

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED JUNE 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-5005

SELAS CORPORATION OF AMERICA
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PENNSYLVANIA 23-1069060 (STATE OR
OTHER JURISDICTION OF (IRS EMPLOYER IDENTIFICATION NO.) INCORPORATION OR
ORGANIZATION)

DRESHER, PENNSYLVANIA 19025
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(215) 646-6600
(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

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF
COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

CLASS	OUTSTANDING AT AUGUST 3, 1995
COMMON SHARES, \$1.00 PAR VALUE	3,460,050 (exclusive of 242,376 treasury shares)

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SELAS CORPORATION OF AMERICA

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Consolidated Balance Sheets as of
June 30, 1995 and December 31, 1994 3, 4

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SELAS CORPORATION OF AMERICA

Consolidated Balance Sheets
Assets

	June 30, 1995 (Unaudited)	December 31, 1994 (Audited)
Current assets		
Cash, including cash equivalents of \$2,310,000 in 1995 and \$4,497,000 in 1994	\$ 5,899,622	\$ 5,812,508
Accounts receivable (including unbilled receivables of \$6,636,000 in 1995 and \$1,695,000 in 1994 less allowance for doubtful accounts of \$554,000 in 1995 and \$513,000 in 1994)	28,051,153	21,480,083
Inventories	8,810,140	8,210,027
Deferred income taxes	1,625,641	1,414,952
Other current assets	909,602	1,189,942
Total current assets	45,296,158	38,107,512
Investment in unconsolidated affiliates	1,041,031	1,705,080
Property, plant and equipment		
Land	1,159,576	1,102,963
Buildings	11,874,454	11,332,798
Machinery and equipment	16,198,665 29,232,695	15,162,425 27,598,186

Less: Accumulated depreciation	12,501,630	11,291,064
Net property, plant and equipment	16,731,065	16,307,122
Deferred pension cost	351,620	379,178
Note receivable	377,452	376,996
Excess of cost over net assets of acquired subsidiary, less accumulated amortization of \$642,000 and \$476,000	12,624,193	12,790,019
Other assets including patents, less amortization	475,154	454,416
	<u>\$76,896,673</u>	<u>\$70,120,323</u>
	=====	=====

(See accompanying notes to the consolidated financial statements)

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SELAS CORPORATION OF AMERICA

Consolidated Balance Sheets
Liabilities and Shareholders' Equity

	June 30, 1995 (Unaudited)	December 31, 1994 (Audited)
Current liabilities		
Notes payable	\$ 4,288,646	\$ --
Current maturities of long-term debt	1,914,050	2,389,664
Accounts payable	11,888,203	10,563,966
Federal, state and foreign income taxes	514,746	446,624
Customers' advance payments on contracts	1,359,035	761,792
Guarantee obligations and estimated future costs of service	1,471,877	1,156,296
Other accrued liabilities	5,168,345	4,853,978
Total current liabilities	26,604,902	20,172,320
Long-term debt	10,436,935	11,136,028
Pension plan obligation	464,242	491,800
Other postretirement benefit obligations	3,998,502	3,939,303
Deferred income taxes	1,252,045	1,282,959
Contingencies and commitments		
Shareholders' equity		
Common shares, \$1 par; 10,000,000 shares authorized; 3,702,426 and 3,697,426 shares issued, respectively	3,702,426	3,697,426
Additional paid-in capital	13,512,005	13,484,640
Retained earnings	15,605,510	14,886,035
Foreign currency translation adjustment	1,814,666	1,524,372
Minimum pension liability adjustment	(112,623)	(112,623)

Less: 242,376 common shares held in treasury, at cost	(381,937)	(381,937)
Total shareholders' equity	34,140,047	33,097,913
	\$76,896,673	\$70,120,323
	=====	=====

(See accompanying notes to the consolidated financial statements)

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SELAS CORPORATION OF AMERICA

