towing services segment and the distribution group as discontinued operations separate from continuing operations. The analyses contained herein are of continuing operations, as restated, unless otherwise noted.

##### *[Critical Accounting Policies]*

*The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates. Certain accounting policies are deemed "critical," as they require management's highest degree of judgment, estimates and assumptions. A discussion of critical accounting policies, the judgments and uncertainties affecting their application and the likelihood that materially different amounts would be reported under different conditions or using different assumptions follows:*

*Accounts receivable. The Company extends credit to customers in the normal course of business. Collections from customers are continuously monitored and an allowance for doubtful accounts is maintained based on historical experience and any specific customer collection issues. While such bad debt expenses have historically been within expectations and the allowance established, there can be no assurance that the Company will continue to experience the same credit loss rates as in the past.*

*Valuation of long-lived assets and goodwill. Long-lived assets and goodwill are reviewed for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be fully recoverable. When a determination has been made that the carrying amount of long-lived assets and goodwill may not be fully recovered, the amount of impairment is measured by comparing an asset's estimated fair value to its carrying value. The determination of fair value is based on projected future cash flows discounted at a rate determined by management, or if available independent appraisals or sales price negotiations. The estimation of fair value includes significant judgment regarding assumptions of revenue, operating costs, interest rates, property and equipment additions; and industry competition and general economic and business conditions among other factors. Management believes that these estimates are reasonable; however, changes in any of these factors could affect these evaluations.*

*Upon adoption of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets on January 1, 2002, the Company ceased to amortize goodwill. In lieu of amortization, the Company is required to perform an initial impairment review of goodwill in 2002 and an annual impairment review thereafter. For further detail of the Company's impairment review and related write downs, See Note 7 to the Consolidated Financial Statements.*

*Warranty Reserves. The Company estimates expense for product warranty claims at the time products are sold. These estimates are established using historical information about the nature, frequency, and average cost of warranty claims. Management reviews trends of warranty claims and takes actions to improve product quality and minimize warranty claims. Management believes the warranty reserve is adequate; however, actual claims incurred could differ from the original estimates, requiring adjustments to the accrual.*

*Income taxes. The Company recognizes deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Company considers the need to record a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company considers tax loss carrybacks, reversal of deferred tax liabilities, tax planning and estimates of future taxable income in assessing the need for a valuation allowance. The Company established a deferred tax valuation allowance of \$18.0 million as of December 31, 2002. The allowance reflects the Company's recognition that continuing losses from operations and certain liquidity matters associated with the Company's credit facility indicate that it is more likely than not that certain future tax benefits will not be realized through future taxable income. At December 31, 2002, the Company recorded a full valuation allowance against its net deferred tax assets from continuing and discontinuing operations totaling approximately \$18.0 million.*

*Revenues. Under the Company's accounting policies, sales are recorded when equipment is shipped to independent distributors or other customers. While the Company manufactures only the bodies of wreckers, which are installed on truck chassis manufactured by third parties, the Company sometimes purchases the truck chassis for resale to its customers. Sales of Company-purchased truck chassis are included in net sales. Margins are substantially lower on completed recovery vehicles containing Company-purchased chassis because the markup over the cost of the chassis is nominal. Revenue from Company owned distributors is recorded at the time equipment is shipped to customers or services are rendered. The towing services division recognizes revenue at the time services are performed.*

*Seasonality. The Company's towing and recovery equipment segment has experienced some seasonality in net sales due in part to decisions by purchasers of light duty wreckers to defer wrecker purchases near the end of the chassis model year. The segment's net sales have historically been seasonally impacted due in part to sales made at the largest towing and recovery equipment trade show which is held in the spring.*

*Change in Fiscal Year. On September 25, 2001, the Company announced that its Board of Directors had approved a change in the Company's fiscal year, from April 30 to December 31, effective December 31, 2001. The change to a December 31 fiscal year will enable the Company to report results on a conventional calendar basis. As a result of the change in fiscal year, the Company filed a transition report for the eight-month period ended December 31, 2001, and the comparative data below compares the financial results for that period against the results for the fiscal year ended April 30, 2001. The periods are not directly comparable, in that they relate to periods of materially different lengths, and also that the transition period does not include results from the three months ended April 30, a fiscal quarter in which the Company's sales have traditionally been seasonally higher than other quarters.]*

**Results of Operations--Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002**

*Continuing Operations*

Net sales of towing and recovery equipment for the three months ended September 30, 2003, increased 5.3% to \$50.3 million from \$47.8 million for the comparable period in 2002. Net sales increased primarily as a result of improved demand at foreign manufacturing operations, offset by the domestic cost pressures facing its customers and tightness of the current credit markets.

