

MYERS INDUSTRIES INC

Form 10-K/A

November 13, 2008

Table of Contents

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

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

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

For The Fiscal Year Ended December 31, 2007

Commission File Number 001-08524

MYERS INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

34-0778636
(IRS Employer Identification Number)

1293 S. Main Street, Akron, Ohio
(Address of Principal Executive
Offices)

44301
(Zip Code)

(330) 253-5592
(Telephone Number)

Securities Registered Pursuant to
Section 12(b) of the Act:
Common Stock, Without Par Value
(Title of Class)

Name of Each Exchange
On which registered:
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

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 the filing requirements for at least the past 90 days. Yes þ No o

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

State the aggregate market value of the voting and non-voting common equity stock held by non-affiliates computed by reference to the closing sale price on the New York Stock Exchange as of June 30, 2007: \$621,178,608.

Indicate the number of shares outstanding of registrant's common stock as of February 29, 2008: 35,189,062 Shares of Common Stock, without par value.

TABLE OF CONTENTS

PART I

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Statements of Consolidated Income

Statements of Consolidated Financial Position

Statements of Consolidated Financial Position

Statements of Consolidated Shareholders' Equity and Comprehensive Income

Statements of Consolidated Cash Flows

Notes to Consolidated Financial Statements

ITEM 9A. Controls and Procedures

Report of Independent Registered Public Accounting Firm

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

SIGNATURES

EX-23

EX-31(a)

EX-31(b)

EX-32

Table of Contents

**MYERS INDUSTRIES, INC.
Annual Report on Form 10-K/A
For the Fiscal Year Ended December 31, 2007**

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on Form 10-K/A (the Amendment) to amend the Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission (the SEC) on March 17, 2008 (the Original Filing) in response to comments by the Staff of the SEC in connection with their review of the Original Filing. Although appropriate internal controls over financial reporting were established and complied with at the time of the Original Filing, the certifications required by Item 601(b)(31) of Regulation S-K accompanying the Original Filing erroneously omitted the internal control over financial reporting language from the introductory portion of paragraph 4 of the certifications. Accordingly, this Amendment includes full Item 9A disclosure and our financial statements, which include the corrected certifications.

Pursuant to the rules of the SEC, we have included currently-dated certifications from our principal executive and principal accounting officers, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. These certifications are attached as Exhibits 31(a), 31(b) and 32, respectively. This Amendment continues to describe conditions as of the Original Filing. Accordingly, this Amendment should be read in conjunction with our other filings, if any, made with the SEC subsequent to the filing of the Original Filing, including any amendments to those filings.

Table of Contents**PART II****ITEM 8. Financial Statements and Supplementary Data****Summarized Quarterly Results of Operations****Thousands of Dollars, Except Per Share Data**

Quarter Ended 2007	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	\$ 246,471	\$ 225,622	\$ 213,921	\$ 232,780	\$ 918,793
Gross Profit	73,766	57,828	51,786	52,306	235,686
Income from continuing operations	14,737	2,513	1,505	18,193	36,948
Per Basic and Diluted Share	.42	.07	.04	.52	1.05

Quarter Ended 2006	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	\$ 205,660	\$ 194,157	\$ 185,838	\$ 194,330	\$ 779,984
Gross Profit	54,084	54,683	47,020	51,759	207,546
Income from continuing operations	10,010	7,135	4,234	7,331	28,711
Per Basic and Diluted Share	.29	.20	.12	.21	.82

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The Board of Directors and Shareholders
Myers Industries, Inc.:**

We have audited the accompanying statements of consolidated financial position of Myers Industries, Inc. and subsidiaries (Company) as of December 31, 2007 and 2006, and the related statements of consolidated income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myers Industries, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in the Income Taxes note to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Standard No. 109*, effective January 1, 2007. In addition, as discussed in the Stock Compensation note to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share Based Payment*, effective January 1, 2006, and as discussed in the Retirement Plans note to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, effective December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2008, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Cleveland, Ohio
March 14, 2008

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Income****For The Years Ended December 31, 2007, 2006 and 2005**

	2007	2006	2005
Net sales	\$ 918,792,960	\$ 779,984,388	\$ 736,880,105
Cost of sales	683,107,307	572,438,757	555,687,606
Gross profit	235,685,653	207,545,631	181,192,499
Selling	99,893,012	79,340,520	71,796,860
General and administrative	89,991,241	67,282,548	61,660,260
	189,884,253	146,623,068	133,457,120
Operating income	45,801,400	60,922,563	47,735,379
Other income, net	26,750,000	0	0
Interest			
Income	(283,897)	(146,343)	(340,173)
Expense	15,784,166	15,994,763	15,803,452
	15,500,269	15,848,426	15,463,279
Income from continuing operations before income taxes	57,051,131	45,074,143	32,272,100
Income taxes	20,103,000	16,363,613	12,907,205
Income from continuing operations	36,948,131	28,710,531	19,364,895
Income (loss) from discontinued operations, net of tax	17,787,645	(97,734,686)	7,190,611
Net income (loss)	\$ 54,735,776	\$ (69,024,155)	\$ 26,555,506
Income (loss) per common share			
Basic			
Continuing operations	\$ 1.05	\$.82	\$.56
Discontinued operations	.51	(2.79)	.20
Net income (loss)	\$ 1.56	\$ (1.97)	\$.76
Diluted			
Continuing operations	\$ 1.05	\$.82	\$.56
Discontinued operations	.50	(2.79)	.20
Net income (loss)	\$ 1.55	\$ (1.97)	\$.76

The accompanying notes are an integral part of these statements.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Financial Position****As of December 31, 2007 and 2006**

	2007	2006
Assets		
Current Assets		
Cash	\$ 7,558,832	\$ 6,637,389
Accounts receivable less allowances of \$3,915,000 and \$2,595,000 respectively	129,631,910	98,830,002
Inventories		
Finished and in-process products	77,121,338	57,007,218
Raw materials and supplies	48,034,866	29,789,656
	125,156,204	86,796,874
Prepaid expenses	6,164,390	5,776,187
Deferred income taxes	9,298,038	4,240,386
Current assets of discontinued operations	0	105,242,416
Total Current Assets	277,809,374	307,523,254
Other Assets		
Goodwill	171,462,256	162,214,948
Patents and other intangible assets	28,335,537	5,970,381
Other	5,974,876	3,433,410
Long term assets of discontinued operations	0	31,540,786
	205,772,669	203,159,525
Property, Plant and Equipment, at Cost		
Land	5,696,694	4,710,378
Buildings and leasehold improvements	78,825,686	78,859,310
Machinery and equipment	421,206,343	332,283,970
	505,728,723	415,853,658
Less allowances for depreciation and amortization	291,758,397	264,553,217
	213,970,326	151,300,441
	\$ 697,552,369	\$ 661,983,220

The accompanying notes are an integral part of these statements.