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	June 30, 1995	June 30, 1994
Sales, net	\$16,974,176	\$18,314,280
Operating costs and expenses		
Cost of sales	12,370,918	12,417,146
Selling, general and administrative expenses	3,867,743	3,621,466
Operating income	735,515	2,275,668
Interest (expense)	(340,053)	(294,711)
Interest income	77,284	62,169
Other income (expense), net	(201,080)	(141,354)
Income before income taxes	271,666	1,901,772
Income taxes	335,209	806,729
Net income (loss)	\$ (63,543)	\$ 1,095,043
	=====	=====
Earnings (loss) per common and common equivalent share	\$ (0.02)	\$ 0.32
	=====	=====
Weighted average common shares outstanding	3,460,000	3,453,000

(See accompanying notes to the consolidated financial statements)

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SELAS CORPORATION OF AMERICA

Consolidated Statements of Operations
(Unaudited)

	Six Months Ended	
	June 30, 1995	June 30, 1994
Sales, net	\$38,445,681	\$40,400,318
Operating costs and expenses		
Cost of sales	28,313,597	29,313,459
Selling, general and administrative expenses	7,595,662	7,181,355
Operating income	2,536,422	3,905,504
Interest (expense)	(621,373)	(642,480)
Interest income	153,168	115,239
Other income (expense), net	(61,620)	(78,323)
Income before income taxes	2,006,597	3,299,940
Income taxes	906,517	1,313,991
Net income	\$ 1,100,080 =====	\$ 1,985,949 =====
Earnings per common and common equivalent share	\$ 0.32 =====	\$ 0.58 =====
Weighted average common shares outstanding	3,459,000	3,453,000

(See accompanying notes to the consolidated financial statements)

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SELAS CORPORATION OF AMERICA
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30, 1995	June 30, 1994
Cash flows from operating activities:		
Net income	\$ 1,100,080	\$ 1,985,949
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,369,151	1,441,278
Equity in (income) of unconsolidated affiliates	(1,964)	(14,238)
(Gain) on sale of equity in unconsolidated affiliate	(147,878)	--
(Gain) loss on sale of property and equipment.	(2,698)	9,506
Deferred taxes	(218,307)	(139,019)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(4,091,375)	(2,661,242)
(Increase) in inventories	(610,691)	(375,941)
(Increase) decrease in other assets	222,464	(573,287)
Increase (decrease) in accounts payable.	(396,275)	4,035,245
Increase in accrued expenses	487,010	955,016
Increase in customer advances	548,930	61,551
Increase in other liabilities	22,898	26,125
Net cash provided (used) by operating activities	(1,718,655)	4,750,943
Cash flows from investing activities:		

Purchases of property, plant and equipment	(1,031,196)	(1,081,336)
Proceeds from sale of property and equipment . . .	35,465	24,032
Investment in subsidiary	--	(12,832)
Proceeds from sale of equity in affiliate	269,048	--
Receipt of dividend from unconsolidated affiliate.	--	34,538
Net cash (used) by investing activities	(726,683)	(1,035,598)
Cash flows from financing activities:		
Proceeds from short-term bank borrowings	4,140,448	59,059
Repayments of short-term bank borrowings	--	(3,027,636)
Proceeds from long-term debt	--	1,100,000
Repayments of long-term debt	(1,447,268)	(932,810)
Proceeds from exercise of stock options	28,281	113,125
Payment of dividends	(380,605)	(345,305)
Net cash provided (used) by financing activities	2,340,856	(3,033,567)
Effect of exchange rate changes on cash	191,596	107,754
Net increase in cash and cash equivalents	87,114	789,532
Cash and cash equivalents beginning of period . . .	5,812,508	7,147,358
Cash and cash equivalents end of period	\$ 5,899,622	\$ 7,936,890
	=====	=====

(See accompanying notes to the consolidated financial statements)

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SELAS CORPORATION OF AMERICA

Consolidated Statement of Shareholders' Equity
Six Months Ended June 30, 1995
(Unaudited)

	Common Stock Number of Shares	Amount	Additional Paid-In Capital
Balance, January 1, 1995	3,697,426	\$3,697,426	\$13,484,640
Net income			
Exercise of 5,000 stock options	5,000	5,000	27,365
Cash dividends paid (\$.055 per share)			
Translation gain			
Balance, June 30, 1995	3,702,426	\$3,702,426	\$13,512,005
	=====	=====	=====
	Retained Earnings	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment
Balance, January 1, 1995	\$14,886,035	\$ 1,524,372	\$ (112,623)
Net income	1,100,080		
Exercise of 5,000 stock options			
Cash dividends paid (\$.055 per share)	(380,605)		
Translation gain		290,294	
Balance, June 30, 1995	\$15,605,510	\$1,814,666	\$ (112,623)
	=====	=====	=====
	Treasury Stock	Total Shareholders' Equity	