Costs of operations of towing and recovery equipment operations for the three months ended September 30, 2003, increased 7.8% to \$44.6 from \$41.4 million for the comparable period in 2002, reflecting the aforementioned increase in sales volume. Costs of operations increased as a percentage of net sales from 86.6% to 88.7% due to the fixed cost impact of lower sales volume for domestic manufacturing.

Selling, general, and administrative expenses for the three months ended September 30, 2003, decreased to \$4.3 million from \$5.5 million for the three months ended September 30, 2002 reflecting the Company's ongoing focus on operating cost control.

Net interest expense increased \$2.7 million to \$3.3 million for the three months ended September 30, 2003 from \$0.6 million for the three months ended September 30, 2002 as a result of commitment fees charged in conjunction with the maturity of the Junior Facility in July 2003. Also, during the three months ended September 30, 2003 the Company wrote-off unamortized loan costs from the existing Senior Facility.

The provision for income taxes for continuing operations for the three months ended September 30, 2003 reflects the combined effective US federal and state tax rate of 38%, net of tax benefit related to the Company's foreign tax liability. The provision for the three months ended September 30, 2002 reflects a similar effective US federal and state rate, plus additional taxes on foreign income for the period.

*Discontinued Operations*

Net sales from discontinued operations decreased to \$18.8 million for the three months ended September 30, 2003 from \$47.8 million for the three months ended September 30, 2002. Net sales of the distribution group were \$18.2 million for the three months ended September 30, 2003 compared to \$22.0 million for the three months ended September 30, 2002. Revenues for the distribution group were negatively impacted by cost pressures facing its customers and current tightness in the credit markets. Additionally, revenues were negatively impacted by the disposition of one distribution operation at the beginning of the quarter. Net sales for the towing and recovery services segment were \$0.6 million for the three months ended September 30, 2003 compared to \$25.8 million for the three months ended September 30, 2002. Revenues of the towing services segment decreased because of the ongoing sales of the market locations over the past two years.

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Cost of sales as a percentage of net sales for the distribution group was 92.3% for the three months ended September 30, 2003 compared to 91.0% for the three months ended September 30, 2002. The increase is primarily the result of decreases in sales volume as explained above. Cost of sales for the towing services segment was 71.7% for the three months ended September 30, 2003 compared to 84.8% for the three months ended September 30, 2002. This decrease resulted from ongoing cost controls in the remaining towing services operations.

Selling, general and administrative expenses as a percentage of sales was 7.6% for the distribution group and 112.1% for the towing services segment for the three months ended September 30, 2003 compared to 8.1% and 17.8% respectively, for the three months ended September 30, 2002. Increases in the percentage of sales for the towing services segment were primarily the result of lower administrative expenses spread over a smaller revenue base, as the Company continues to sell towing services locations.

Net interest expense of discontinued operations decreased \$0.5 million from \$1.7 million for the three months ended September 30, 2002 to \$1.2 million for the three months ended September 30, 2003 as a result of decreased borrowings under the Company's RoadOne revolving credit facility.

### ***Results of Operations – Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002***

#### *Continuing Operations*

Net sales for towing and recovery equipment operations for the nine months ended September 30, 2003, decreased 5.0% to \$142.2 million from \$149.7 million for the comparable period in 2002. Net sales decreased as demand for the Company's towing and recovery equipment continued to be negatively impacted by cost pressures facing its customers and the tightness of the current credit markets. In addition, the war with Iraq during the nine months had a negative impact on sales.

Cost of operations for towing and recovery equipment operations for the nine months ended September 30, 2003, decreased to \$123.7 million from \$128.8 million for the nine months ended September 30, 2002, reflecting the aforementioned decrease in sales volume. Cost of operations increased slightly as a percentage of net sales from 86.0% to 86.9%.

Towing services revenues and cost of operations reflect the change in status during the nine months ended September 30, 2003 of certain towing services markets from discontinued to continuing operations based on certain on-going cash flows provided for under the disposal agreements. The loss on disposal recognized during the period is also attributable to this transaction.