Table of Contents**Part I Financial Information****Myers Industries, Inc.****Statements of Consolidated Financial Position****As of December 31, 2007 and 2006**

	2007	2006
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts payable	\$ 78,268,137	\$ 48,111,122
Accrued expenses		
Employee compensation	21,604,532	18,535,357
Taxes, other than income taxes	2,036,230	2,326,865
Income Taxes	14,803,686	1,632,619
Accrued interest	455,842	420,355
Dividends payable	11,961,265	1,840,989
Other	25,718,870	16,834,091
Current portion of long-term debt	3,626,077	3,235,058
Current liabilities of discontinued operations	0	41,790,763
Total Current Liabilities	158,474,639	134,727,219
Long-term Debt, less current portion	167,253,706	198,274,578
Other Liabilities	4,013,808	4,447,222
Deferred Income Taxes	50,540,270	35,400,520
Long term liabilities of discontinued operations	0	8,475,063
Shareholders Equity		
Serial Preferred Shares (authorized 1,000,000 shares; none issued and outstanding)	0	0
Common Shares, without par value (authorized 60,000,000 shares; outstanding 35,180,192 and 35,067,230 shares, respectively)	21,416,849	21,347,941
Additional paid-in capital	273,617,888	270,836,471
Accumulated other comprehensive income	9,320,002	12,497,362
Retained income (deficit)	12,915,207	(24,023,156)
	317,269,946	280,658,618
	\$ 697,552,369	\$ 661,983,220

The accompanying notes are an integral part of these statements.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Shareholders Equity
and Comprehensive Income****For The Years Ended December 31, 2007, 2006 and 2005**

	Common Shares Number	Common Shares Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Income (Deficit)	Comprehensive (Loss) Income
Balance at January 1, 2005	34,645,948	\$ 21,090,960	\$ 266,257,630	\$ 26,089,410	\$ 32,566,036	\$ 40,864,310
Net income	0	0	0	0	26,555,507	26,555,507
Sales under option plans	101,993	62,215	655,112	0	0	0
Employees stock purchase plan	41,699	25,436	453,572	0	0	0
Dividend reinvestment plan	12,092	7,377	143,295	0	0	0
Stock issued for acquisition	4,661	2,843	52,529	0	0	0
Foreign currency translation adjustment	0	0	0	(25,704,942)	0	(25,704,942)
Dividends \$.20 per share	0	0	0	0	(6,946,838)	0
Pension liability	0	0	0	(1,908,771)	0	(1,908,771)
Balance at December 31, 2005	34,806,393	\$ 21,188,831	\$ 267,562,138	\$ (1,524,303)	\$ 52,174,705	\$ (1,058,206)
Net loss	0	0	0	0	(69,024,155)	(69,024,155)
Sales under option plans	220,864	134,726	1,595,853	0	0	0
Employees stock purchase plan	31,408	19,159	437,148	0	0	0
Tax benefit for stock options exercised	0	0	553,780	0	0	0
Dividend reinvestment plan	8,565	5,225	132,238	0	0	0

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Stock based compensation	0	0	555,314	0	0	0
Foreign currency translation adjustment	0	0	0	16,952,010	0	16,952,010
Dividends \$.21 per share	0	0	0	0	(7,173,706)	0
Cumulative effect of change in accounting principle adoption of SFAS 158	0	0	0	(4,481,665)	0	0
Pension liability	0	0	0	1,551,318	0	1,551,318
Balance at December 31, 2006	35,067,230	\$ 21,347,941	\$ 270,836,471	\$ 12,497,362	\$ (24,023,156)	\$ (50,520,827)
Net income	0	0	0	0	54,735,776	54,735,776
Sales under option plans	83,232	50,772	754,966	0	0	0
Employees stock purchase plan	24,697	15,066	399,647	0	0	0
Tax benefit for stock options	0	0	161,370	0	0	0
Dividend reinvestment plan	5,033	3,070	88,944	0	0	0
Stock based compensation	0	0	1,376,490	0	0	0
Foreign currency translation	0	0	0	7,563,541	0	7,563,801
Dividends \$.50 per share	0	0	0	0	(17,495,413)	0
Pension liability	0	0	0	(8,266)	0	(8,266)
Adoption of FIN 48	0	0	0	0	(302,000)	0
Realization of amounts previously recognized in AOCI on sale of discontinued operations	0	0	0	(10,732,635)	0	(10,732,635)
Balance at December 31, 2007	35,180,192	\$ 21,416,849	\$ 273,617,888	\$ 9,320,002	\$ 12,915,207	\$ 51,558,676

The accompanying notes are an integral part of these statements.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES****Statements of Consolidated Cash Flows****For the Years Ended December 31, 2007, 2006 and 2005**

	2007	2006	2005
Cash Flows From Operating Activities			
Net income (loss)	\$ 54,735,776	\$ (69,024,155)	\$ 26,555,507
Net (income) loss of discontinued operations	(17,787,646)	97,734,686	(7,190,611)
Non operating other income	(26,750,000)	0	0
Items not affecting use of cash			
Depreciation	34,118,705	26,505,008	27,159,312
Amortization of other intangible assets	3,608,304	1,707,516	1,893,664
Non cash stock compensation	1,376,490	555,314	0
Deferred taxes	(3,382,644)	(101,352)	1,726,141
Loss (gain) on disposition of property, plant and equipment	1,722,252	0	(740,386)
Cash flow provided by (used for) working capital			
Accounts receivable	21,393,544	2,614,403	(5,186,725)
Inventories	13,128,641	9,212,812	1,286,076
Prepaid expenses	437,995	(1,907,760)	96,834
Accounts payable and accrued expenses	16,483,989	389,418	7,969,035
Net cash provided by operating activities of continuing operations	99,085,406	67,685,890	53,568,847
Net cash (used for) provided by operating activities of discontinued operations	(2,016,769)	13,261,186	13,664,503
Net cash provided by operating activities	97,068,637	80,947,076	67,233,350
Cash Flows From Investing Activities			
Acquisition of businesses, net of cash	(95,698,323)	0	0
Proceeds from Merger termination	32,500,000	0	0
Proceeds from sale of plant	0	0	2,277,760
Additions to property, plant and equipment	(19,809,973)	(12,381,407)	(24,559,724)
Other	1,003,815	701,574	508,700
Net cash used for investing activities of continuing operations	(82,004,481)	(11,679,833)	(21,773,264)
Net cash provided by (used for) investing activities of discontinued operations	67,906,906	(1,656,735)	(1,714,412)
Net cash used for investing activities	(14,097,575)	(13,336,568)	(23,487,676)
Cash Flows From Financing Activities			
Repayment of long term debt	(60,559,865)	0	0

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Net borrowing (repayment) of credit facility	(42,373,780)	(49,887,562)	(24,263,827)
Cash dividends paid	(7,644,959)	(7,173,706)	(6,946,838)
Proceeds from issuance of common stock	1,312,465	2,324,349	1,347,007
Excess tax benefit from options exercised	161,370	553,780	0
Deferred financing costs	(41,072)	(380,956)	(262,500)
Net cash used for financing activities of continuing operations	(109,145,841)	(54,564,095)	(30,126,158)
Net cash used for financing activities of discontinued operations	(224,444)	(249,062)	(246,875)
Net cash used for financing activities	(109,370,285)	(54,813,157)	(30,373,033)
Foreign Exchange Rate Effect on Cash	234,355	1,767,129	(2,232,044)
Net (decrease) increase in cash	(26,164,868)	14,564,480	11,140,597
Cash at January 1	33,723,700	19,159,220	8,018,623
Cash at December 31 (\$27,086,311 included in discontinued operations at December 31, 2006)	\$ 7,558,832	\$ 33,723,700	\$ 19,159,220
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for			
Interest	\$ 15,645,631	\$ 16,225,095	\$ 15,826,862
Income taxes	\$ 14,024,429	\$ 20,096,118	\$ 12,316,811

The accompanying notes are an integral part of these statements.