Balance, January 1, 1995	\$ (381,937)	\$33,097,913
Net income		1,100,080
Exercise of 5,000 stock options		32,365
Cash dividends paid (\$0.055 per share)		(380,605)
Translation gain		290,294
Balance, June 30, 1995	\$ (381,937)	\$34,140,047
	=====	=====

(See accompanying notes to the consolidated financial statements)

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SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Unaudited)

1. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly Selas Corporation of America's consolidated financial position as of June 30, 1995 and December 31, 1994, and the consolidated results of its operations for the three and six months ended June 30, 1995 and 1994 and consolidated cash flows and shareholders' equity for the six months then ended.

2. The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1994 Selas Corporation of America Annual Report.

3. Restructuring Costs

In June 1995, the Company recorded the financial impact of a restructuring plan designed to increase the profitability of the heat processing segment in the future by scaling back certain operations in France and Germany. Restructuring costs of \$365,000 (\$285,000 after taxes) represent payments already made of \$125,000 and provisions for severance related costs of \$240,000 for the elimination of 11 employees. This represents a reduction of approximately 10% of the heat processing segment's European workforce.

4. Inventories consist of the following:

	June 30, 1995	December 31, 1994
Raw material	\$2,573,208	\$2,281,342
Work-in-process	2,205,706	2,200,579
Finished products and components	4,031,226	3,728,106
Total	\$8,810,140	\$8,210,027
	=====	=====

5. Income Taxes

Consolidated income taxes for the six month periods ended June 30, 1995 and 1994 are \$907,000 and \$1,314,000, which result in effective tax rates of 45.2% and 39.8%, respectively. The rate of tax in relation to pre-tax income in 1995 has been impacted by the settlement of a tax issue at one of the Company's European subsidiaries in the amount of approximately \$139,000.

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SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Unaudited)-
(Continued)

6. Legal Proceedings

The Company is a defendant along with a number of other parties in approximately 210 lawsuits as of December 31, 1994 (650 as of December 31, 1993) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The Company is also one of approximately 500 defendants in a class action on behalf of approximately 2700 present or former employees of a Texas steel mill alleging that products supplied by the defendants created a poisoned atmosphere that caused unspecified physical harm. These cases are being defended by one or more of the Company's insurance carriers presently known to be "at risk". Through October 1993, the legal costs of defense of the asbestos and steel mill cases were shared among the insurance carriers (92%) and the Company (8%). The lead insurance carrier settled a number of the cases in 1993 and requested that the Company pay a portion of the settlement amount. The Company declined to do so because no such payment is required by the express terms of the policies. The lead carrier then purported in October 1993 to abrogate the arrangement under which the defense costs had been shared, and the Company responded by tendering all of the cases to the lead carrier and demanding that the lead carrier honor its obligations under its policies to pay 100% of the costs of defense and 100% of all settlements and judgments up to the policy limits. The lead carrier has settled approximately 450 claims in 1994 with no request for the Company to participate in any settlement. Management is of the opinion that the disposition of these lawsuits will not materially affect the Company's consolidated financial position or results of operations.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits will not materially affect the Company's consolidated financial position or results of operation.

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SELAS CORPORATION OF AMERICA

Part I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Unaudited)-
(Continued)

7. Statements of Cash Flows

Supplemental disclosures of cash flow information:

	Six Months Ended	
	June 30, 1995	June 30, 1994
Interest received	\$ 131,342	\$ 111,867
Interest paid	\$ 514,091	\$ 735,424
Income taxes paid	\$1,086,801	\$ 459,302

8. Accounts Receivable

At June 30, 1995, the Company had \$1,611,863 of trade accounts receivable due from the major U.S. automotive manufacturers and \$2,481,778 of trade accounts receivable due from hearing aid manufacturers. The Company also had \$14,654,332 in receivables from long-term contracts for customers in the steel industry in North America, Europe and Asia.

9. Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share are computed based on the weighted average number of shares outstanding each quarter, giving effect to the exercise of outstanding stock options, where dilutive.