Selling, general, and administrative expenses for the nine months ended September 30, 2003, decreased to \$13.3 million from \$15.6 million for the nine months ended September 30, 2002 reflecting the Company's ongoing focus on operating cost control.

Net interest expenses increased \$2.3 million to \$4.8 million for the nine months ended September 30, 2003 from \$2.5 million for the nine months ended September 30, 2002 as a result of commitment fees charged in conjunction with the maturity of the Junior Facility in July 2003. Also, during the three months ended September 30, 2003 the Company wrote-off unamortized loan costs from the existing Senior Facility.

The provision for income taxes for continuing operations for the nine months ended September 30, 2003 reflects combined effective US federal and state tax rate of 38%, net of tax benefit related to the Company's foreign tax liability. The provision for the nine months ended September 30, 2002 reflects similar effective US federal and state tax rate, plus additional taxes on foreign income for the period.

*Discontinued Operations*

Net sales from discontinued operations decreased \$87.4 million for the nine months ended September 30, 2003, from \$145.4 million for the nine months ended September 30, 2002, to \$58.0 million for the nine months ended September 30, 2003. Net sales of the distribution group were \$49.9 million for the nine months ended September 30, 2003 compared to \$65.6 million for the nine months ended September 30, 2002. Revenues for the distribution group were negatively impacted by cost pressures facing its customers and current tightness in the credit markets and by the disposition of one distribution operation. Net sales for the towing and recovery services segment were \$8.1 million for the nine months ended September 30, 2003 compared to \$79.8 million for the nine months ended September 30, 2002. Revenues of the towing services decreased because of the ongoing sales of the market locations over the past two years.

Cost of sales as a percentage of net sales for the distribution group was 92.3% for the nine months ended September 30, 2003 compared to 91.6% for the nine months ended September 30, 2002. The increase was primarily the result of decreases in sales volume as explained above. Cost of sales for the towing services segment was 73.3% for the nine months ended September 30, 2003 compared to 84.9% for the nine months ended September 30, 2002. This decrease resulted from the ongoing cost controls in the remaining towing services operations.

Selling, general, and administrative expenses as a percentage of sales was 7.9% for the distribution group and 53.0% for the towing services segment for the nine months ended September 30, 2003 compared to 8.4% and 19.7% respectively, for the nine months ended September 30, 2002. The decrease for the distribution group reflects the Company's ongoing focus on operating cost. Increases in the percentage of sales for the towing services segment were primarily the result of lower administrative expenses spread over a smaller revenue base, as the Company continues to sell towing services locations.

Net interest expense of discontinued operations decreased \$1.0 million from \$4.6 million for the nine months ended September 30, 2002 to \$3.6 million for the nine months ended September 30, 2003 as a result of decreased borrowings under the Company's RoadOne revolving credit facility.

*Liquidity and Capital Resources*

Cash provided by operating activities was \$8.6 million for the nine months ended September 30, 2003, compared to \$18.0 million provided by operating activities for the comparable period of 2002. The cash provided by operating activities for the nine months ended September 30, 2003 was primarily due to decreases in accounts receivable.

Cash provided by investing activities was \$6.9 million for the nine months ended September 30, 2003, compared to \$5.5 million provided by investing activities for the comparable period in 2002. The cash provided by investing activities was primarily due to the sale of towing services operations.

Cash used in financing activities was \$13.8 million for the nine months ended September 30, 2003 and \$24.2 million for the comparable period in the prior year. The cash was used primarily to reduce borrowings under Company's credit facilities and other outstanding long-term debt and capital lease obligations.

The Company's primary capital requirements are for working capital, debt service, and capital expenditures. Since 1996, the Company has financed its operations and growth from internally generated funds and debt financing.