Table of Contents

MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Myers Industries, Inc. and all wholly owned subsidiaries (Company). All significant intercompany accounts and transactions have been eliminated in consolidation. All subsidiaries that are not wholly owned and are not included in the consolidated results of the Company are immaterial investments which have been accounted for under the cost method. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Translation of Foreign Currencies

All balance sheet accounts of consolidated foreign subsidiaries are translated at the current exchange rate as of the end of the accounting period and income statement items are translated monthly at an average currency exchange rate for the period. The resulting translation adjustment is recorded in other comprehensive (loss) income as a separate component of shareholders' equity.

Financial Instruments

Financial instruments, consisting of trade and notes receivable, and certain long-term debt at variable interest rates, are considered to have a fair value which approximates carrying value at December 31, 2007. The Company's \$100 million senior notes have a fair value of approximately \$102.8 million at December 31, 2007.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk primarily consist of trade accounts receivable. The concentration of accounts receivable credit risk is generally limited based on the Company's diversified operations, with customers spread across many industries and countries. No single customer accounts for more than three percent of total sales and no country, outside of the United States, accounts for more than ten percent of total sales. In addition, management has established certain requirements that customers must meet before credit is extended. The financial condition of customers is continually monitored and collateral is usually not required. The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the Company also reviews historical trends for collectability in determining an estimate for its allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due the Company could be reduced by a material amount. Expense related to bad debts was approximately \$2,915,000, \$1,164,000 and \$2,035,000 for the years 2007, 2006 and 2005, respectively.

Inventories

Inventories are stated at the lower of cost or market. For approximately 28 percent of its inventories, the Company uses the last-in, first-out (LIFO) method of determining cost. All other inventories are valued at the first-in, first-out (FIFO) method of determining cost.

If the FIFO method of inventory cost valuation had been used exclusively by the Company, inventories would have been \$13,714,000, \$11,452,000, and \$9,710,000 higher than reported at December 31, 2007, 2006 and 2005, respectively. In 2007, the liquidation of LIFO inventories decreased cost of sales, and therefore increased income before taxes by approximately \$1.6 million.

Table of Contents

MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements Continued

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization on the basis of the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 30 years
Leasehold Improvements	7 to 10 years
Machinery and Equipment	3 to 12 years
Vehicles	1 to 3 years

Long-Lived Assets

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of the amount of impairment related to assets to be held and used is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset. For assets held for disposal, this amount may be based upon appraisal of the asset, market value of similar assets or cash flow from the disposition of the asset. At December 31, 2007 the Company has approximately \$3.4 million of property, plant, and equipment held for sale which represents the estimated net realizable value of these assets and is included in other assets on the accompanying statement of consolidated financial position. In 2007, the Company recorded expense of \$726,000 to write down the value of assets in the Lawn and Garden segment no longer used in production. In 2006, the Company recorded expense of \$299,000 in the Automotive and Custom segment to write off the net book value of certain leasehold improvements no longer used in production. In 2005 the Company recorded expense of approximately \$151,000 in the Material Handling North America segment to write off unamortized intangible assets and net book value of equipment related to product lines which the Company decided to discontinue.

Revenue Recognition

The Company recognizes revenues from the sale of products, net of actual and estimated returns, at the point of passage of title, which is at the time of shipment.

Shipping and Handling

Shipping and handling expenses are classified as selling expenses in the accompanying statements of consolidated income. The Company incurred shipping and handling costs of approximately \$27.8 million, \$25.0 million and \$22.4 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and

liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In July 2006, the FASB issued Interpretation No. 48, *Accounting of Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109*, or FIN 48. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS 109. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. The

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Company adopted FIN 48 effective January 1, 2007 and the provisions of FIN 48 have been applied to all income tax provisions commencing from that date. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within operations as income tax expense. The cumulative effect of applying the provisions of FIN 48, totaling \$302,000, has been reported as an adjustment to the opening balance of our retained deficit as of January 1, 2007.

Prior to 2007 the Company measured its tax contingencies in accordance with SFAS No. 5, *Accounting for Contingencies*, or SFAS 5. The Company recorded estimated tax liabilities to the extent the contingencies were probable and could be reasonably estimated.

Goodwill and Intangible Assets

Under the provisions of SFAS No. 142, the Company is required to test for impairment on at least an annual basis. The Company conducts its annual impairment assessment as of October 1. In addition, the Company will test for impairment whenever events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. Such events may include, but are not limited to, significant changes in economic and competitive conditions, the impact of the economic environment on the Company's customer base or its businesses, or a material negative change in its relationships with significant customers.

In evaluating goodwill for impairment the Company uses a combination of valuation techniques primarily using discounted cash flows to determine the fair values of its business reporting units and market based multiples as supporting evidence. The variables and assumptions used, including the projections of future revenues and expenses, working capital, terminal values, discount rates and the market multiples observed in sale transactions are determined separately for each reporting unit. The discount rates used are based on the weighted average cost of capital determined for each of the Company's reporting units and ranged from 9.1% to 10.2% in 2007. In addition we make certain judgments about the selection of comparable companies used in determining market multiples in valuing our business units, as well as certain assumptions to allocate shared assets and liabilities to calculate values for each of our business units. The underlying assumptions used are based on historical actual experience and future expectations that are consistent with those used in the Company's strategic plan. The Company compares the fair value of each of its reporting units to their respective carrying values, including related goodwill. Our estimate of the fair values of these business units and the related goodwill, could change over time based on a variety of factors, including the actual operating performance of the underlying business or the impact of future events on the cost of capital and the related discount rates used. The change in goodwill for the years ended December 31, 2007 and 2006 is as follows:

(Amount in thousands)	Distribution	Material Handling North America	Automotive and Custom	Lawn and Garden	Total
December 31, 2005	\$ 214	\$ 30,383	\$ 60,074	\$ 71,544	\$ 162,215
Acquisitions	0	0	0	0	0
Foreign currency translation	0	0	0	0	0

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

December 31, 2006	\$ 214	\$ 30,383	\$ 60,074	\$ 71,544	\$ 162,215
Acquisitions	0	0	0	9,211	9,211
Foreign currency translation	0	0	0	36	36
December 31, 2007	\$ 214	\$ 30,383	\$ 60,074	\$ 80,791	\$ 171,462

Intangible assets other than goodwill primarily consists of trade names, customer relationship, patents and technology assets established in connection with purchase accounting. These intangible assets are amortized over their estimated useful lives. Estimated annual amortization expense for the five years ending December 31, 2012 are: \$3,315,000 in 2008; \$3,315,000 in 2009; \$3,199,000 in 2010, \$2,852,000 in 2011 and \$2,456,000 in 2012.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Intangible assets at December 31, consisted of the following:

		2007			2006		
	Life	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Tradenname	Indefinite	4,272,775	0	4,272,775	0	0	0
	6 -						
Customer Relationships	13 years	16,694,533	(4,039,451)	12,655,082	6,667,000	(2,248,916)	4,418,084
Technology	7.5 years	2,100,000	(980,000)	1,120,000	2,100,000	(700,000)	1,400,000
Patents	10 years	10,900,000	(908,333)	9,991,667	3,893,390	(3,741,093)	152,297
Non-Compete	3 years	418,679	(122,666)	296,013	0	0	0
		34,385,987	(6,050,450)	28,335,537	12,660,390	(6,690,009)	5,970,381

Net Income Per Share

Net income (loss) per share, as shown on the Statements of Consolidated Income, is determined on the basis of the weighted average number of common shares outstanding during the periods as follows:

	2007	2006	2005
Weighted average common shares outstanding			
Basic	35,140,581	34,978,269	34,724,488
Dilutive effect of stock options and restricted stock	108,991	65,889	162,476
Weighted average common shares outstanding diluted	35,249,572	35,044,158	34,886,964

Merger Agreement

On April 24, 2007, Myers Industries, Inc. entered into an Agreement and Plan of Merger (the **Merger Agreement**) with MYEH Corporation, a Delaware corporation (the **Parent**) and MYEH Acquisition Corporation, an Ohio corporation (**MergerCo**). Under the terms of the Merger Agreement, MergerCo will be merged with and into the Company, with the Company continuing as the surviving corporation and becoming a wholly-owned subsidiary of Parent (the **Merger**). Parent is owned by GS Capital Partners, LP (GSCP) and other private equity funds sponsored by Goldman, Sachs & Co.

Pursuant to the Merger Agreement, at the effective time of the Merger, each outstanding share of common stock of the Company (other than shares owned by the Company or any of its subsidiaries, or by any shareholders who properly exercise appraisal rights under Ohio law) will be cancelled and converted into the right to receive \$22.50 in cash, without interest.

On July 23, 2007 the Company's shareholders approved the Merger. During the quarter ended June 30, 2007 the go shop period expired without any competing proposals and the waiting period under the Hart Scott Rodino Antitrust Improvements Act was terminated.

The Merger Agreement contained termination rights for both the Company and Parent in the event the Merger was not consummated by December 15, 2007. In December 2007, an agreement was made to extend this date from December 15, 2007 to April 30, 2008 (the Extension). The Extension did not provide GSCP additional rights with respect to the potential Merger and consummation of the Merger remains subject to satisfaction or waiver of the conditions to closing set forth in the Merger Agreement. In connection with the Extension, GSCP paid the Company the previously agreed upon \$35 million termination fee. This non refundable termination fee is shown, net of related expenses of \$8.25 million, as other income in the accompanying Statement of Consolidated Income. In addition, as permitted by the Extension, the Company declared a special dividend of \$0.28 per common share totaling approximately \$9.85 million payable January 2, 2008 to shareholders of record as of December 20, 2007.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued****Discontinued Operations**

In the third quarter of 2006, the Company's Board of Directors approved a plan divestiture of the Company's Material Handling Europe business segment. On October 20, 2006, the Company entered into a definitive agreement to sell these businesses and the sale was completed on February 1, 2007 with net proceeds of approximately \$68.1 million received. Included in net income for the year ended December 31, 2007 was a gain of approximately \$17.8 million, net of taxes of \$3.3 million, from the disposition of these businesses. In addition, subsequent to December 31, 2007, the Company received net proceeds of approximately \$1.8 million related to the settlement of certain contingencies in connection to the disposed businesses.

In accordance with U.S. generally accepted accounting principles, the operating results related to these businesses have been included in discontinued operations in the Company's statements of consolidated income for all periods presented, and the net assets related to these businesses have been presented as discontinued operations in the statement of consolidated financial position as of December 31, 2006.

These discontinued operations had net sales of \$14.9 million and net income from operations of \$1,886 in 2007 prior to the disposition. The discontinued operations generated sales of \$170.9 million and \$166.8 million for the years ended December 31, 2006 and 2005. For the year ended December 31, 2006, these discontinued businesses had a net loss of \$97.7 million (net of \$3.4 million Tax benefit), which included a goodwill impairment charge of \$109.8 million, compared with net income of \$7.2 million for the year ended December 31, 2005.

Net assets related to discontinued operations at December 31, 2006 were \$86.5 million and consisted of the following:

(In thousands)

Cash and cash equivalents	\$ 27,086
Receivables, net of allowance of \$1,345	48,913
Inventories	20,435
Prepaid expenses	3,297
Deferred income taxes	5,512
Property, plant and equipment, net	31,055
Intangible assets and other	485
Total assets	136,783
Accounts payable	23,775
Accrued expenses	17,185
Debt	1,478
Deferred income taxes	1,657
Other long term liabilities	6,171
Total liabilities	50,266

Net assets \$ 86,517

Acquisitions

On January 9, 2007, the Company acquired all the shares of ITML Horticultural Products, Inc., an Ontario corporation (ITML). ITML designs, manufactures and sells plastic containers and related products for professional floriculture / horticulture grower markets across North America, utilizing injection molding, blow molding, and thermoforming processes. Additionally, ITML utilizes extensive technology and expertise for resin reprocessing and recycling for use in its products. The acquired business had fiscal 2006 annual sales of approximately \$169.5 million. The total purchase price was approximately \$118.6 million, which includes the assumption of

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

approximately \$64.6 million of debt outstanding as of the acquisition date. In addition, the acquisition allows for additional purchase consideration to be paid contingent upon the results of the Company's Lawn and Garden segment in 2008, specifically the achievement of earnings before interest taxes, depreciation and amortization compared to targeted amounts.

On March 8, 2007, the Company acquired select equipment, molds and inventory related to the Xytec and Combo product lines of Schoeller Arca Systems Inc., a subsidiary of Schoeller Arca Systems N.V., in North America (SASNA). These product lines include collapsible bulk containers used for diverse shipping and handling applications in markets from manufacturing to food to liquid transport. The acquired business had 2006 annual sales of approximately \$50 million. The total purchase price was approximately \$41.6 million.

The results for both ITML and SASNA product lines are included in the consolidated results of operations from the date of acquisition. ITML is included in the Company's Lawn and Garden segment and the SASNA product lines are included in the Material Handling North America segment. The allocation of the purchase price and the estimated goodwill and other intangibles are as follows:

(Amounts in thousands)	ITML	Schoeller Arca
Assets acquired:		
Accounts receivable	\$ 45,252	\$ 0
Inventory	37,107	8,825
Property, plant & equipment	56,142	18,100
Intangibles	9,200	14,700
Other	4,409	0
	152,110	41,625
Liabilities assumed:		
Accounts payable and accruals	(25,496)	0
Debt	(64,570)	0
Deferred Income Taxes	(17,182)	0
	(107,248)	0
Goodwill	9,211	0
Total consideration	\$ 54,073	\$ 41,625

The results of ITML operations are included in the Company's consolidated results of operations from January 9, 2007, the date of acquisition and are reported in the Company's Lawn and Garden Segment. The following unaudited pro forma information presents a summary of consolidated results of operations for the Company including ITML as if the acquisition had occurred January 1, 2006.

(Amounts in thousands, except per share)	2007	2006
Net Sales	\$ 923,348	\$ 947,406
Income from Continuing Operations	36,953	34,819
Income from Continuing Operations per basic and diluted share	\$ 1.05	\$ 1.00

These unaudited pro forma results have been prepared for comparative purposes only and may not be indicative of results of operations which actually would have occurred had the acquisition taken place on January 1, 2006, or indicative of future results.

In the second quarter of 2007, the Company approved a plan for ITML integration activities which resulted in the closure of two facilities in the Lawn and Garden Segment, including the acquired ITML plants in Brampton, Ontario, and Lugoff, South Carolina. These facilities, which were part of the Company's acquisition of ITML in

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

January 2007, produce nursery containers, specialty retail horticultural products, and custom plastic products. Total costs related to the plan were approximately \$4.3 million, including the \$2.3 million accrued at acquisition.

In accordance with FASB EITF Issue No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination, the Company recorded accruals for severance, exit and relocation costs as part of the purchase price allocation of ITML. A reconciliation of the accrual balance included in Other Accrued Expenses on the accompanying statement of consolidated financial position is as follows:

(Dollars in thousands)	Severance and Personnel	Contract Termination Fees	Total
Accrued at acquisition date	\$ 2,023	\$ 241	\$ 2,264
Provision	0	0	0
Less: Payments	(1,703)	(241)	(1,944)
Balance at December 31, 2007	\$ 320	\$ 0	\$ 320

Restructuring Activities

In the second quarter of 2007, the Company approved and adopted a plan to consolidate existing production facilities. Under the terms of the consolidation plan, the Dawson Springs, Kentucky manufacturing facility, included in the Company's Material Handling segment, was permanently closed and production capabilities and product lines were shifted to the Company's other existing manufacturing facilities in North America. Total costs related to closing the Dawson Springs facility were approximately \$1.8 million, including the \$1.0 million provision below.

The accrued liability balance for severance and exit costs is included in Other Accrued Expenses on the accompanying statement of consolidated financial position. Activity related to the Dawson Springs restructuring liability for the year ended December 31, 2007 consisted of:

(Dollars in thousands)	Severance and Personnel	Other Exit Costs	Total
Balance at January 1, 2007	\$ 0	\$ 0	\$ 0
Provision	937	90	1,027
Less: Payments	(918)	(90)	(1,008)
Balance at December 31, 2007	\$ 19	\$ 0	\$ 19

Stock Compensation

In 1999, the Company and its shareholders adopted the 1999 Stock Plan allowing the Board of Directors to grant key employees and Directors various types of stock based awards including stock options, restricted stock and stock appreciation rights. In general, options granted and outstanding vest over three to five years and expire ten years from the date of grant. At December 31, 2007, there were 752,226 shares available for future grant under the Plan.

Options granted during the past three years:

Year	Shares	Price
2007	23,000	\$18.62
2006	382,800	\$15.11 to \$17.21
2005	326,810	\$11.15 to \$12.86

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Options exercised during the past three years:

Year	Shares	Price
2007	87,068	\$ 8.00 to \$17.02
2006	238,896	\$ 7.44 to \$12.26
2005	93,110	\$ 7.60 to \$11.15

In addition, options totaling 62,342, 47,321, and 57,055 expired during the years ended December 31, 2007, 2006 and 2005, respectively. Options outstanding and exercisable at December 31, 2007, 2006 and 2005 were as follows:

Year	Outstanding	Range of Exercise Prices	Exercisable	Weighted Average Exercise Price
2007	654,809	\$ 8.00 to \$18.62	329,156	\$ 12.71
2006	781,219	\$ 8.00 to \$17.21	210,882	\$ 13.52
2005	684,636	\$ 7.44 to \$12.86	333,977	\$ 9.58

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), (SFAS 123R), Share-Based Payment, which requires the Company to measure all employee stock-based compensation awards using a fair value method and record the related expense in the financial statements. The Company elected to use the modified prospective transition method. The modified prospective transition method requires that compensation cost be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption and requires that prior periods not be restated. All periods presented prior to January 1, 2006 were accounted for in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees .

The adoption of SFAS 123R reduced income before taxes approximately \$1,376,000 and \$555,000 for the years ended December 31, 2007 and 2006, respectively. These expenses are included in selling and administrative expenses in the accompanying Statement of Consolidated Income. Total unrecognized compensation cost related to non-vested share based compensation arrangements at December 31, 2007 was approximately \$2.3 million, which will be recognized over the next four years.

The following table illustrates the effect on income and income per share from continuing operations as if we had applied the fair value recognition provisions of SFAS No. 123R to stock-based employee compensation in prior periods presented.

(In thousands, except per share amounts) **Year Ended
December 31, 2005**

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Income from continuing operations as reported	\$	19,365
Stock option compensation as reported, net of tax		0
Fair value of stock option compensation net of tax		180
Proforma income from continuing operations	\$	19,185
Income per common share from continuing operations:		
Basic and diluted as reported	\$.56
Basic and diluted proforma		.55

The fair value of options granted is estimated using an option pricing model based on assumptions set forth in the following table. The Company uses historical data to estimate employee exercise and departure behavior. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and through the expected term. The dividend yield is based on the Company's historical dividend yield. The expected volatility is derived

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

from historical volatility of the Company's shares and those of similar companies measured against the market as a whole.

Model	2007 Black Scholes	2006 Black Scholes	2005 Trinomial Lattice
Risk free interest rate	4.70%	4.70%	3.72%
Expected dividend yield	1.23%	1.23%	1.79%
Expected life of award (years)	6.0	6.0	4.3
Expected volatility	31.58%	31.58%	37.50%
Fair value per option share	\$ 6.00	\$ 5.95	\$ 2.94

The following table summarizes the stock option activity for the period ended December 31, 2007:

	Shares	Average Exercise Price	Weighted Average Life	Aggregate Intrinsic Value
Outstanding at December 31, 2006	781,219	\$ 13.52		
Options Granted	23,000	18.62		
Options Exercised	(87,068)	10.05		
Cancelled or Forfeited	(62,342)	12.89		
Outstanding at December 31, 2007	654,809	\$ 14.12	7.83	\$ 229,183
Exercisable at December 31, 2007	329,156	\$ 12.71		\$ 579,315

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The total intrinsic value of the options exercised during the years ended December 31, 2007, 2006, and 2005 was approximately \$768,000, \$1,789,000 and \$1,104,000 respectively. In addition, the Company has outstanding 63,000 shares of restricted stock with vesting periods up through April 2011.

Contingencies

The Company is a defendant in various lawsuits and a party to various other legal proceedings, in the ordinary course of business, some of which are covered in whole or in part by insurance. We believe that the outcome of these lawsuits and other proceedings will not individually or in the aggregate have a future material adverse effect on our consolidated financial position, results of operations or cash flows.

Long-Term Debt and Credit Agreements

Long-term debt at December 31, consisted of the following:

	2007	2006
Credit agreement	\$ 60,913,706	\$ 94,148,992
Senior notes	100,000,000	100,000,000
Industrial revenue bonds	6,890,000	4,000,000
Other	3,076,077	3,360,644
	170,879,783	201,509,636
Less current portion	3,626,077	3,235,058
	\$ 167,253,706	\$ 198,274,578

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

On October 26, 2006, the Company entered into an amendment and restatement of its loan agreement (the Credit Agreement) with a group of banks. Under terms of the Credit Agreement, the Company may borrow up to \$250 million, including up to \$80 million in certain foreign currencies, swing loans not to exceed \$20 million and letter of credit obligations up to \$25 million. Interest is based on the bank's Prime rate or Euro dollar rate plus an applicable margin that varies depending on the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The average interest rate on borrowing under the Credit Agreement was 5.51 percent at December 31, 2007 and 5.87 percent at December 31, 2006. In addition, the Company pays a quarterly facility fee. The Credit Agreement expires on October 26, 2011.