*[Contractual Obligations]*

*The following is a summary of the Company's contractual obligations for both its continuing and discontinued operations as of September 30, 2003.]*

(in thousands)

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Outstanding Borrowings Under Senior Credit Facility	29,498	29,498	-	-	-
Outstanding Borrowings Under Junior Credit Facility	15,261	15,261	-	-	-
Mortgage Notes Payable	1,355	576	273	215	291
Equipment Notes Payable (Capital Lease Obligations)	494	326	164	4	-
Other	2,081	1,068	1,013	-	-
Operating Lease Obligations	-	10,190	7,885	1,782	523
Total	58,879	54,614	3,232	742	291

***Credit Facilities***

In July 2001, the Company entered into a new four year senior secured credit facility (the "Senior Credit Facility") with a syndicate of lenders to replace its then existing credit facility. As a part of this agreement, the previous credit facility was reduced with proceeds from the Senior Credit Facility and amended to provide for a \$14.0 million subordinated secured facility. The Senior Credit Facility originally consisted of an aggregate \$102.0 million revolving credit facility and an \$8.0 million term loan. On July 25, 2001, the Company borrowed \$85.0 million under the new Senior Credit Facility (\$77.0 million under the revolving credit facility and \$8.0 million under the term loan). ***[Borrowing availability under the revolving Senior Credit Facility is based on a percentage of eligible inventory and accounts (determined on eligibility criteria set forth in the credit facility) and subject to a maximum borrowing limitation.]*** Borrowings under the term loan are collateralized by the Company's property, plant, and equipment. The Company is required to make monthly amortization payments on the term loan of \$167,000. The Company entered into a Seventh Amendment to Credit Agreement on October 31, 2003 (the "Seventh Amendment"), pursuant to which, among other things, (i) the \$167,000 amortization payment due on November 1, 2003 was extended until the termination date of the Senior Credit Facility, and (ii) the \$167,000 amortization payment due on December 1, 2003 was deferred until December 31, 2003. The Senior Credit Facility bears interest at the prime rate (as defined) plus 2.75%, subject to the rights of the senior lender agent or the required lenders to charge a default rate equal to the prime rate (as defined) plus 4.75% during the continuance of any event of default under the Senior Credit Facility, provided, however, that during the Forbearance period (described above), the Senior Credit Facility bears interest at the prime rate (as defined) plus 2.75% in accordance with the terms of the Forbearance Agreement. A total of \$29.5 million (continuing and discontinued operations) in principal amount of loans and other extensions of credit was outstanding under the Senior Credit Facility at September 30, 2003.

The Senior Credit Facility matures in July, 2005 and is collateralized by substantially all the assets of the Company. The Senior Credit Facility contains requirements related to maintaining minimum excess availability at all times and minimum quarterly levels of earnings before income taxes, depreciation and amortization (as defined) and a minimum quarterly fixed charge coverage ratio (as defined). In addition, the Senior Credit Facility contains restrictions on capital expenditures, incurrence of indebtedness, mergers and acquisitions, distributions and transfers and sales of assets. The Senior Credit Facility also contains requirements related to weekly and monthly collateral reporting.



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The \$14.0 million Junior Credit Facility is by its terms expressly subordinated only to the Senior Credit Facility. The Junior Credit Facility is secured by certain specified assets of the Company and by a second priority lien and security interest in substantially all other assets of the Company. The Junior Credit Facility contains requirements for certain fees to be paid at six month intervals beginning in January, 2002 based on the outstanding balance of the facility at the time. The Junior Credit Facility also contains provisions for the issuance of warrants for 0.5% of the outstanding shares of the Company's common stock (47,417 shares) in July, 2002 and an additional 1.5% (138,611 shares) on July 23, 2003 with an exercise price equal to the then fair market value of the Company's common stock. The Junior Credit Facility contains requirements for the maintenance of certain financial covenants. It also imposes restrictions on capital expenditures, incurrence of indebtedness, mergers and acquisitions, distributions and transfers and sales of assets.

The Junior Credit Facility, under which \$15.3 million in principal, interest and fees was outstanding at September 30, 2003, matured on July 23, 2003 and bears interest at a default rate of 10.0% over the prime rate. The Company has not yet repaid or refinanced the outstanding principal and interest under the Junior Credit Facility. The Company's failure to repay all outstanding principal, interest and any other amounts due and owing under the Junior Credit Facility on the maturity date constituted an event of default under the Junior Credit Facility and also triggered an event of default under the Senior Credit Facility cross-default provisions. Additionally, the Company is in default of the EBITDA covenant under the Junior Credit Facility only for the first quarter of calendar 2003. The Company is also in default under both the Senior and Junior Credit Facility as a result of the "going concern" explanatory paragraph included in the auditors' report as well as the failure to file its Annual Report prior to April 30, 2003.