In December 2003, the Company issued \$100 million in Senior Unsecured Notes (the Notes) consisting of \$65 million of notes with an interest rate of 6.08 percent and a 7 year maturity and \$35 million with an interest rate of 6.81 percent and a 10 year maturity. Proceeds from the issuance of the Notes were used to pay down the term loan and revolving credit facility borrowing outstanding at that time.

In addition, at December 31, 2007, the Company had approximately \$10.0 million of other long-term debt consisting of industrial revenue bonds, certain indebtedness of acquired companies, and other credit facilities for the Company's international operations. The weighted average interest rate on these amounts outstanding was 4.75 percent at December 31, 2007 and 4.91 percent at December 31, 2006.

The Credit Facility and Notes contain customary covenants including the maintenance of minimum consolidated net worth, certain financial ratios regarding leverage and interest coverage, and limitation on annual capital expenditures.

Maturities of long-term debt under the loan agreements in place at December 31, 2007 for the five years ending December 31, 2012 were approximately: \$3,626,000 in 2008; \$425,000 in 2009; \$69,380,000 in 2010; \$61,219,000 in 2011; \$305,000 in 2012 and \$35,925,000 thereafter.

Retirement Plans

The Company and certain of its subsidiaries have pension and profit sharing plans covering substantially all of their employees. Two plans are defined benefit plans with benefits primarily based upon a fixed amount for each completed year of service as defined.

For the Company's defined benefit plans, both of which were underfunded at December 31, 2005, the net periodic pension cost was as follows:

	2007		2006		2005
	Overfunded	Underfunded	Overfunded	Underfunded	
Service cost	\$ 33,016	\$ 89,229	\$ 28,570	\$ 110,055	\$ 191,272
Interest cost	152,157	171,715	168,416	155,897	350,501
Expected return on assets	(216,320)	(211,002)	(226,915)	(185,298)	(396,485)
Amortization of prior service cost	0	4,012	0	9,629	25,894
Amortization of net loss	0	7,914	1,227	35,109	83,545

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Settlement/Curtailment	0	67,662	8,666	0	195,467
Net periodic pension cost	\$ (31,147)	\$ 129,530	\$ (20,036)	\$ 125,392	\$ 450,194

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

The reconciliation of changes in projected benefit obligations are as follows:

	2007		2006	
	Overfunded	Underfunded	Overfunded	Underfunded
Benefit obligation at beginning of year	\$ 2,747,559	\$ 2,949,499	\$ 3,133,300	\$ 2,889,420
Service cost	33,016	89,229	28,570	110,055
Interest cost	152,157	171,715	168,416	155,897
Curtailements	0	3,638	0	0
Settlements	0	0	(301,609)	0
Actuarial loss	1,725	97,843	(65,119)	(103,177)
Expenses paid	(38,024)	(49,636)	(33,015)	(25,441)
Benefits paid	(273,072)	(111,657)	(182,984)	(77,255)
Benefit obligation at end of year	\$ 2,623,361	\$ 3,150,631	\$ 2,747,559	\$ 2,949,499

The assumptions used to determine the net periodic benefit cost and benefit obligations for both plans are as follows:

	2007	2006	2005
Discount rate for net periodic pension cost	5.75%	5.50%	5.75%
Discount rate for benefit obligations	5.75%	5.75%	5.50%
Expected long-term return of plan assets	8.00%	8.00%	8.00%

Future benefit increases were not considered, as there is no substantive commitment to increase benefits. The expected long-term rate of return assumption is based on the actual historical rate of return on assets adjusted to reflect recent market conditions and future expectation consistent with the Company's current asset allocation and investment policy. The assumed discount rates represent long-term high quality corporate bond rates commensurate with the liability durations of its plans.

The following table reflects the change in the fair value of the plans' assets:

	2007		2006	
	Overfunded	Underfunded	Overfunded	Underfunded
Fair value of plan assets at beginning of year	\$ 2,837,180	\$ 2,622,694	\$ 2,957,859	\$ 2,380,537
Actual return on plan assets	238,709	220,497	396,929	344,853
Settlements	0	0	(301,609)	0
Company contributions	0	192,000	0	0
Expenses paid	(38,024)	(49,636)	(33,015)	(25,441)

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Benefits paid	(273,072)	(111,657)	(182,984)	(77,255)
Fair value of plan assets at end of year	\$ 2,764,793	\$ 2,873,898	\$ 2,837,180	\$ 2,622,694

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

The weighted average asset allocations for both of the Company's defined benefit plans at December 31, 2007 and 2006, are as follows:

	2007	2006
Equities securities	76%	83%
Debt securities	21	17
Cash	3	0
Total	100%	100%

The following table provides a reconciliation of the funded status of the plans at December 31, 2007 and 2006:

	2007		2006	
	Overfunded	Underfunded	Overfunded	Underfunded
Projected benefit obligation	\$ 2,623,361	\$ 3,150,631	\$ 2,747,559	\$ 2,949,499
Plan assets at fair value	2,764,793	\$ 2,873,898	2,837,180	2,622,694
Funded status	\$ (141,432)	\$ 276,733	\$ 89,621	\$ (326,805)

As required under Statement of Financial Accounting Standard No. 158, the funded status shown above is included in other long term liabilities in the Company's statements of Financial Position at December 31, 2007 and 2006. The Company has no minimum required contribution for these plans in 2008 and does not anticipate making any contributions during the next fiscal year.

Benefit payments projected for the plans are as follows:

2008	\$ 320,421
2009	343,862
2010	359,029
2011	365,836
2012	383,735
2013-2017	2,013,252

A profit sharing plan is maintained for the Company's U.S. based employees, not covered under defined benefit plans, who have met eligibility service requirements. The amount to be contributed by the Company under the profit sharing plan is determined at the discretion of the Board of Directors. Profit sharing plan expense was \$1,523,000, \$1,668,000 and \$1,382,000 for the years 2007, 2006 and 2005, respectively. In addition, the Company has a Supplemental

Executive Retirement Plan (SERP) to provide participating senior executives with retirement benefits in addition to amounts payable under the profit sharing plan. Expense related to the SERP was approximately \$162,000, (\$193,000), and \$1,022,000 for the years 2007, 2006 and 2005, respectively. The SERP liability is based on the discounted present value of expected future benefit payments using a discount rate of 5.75%. The SERP liability was approximately \$4.3 million at December 31, 2007 and \$4.7 million at December 31, 2006 and is included in employee compensation and other long term liabilities on the accompanying statements of consolidated financial position. The SERP is unfunded.

Leases

The Company and certain of its subsidiaries are committed under non-cancelable operating leases involving certain facilities and equipment. Aggregate rental expense for all leased assets was \$13,097,000, \$9,713,000, and \$8,574,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Future minimum rental commitments are as follows:

Year Ended December 31,	Commitment
2008	\$ 10,331,000
2009	9,074,000
2010	7,612,000
2011	6,202,000
2012	2,985,000
Thereafter	25,677,000
Total	\$ 61,881,000

Income Taxes

The effective tax rate was 35.2% in 2007, 36.3% in 2006 and 40.0% in 2005. A reconciliation of the Federal statutory income tax rate to the Company's effective tax rate is as follows:

	Percent of Pre-Tax Income		
	2007	2006	2005
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State income taxes net of Federal tax benefit	2.1	2.1	4.9
Foreign tax rate differential	(1.5)	.1	(0.2)
Domestic production deduction	(1.8)	(.9)	(1.1)
Other	1.4	(0)	1.4
Effective tax rate for the year	35.2%	36.3%	40.0%

Income from continuing operations before income taxes was attributable to the following sources:

(Dollar in thousands)	2007	2006	2005
United States	\$ 62,471	\$ 40,756	\$ 30,845
Foreign	(5,420)	4,318	1,427
Totals	\$ 57,051	\$ 45,074	\$ 32,272

Income taxes consisted of the following:

(Dollars in thousands)	2007		2006		2005	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	\$ 23,975	\$ (2,968)	\$ 13,133	\$ 266	\$ 9,103	\$ 935
Foreign	(2,552)	(205)	1,588	(49)	172	253
State and local	2,063	(210)	1,290	136	1,848	596
	\$ 23,486	\$ (3,383)	\$ 16,011	\$ 353	\$ 11,123	\$ 1,784

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

Significant components of the Company's deferred taxes as of December 31, 2007 and 2006 are as follows:

	2007	2006
(Dollars in thousands)		
Deferred income tax liabilities		
Property, plant and equipment	\$ 32,154	\$ 21,957
Tax deductible goodwill	16,719	11,210
Other intangibles	1,433	2,036
State deferred taxes	1,886	2,084
Other	868	830
	53,060	38,117
Deferred income tax assets		
Compensation	3,005	2,797
Inventory valuation	1,358	1,210
Allowance for uncollectible accounts	974	848
Non-deductible accruals	5,281	2,102
Capital and other loss carryforwards	26,635	14,560
Net operating loss carryforwards	2,058	713
	39,311	22,230
Valuation Allowance	(27,493)	(15,273)
	11,818	6,957
Net deferred income tax liability	\$ 41,242	\$ 31,160

SFAS No. 109, *Accounting for Income Taxes*, requires that deferred tax assets be reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. Available evidence includes the reversal of existing taxable temporary differences, future taxable income exclusive of temporary differences, taxable income in carryback years and tax planning strategies. The change in the valuation allowance from continuing operations in 2007 was an increase of \$145,000, primarily related to additional foreign and state net operating losses due to the uncertainty regarding future profitability in those jurisdictions. In addition, in 2007 the Company increased the valuation allowance \$12.1 million for the tax losses realized in the sale of discontinued operations due to uncertainty regarding realization through available or future capital gains. In addition the Company has net operating tax loss carryforwards of approximately \$11.8 million with carryforward periods that expire starting in 2019. Myers Industries has an accounting policy to not record a provision for unremitted earnings of foreign subsidiaries as it is the Company's intention to indefinitely reinvest these earnings of these subsidiaries. The American Jobs Creation Act of 2004 provided a special opportunity to review this policy and, accordingly, in 2005 the Company made a repatriation of approximately \$4.4 million in dividends which resulted in additional income taxes of approximately \$281,000.

At December 31, 2007, the Company had not recorded a deferred tax liability for temporary differences related to investments in its foreign subsidiaries that are essentially permanent in duration. The amount of such temporary differences was estimated to be approximately \$18.9 million. The amount may become taxable upon a repatriation of assets or a sales or liquidation of the subsidiaries. It is not practical to estimate the related amount of unrecognized tax liability.

As a result of applying the provision of FIN 48, we recognized an increase of \$302,000 in the liability for unrecognized tax benefits and a reduction in retained earnings. As of January 1, 2007, the total amount of gross unrecognized tax benefits was \$1,755,000 of which \$1,317,000 would reduce the Company's effective tax rate.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

The following table summarized the activity related to the Company's unrecognized tax benefits:

	Total (In thousands)
Balance at January 1, 2007	\$ 1,755,000
Increases related to current year tax positions	145,500
Expiration of the statute of limitations for the assessment of taxes	(20,500)
Balance at December 31, 2007	\$ 1,880,000

As of December 31, 2007 the total amount of gross unrecognized tax benefits was \$1,880,000 of which \$1,431,000 would reduce the Company's effective tax rate. The amount of accrued interest expense included as a liability within the Company's consolidated balance sheet as of December 31, 2007 was \$279,000.

As of December 31, 2007 the Company and its significant subsidiaries are subject to examinations for the years after 2003 in Brazil, Canada, Denmark, United States, and major states within the United States. The Company is also subject to examinations after 2004 in France and remaining states within the United States.

The Company does not expect any significant changes to its unrecognized tax benefits for the next 12 months.

Industry Segments

The Company's business units have separate management teams and offer different products and services. Using the criteria of SFAS No. 131, these business units have been aggregated into four reportable segments. These include three manufacturing segments encompassing a diverse mix of plastic and rubber products: 1) Material Handling North America, 2) Automotive and Custom, and 3) Lawn and Garden. The fourth segment is Distribution of tire, wheel, and undervehicle service products. The aggregation of business units is based on management by the chief operating decision-maker for the segment as well as similarities of products, production processes, distribution methods and economic characteristics (e.g. average gross margin and the impact of economic conditions on long-term financial performance). Intersegment sales are generally recorded in segment operating results at prices that management believes approximate arms length transactions and are not material to operating results.

In each of its manufacturing segments, the Company designs, produces, and markets a wide range of polymer products for diverse markets, customers, and applications. These products are made through a variety of molding processes in facilities located throughout North America and South America.

The Material Handling North America Segment includes a broad selection of plastic reusable containers, pallets, small parts bins, bulk shipping containers, and storage and organization products. The product selection, manufacturing processes, and markets served by each segment are similar. The North American segment includes operations conducted in the United States, Canada, and Mexico. The reusable container products in both segments provide customers with cost-saving material handling solutions for applications such as shipping heavy automotive

parts to assembly lines, transporting perishable food products to retailers, organizing small parts, and creating custom storage systems. Markets served encompass various niches of industrial manufacturing, food processing, retail/wholesale products distribution, agriculture, automotive, healthcare, appliance, bakery, electronics, textiles, consumer, and others. Products are sold both direct to end-users and through distributors.

In the Automotive and Custom Segment, the Company engineers and manufactures plastic and rubber original equipment and replacement parts, rubber tire repair and retread products, and a diverse array of custom plastic and rubber products. Representative products include: plastic HVAC ducts, water/waste storage tanks, and interior/exterior vehicle trim components; rubber air intake hoses, vibration isolators, emissions tubing assemblies, and trailer bushings; and custom products such as plastic tool boxes and calendered rubber sheet stock. The segment

Table of Contents

MYERS INDUSTRIES, INC. AND SUBSIDIARIES.

Notes to Consolidated Financial Statements Continued

serves a diverse group of niche markets: automotive, recreational vehicle, recreational marine, heavy truck, construction and agriculture equipment, healthcare, and transportation, to name a few.