Pursuant to the terms of the Intercreditor Agreement, the junior lender agent and the junior lenders are prevented from taking any enforcement action or exercising any remedies against the Company, its subsidiaries or their respective assets in respect of such event of default during a standstill period (the "Standstill Period"). On July 29, 2003, the junior lender agent gave a notice of enforcement to the senior lender agent based upon the event of default for failure to repay the outstanding obligations under the Junior Credit Facility on the Junior Credit Facility's maturity date. This notice of enforcement began the running of the Standstill Period which will expire on the earlier of: (i) November 26, 2003 (the date which is 120 days after the date that written notice was given by the junior lender agent to the senior lender agent of its intent to commence an enforcement action as a result of the occurrence of the Junior Credit Facility defaults), subject to extension by notice from senior lender agent to junior lender agent to April 24, 2004 (the date which is 270 days after the date that written notice was given by the junior lender agent to the senior lender agent of its intent to commence an enforcement action as a result of the occurrence of the Junior Credit Facility defaults); (ii) the acceleration of the maturity of the obligations of the Company under the Senior Credit Facility by the senior lender agent; and (iii) the commencement of any bankruptcy, insolvency or similar proceeding against the Company or certain of its subsidiaries.

On August 5, 2003, the senior agent gave a payment blockage notice to the junior agent based upon certain events of default under the Senior Credit Facility, thereby preventing the junior agent and junior lenders from receiving any payments from the Company in respect of the Junior Credit Facility while such blockage notice remains in effect. Pursuant to the terms of the Intercreditor Agreement, such payment blockage period will expire on the earlier of (i) February 1, 2004 (the date which is 180 days after the date that such payment blockage notice was given), subject to extension to May 1, 2004 (the date which is 270 days after the date that such payment blockage notice was given) if the Standstill Period is extended from November 26, 2003 to April 24, 2004 at the election of the senior lender agent by notice to the junior lender agent as described above, or (ii) the date that the Senior Credit Facility defaults giving rise to such payment blockage notice have been cured or waived.

On October 31, 2003, the Company entered into a Forbearance Agreement with the lenders and the senior lender agent under the Senior Credit Facility (the "Forbearance Agreement"), pursuant to which, among other things, the senior lenders agreed to forbear from exercising any remedies in respect of the defaults then existing under the senior credit facility (collectively, the "Existing Senior Facility Defaults") as a result of (i) the failure to timely deliver financial statements for fiscal year 2002 and the failure to deliver a report of their independent certified public accountants which is unqualified in any respect, as well as the event of default under the Senior Credit Facility caused by the event of default arising from such failure under the Junior Credit Facility; (ii) the failure to fulfill certain payment obligations to the junior lenders under the Junior Credit Facility; and (iii) the failure to fulfill certain financial covenants in the Junior Credit Facility for one or more of the fiscal quarters ending in fiscal year 2003, which failure would constitute an event of default under the Senior Credit Facility. The forbearance period under the Forbearance Agreement (the "Forbearance Period") expires on the earlier of (x) December 31, 2003, (y) the occurrence of certain bankruptcy type events in respect of Company or any of its Subsidiaries, and (z) the failure of the Company or any of its Subsidiaries that are borrower parties under the Senior Credit Facility to perform their obligations under the Senior Credit Facility or the Forbearance Agreement. Under the Forbearance Agreement, the senior lenders and the senior lender agent do not waive their rights and remedies with respect to the Existing Senior Facility Defaults, but agree to forbear from exercising rights and remedies with respect to the Existing Senior Facility Defaults solely during the Forbearance Period. There can be no assurance that the senior lenders or the senior lender agent under the Senior Credit Facility will agree to extend the date of the Forbearance Period upon the expiration thereof or to waive any of the Existing Senior Facility Defaults. If the Existing Senior Facility Defaults are not waived, upon expiration of the Forbearance Period, such events of default could result in the acceleration of the amounts due under the Senior Credit Facility as well as other remedies. There is no assurance that the Company will be able to obtain such a waiver from the senior lenders of the Existing Senior Facility Defaults. Further, the Company has not obtained any waiver from the junior lenders in respect of certain events of default that have occurred under the Junior Credit Facility and there can be no assurance that the Company will be able to obtain such a waiver from the junior lenders.