Myers Industries Lawn and Garden Segment serves the North American horticultural market with plastic products such as seedling trays, nursery pots, hanging baskets, and custom printed containers, as well as decorative resin planters. Markets / customers include professional growers, greenhouses, nurseries, retail garden centers, mass merchandisers, and consumers.

The Company's Distribution Segment is engaged in the distribution of equipment, tools, and supplies used for tire servicing and automotive undervehicle repair. The product line includes categories such as tire valves and accessories, tire changing and balancing equipment, lifts and alignment equipment, service equipment and tools, and tire repair / retread supplies. The Distribution Segment operates domestically through 37 branches located in major cities throughout the United States and in foreign countries through export sales. Markets served include retail and truck tire dealers, commercial auto and truck fleets, auto dealers, general service and repair centers, tire retreaders, and government agencies.

Total sales from foreign business units and export to countries outside the U.S. were approximately \$129.9 million, \$92.4 million, and \$87.9 million for the years 2007, 2006 and 2005, respectively. There are no individual foreign countries for which sales are material. Long-lived assets in foreign countries, consisting primarily of property, plant and equipment, intangible assets and goodwill, were approximately \$60.5 million at December 31, 2007 and \$17.7 million at December 31, 2006.

Table of Contents**MYERS INDUSTRIES, INC. AND SUBSIDIARIES.****Notes to Consolidated Financial Statements Continued**

	2007	2006	2005
	(Dollars in thousands)		
Net Sales			
Distribution	\$ 203,230	\$ 197,329	\$ 189,950
Material Handling North America	267,221	240,050	209,469
Automotive and Custom	170,903	204,659	195,125
Lawn and Garden	300,872	160,155	170,416
Intra-segment elimination	(23,433)	(22,209)	(28,080)
	\$ 918,793	\$ 779,984	\$ 736,880
Income Before Income Taxes			
Distribution	\$ 20,537	\$ 22,241	\$ 20,566
Material Handling North America	40,360	34,872	16,265
Automotive and Custom	8,968	14,041	9,967
Lawn and Garden	897	8,089	16,420
Corporate	1,788	(18,320)	(15,483)
Interest expense-net	(15,500)	(15,849)	(15,463)
	\$ 57,051	\$ 45,074	\$ 32,272
Identifiable Assets			
Distribution	\$ 46,944	\$ 54,636	\$ 52,404
Material Handling North America	191,562	149,114	149,709
Automotive and Custom	137,933	142,185	153,933
Lawn and Garden	302,736	163,434	176,826
Corporate	18,377	15,831	11,671
Intra-segment elimination	0	0	(985)
	\$ 697,552	\$ 525,200	\$ 543,558
Capital Additions, Net			
Distribution	\$ 190	\$ 416	\$ 654
Material Handling North America	7,875	4,910	13,404
Automotive and Custom	4,892	1,773	3,861
Lawn and Garden	6,496	5,116	6,929
Corporate	357	166	(270)
	\$ 19,810	\$ 12,381	\$ 24,578
Depreciation			
Distribution	\$ 372	\$ 351	\$ 336

Edgar Filing: MYERS INDUSTRIES INC - Form 10-K/A

Material Handling	North America	10,991	10,378	11,419
Automotive and Custom		6,117	6,120	6,318
Lawn and Garden		16,242	9,215	8,553
Corporate		397	441	534
		\$ 34,119	\$ 26,505	\$ 27,160

Table of Contents

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-a5(e) of the Securities Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer and Secretary, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carries out a variety of on-going procedures, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer and Secretary, to evaluate the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer and Secretary concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Management's report on internal controls over financial reporting, and the report of the independent registered public accounting firm on internal control, are titled "Management's Annual Assessment of and Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" and are included herein.

Management's Annual Assessment of and Report on Internal Control Over Financial Reporting

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

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

Management's assessment of the effectiveness of internal controls over financial reporting did not include the internal controls of ITML Horticultural Products, Inc. (ITML), which was acquired in 2007 and is included in the consolidated financial statements of Myers Industries, Inc. for the year ended December 31, 2007. ITML had total assets of approximately \$113.7 million at December 31, 2007 and net sales of approximately \$151.0 million for the year then ended.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer and Corporate Secretary, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control - Integrated*

Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the internal control over financial reporting was effective as of December 31, 2007.

Table of Contents

The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

John C. Orr
President and
Chief Executive Officer

Donald A. Merrill
Vice President,
Chief Financial Officer and Corporate
Secretary

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Myers Industries, Inc.:

We have audited Myers Industries, Inc. and subsidiaries (Company) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Assessment of and Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Myers Industries, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Myers Industries, Inc. acquired ITML Horticultural Products, Inc. (ITML) during 2007, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, ITML's internal control over financial reporting associated with total assets of approximately \$113.7 million and net sales of approximately \$151.0 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2007. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of ITML.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of consolidated financial position of Myers Industries, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related statements of consolidated income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated March 14, 2008 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Cleveland, Ohio
March 14, 2008

Table of Contents

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

The following consolidated financial statements of the Registrant appear in Part II of this Report:

15. (A)(1) Financial Statements

Consolidated Financial Statements of Myers Industries, Inc. and Subsidiaries

Report of Independent Registered Public Accounting Firm

Statements of Consolidated Financial Position As of December 31, 2007 and 2006

Statements of Consolidated Income For The Years Ended December 31, 2007, 2006 and 2005

Statements of Consolidated Shareholders' Equity and Comprehensive Income For The Years Ended December 31, 2007, 2006 and 2005

Statements of Consolidated Cash Flows For The Years Ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements For The Years Ended December 31, 2007, 2006 and 2005

15. (A)(2) Financial Statement Schedules

All other schedules are omitted because they are inapplicable, not required, or because the information is included in the consolidated financial statements or notes thereto which appear in Part II of this Report.

Table of Contents

EXHIBIT INDEX

- 23 Consent of Independent Registered Accounting Firm (KPMG LLP)
- 31(a) Certification of John C. Orr pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31(b) Certification of Donald A. Merrill pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications of John C. Orr Myers, President and Chief Executive Officer, and Donald A. Merrill, Vice President (Chief Financial Officer), of Myers Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

Myers Industries, Inc.

/s/ Donald A. Merrill
 Donald A. Merrill
*Vice President,
 Chief Financial Officer and
 Corporate Secretary*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K/A has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Donald A. Merrill Donald A. Merrill	Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)	November 13, 2008
/s/ Keith A. Brown Keith A. Brown	Director	November 13, 2008
/s/ Vincent Byrd Vincent Byrd	Director	November 13, 2008
/s/ Robert A. Stefanko Robert A. Stefanko	Director	November 13, 2008
/s/ Richard P. Johnston Richard P. Johnston	Director	November 13, 2008

/s/ Edward W. Kissel

Director

November 13,
2008

Edward W. Kissel

30

Table of Contents

Signature	Title	Date
/s/ Stephen E. Myers Stephen E. Myers	Director	November 13, 2008
/s/ John C. Orr John C. Orr	President, Chief Executive Officer and Director (Principal Executive Officer)	November 13, 2008
/s/ Richard L. Osborne Richard L. Osborne	Director	November 13, 2008
/s/ Jon H. Outcalt Jon H. Outcalt	Director	November 13, 2008