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On October 3, 2003, the Company entered into a letter agreement with a large financial institution pursuant to which such lender confirmed its interest in providing up to \$53 million of financing in order to refinance the Senior Credit Facility and the Junior Credit Facility. The agreement does not constitute a commitment or undertaking by such lender to provide financing, and is subject to completion of due diligence and various other conditions. The lender has commenced its due diligence process and, if the transaction proceeds to closing, the Company anticipates the closing occurring by year end 2003. If the Company were to be unsuccessful in its efforts to refinance the Credit Facilities, the Company might be required to seek bankruptcy court or other protection from its creditors.

Simultaneous with entering into the Forbearance Agreement on October 31, 2003, William G. Miller, the Chairman of the Board and Co-CEO of the Company, made a \$2 million loan to the Company as a part of the Senior Credit Facility. The loan to the Company and Mr. Miller's participation in the Senior Credit Facility were effected by the Seventh Amendment to the Credit Agreement and a Participation Agreement between Mr. Miller and the Senior Credit Facility lenders.

The Company also is negotiating an agreement with the holders of all of the subordinated notes issued under the Junior Credit Facility pursuant to which all obligations in excess of approximately \$9.7 million arising under such notes would be converted into shares of common stock of the Company. Such conversion would be at an exchange ratio equal to the average closing prices of the Company's Common Stock during the fourth quarter of 2003. Such conversion would occur simultaneously with and conditioned upon the closing of the proposed new credit facility described above. The conversion of approximately 44% of such debt obligations is further conditioned upon approval of the shareholders of the Company because this common stock would be issued to insiders of the Company. There is no definitive agreement regarding this transaction at this time and there can be no assurance that any such agreement will actually be entered into.

***[Because of the amount of obligations outstanding under the Company's credit facilities and the connection of the interest rate under each facility (including the default rates) to the prime rate, an increase in the prime rate could have a significant effect on the Company's ability to satisfy its obligations under the credit facilities and increase its interest expense significantly. Therefore, the liquidity of the Company and its access to capital resources could be further affected by increasing interest rates.]***

In addition to the borrowings under the Senior and Junior Credit Facilities described above, the Company had approximately \$3.9 million of mortgage notes payable, equipment notes payable and other long-term obligations at September 30, 2003. The Company also had approximately \$10.3 million in non-cancelable operating lease obligations, \$9.5 million of which relates to truck and building leases of discontinued operations.

Certain statements in this Form 10-Q, including but not limited to "Management's Discussion and Analysis of Financial Condition and Results of Operations," may be deemed to be forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are made based on management's belief as well as assumptions made by, and information currently available to, management pursuant to "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company's actual results may differ materially from the results anticipated in these forward-looking statements due to, among other things, the risks referenced herein and the risk factors set forth under the heading "Risk Factors" in the Company's Annual Report on Form 10-K, filed on May 22, 2003, and in particular, the risks associated with the wind down of the towing services segment and the risks associated with the terms of the Company's substantial indebtedness. The Company cautions that such factors are not exclusive. The Company does not undertake to update any forward-looking statement that may be made from time to time by, or on behalf of, the Company.

**PART II. OTHER INFORMATION**

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits.

- 10.1\* Seventh Amendment to Credit Agreement entered into as of October 31, 2003 among the Registrant and the Lenders under the Senior Credit Agreement.
- 10.2\* Forbearance Agreement entered into as of October 31, 2003 among the Registrant and the Lenders under the Senior Credit Agreement.
- 10.3\* Participation Agreement dated October 31, 2003 among the Registrant, the Lenders under the Senior Credit Agreement, and William G. Miller.
- 31.1 Certification of Jeffrey I. Badgley, President and Co-Chief Executive Officer of Miller Industries, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of William G. Miller, Chairman of the Board and Co-Chief Executive Officer of Miller Industries, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of J. Vincent Mish, Executive Vice President and Chief Financial Officer of Miller Industries, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Jeffrey I. Badgley, President and Co-Chief Executive Officer of Miller Industries, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of William G. Miller, Chairman of the Board and Co-Chief Executive Officer of Miller Industries, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of J. Vincent Mish, Executive Vice President and Chief Financial Officer of Miller Industries, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Previously filed.

- (b) Reports on Form 8-K – The Registrant filed a report on Form 8-K on October 10, 2003.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Miller Industries, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MILLER INDUSTRIES, INC.

By: */s/ J. Vincent Mish*

J. Vincent Mish  
Executive Vice President and  
Chief Financial Officer

Date: January 26, 2004