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SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

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

Consolidated net sales decreased to \$17 million and \$38.4 million for the three and six months ended June 30, 1995 compared to \$18.3 million and \$40.4 million for the three and six months ended June 30, 1994. Net sales of the Company's heat processing segment for the three and six months ended June 30, 1995 were \$7.2 million and \$18.2 million compared to \$8.2 million and \$20.8 million for the same periods in 1994. The lower sales of this business segment is due to a decline in orders for large engineered systems contracts. Sales and earnings of large engineered systems contracts are recognized on the percentage-of-completion method. Such contracts generally require more than twelve months to complete. Due to two recent large engineered systems orders, consolidated backlog at June 30, 1995 for the heat processing segment increased to \$26 million compared to \$17.2 million at June 30, 1994. Net sales for the precision electromechanical and plastic components segment increased to \$6.3 million and \$12.2 million for the three and six month periods ended June 30, 1995 compared to \$6.0 million and \$11.4 million for the same periods in 1994. The improved sales are due to higher sales to the hearing aid industry. Net sales for the tire holders, lifts and related products segment decreased to \$3.5 million and \$8 million for the three and six months ended June 30, 1995 compared to \$4.2 million and \$8.2 million for the three and six month periods ended June 30, 1994. Lower sales for the three and six month periods were due to the loss of the contract to provide tire lifts for the Chrysler mini-van line.

The Company's consolidated gross profit margin decreased to 27.1% and 26.4% for the three and six month periods ended June 30, 1995 compared to 32.2% and 27.4% for the same periods in 1994. Gross profit margins for the Company's heat processing segment were 24.3% and 23.9% for the three and six months ended June 30, 1995 compared to 35% and 26.4% for the same periods in 1994. The lower gross profit for the three and six months of 1995 compared to 1994 is due to the strong gross profit for the three months ended June 30, 1994 which was impacted by improved profitability of two large engineered contracts, along with changes in product mix. Heat processing gross profit margins vary markedly from contract to contract depending on customer specifications and other conditions related to the contract. Gross profit margins for the precision electromechanical and plastic components segment were 37.4% and 35.4% for the three and six months ended June 30, 1995 compared to 36.4% and 35% for the same periods in 1994. The higher profit margins are due to lower production costs due to productivity improvements. The gross profit margins of the Company's tire holders, lifts and related products segment declined to 14.4% and 18.1% for the three and six month periods ended June 30, 1995 compared to 20.6% and 19.7% for the same periods in 1994. The lower gross profit margins are the result of higher costs which the Company was unable to pass on to its automotive customers along with the loss of the Chrysler mini-van contract.

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SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Selling, general and administrative expenses increased to \$3,868,000 and \$7,595,000 for the three and six months ended June 30, 1995 compared to \$3,621,000 and \$7,181,000 for the same periods in 1994. The principal cause for the increase in the quarter and year-to-date was a restructuring charge of \$365,000 in Europe for the severance costs associated with the reduction of

staff in France and Germany.

Interest income for the three and six months ended June 30, 1995 increased to \$77,000 and \$153,000, compared to \$62,000 and \$115,000 for the same periods last year due to higher interest rates and additional funds available for short-term investment. Interest expense for the three and six month periods ended June 30, 1995 was \$340,000 and \$621,000 compared to \$295,000 and \$642,000 for the same periods ended last year. The increase in interest expense for the current quarter is due to additional short-term borrowings in Europe.

Other income (expense) includes losses on foreign exchange of \$154,000 and \$139,000 for the three and six months ended June 30, 1995 compared to a loss of \$70,000 for the three months ended June 30, 1994 and a gain of 10,000 for the six months ended June 30, 1994.

Consolidated income taxes for the six month periods ended June 30, 1995 and 1994 are \$907,000 and \$1,314,000, which result in effective tax rates of 45.2% and 39.8%, respectively. The rate of tax in relation to pre-tax income in 1995 has been impacted by the settlement of a tax issue at one of the Company's European subsidiaries in the amount of approximately \$139,000.

Consolidated net income (loss) for the three and six month period ended June 30, 1995 was \$(64,000) and \$1,100,000 compared to \$1,095,000 and \$1,986,000 for the same periods in 1994. The current year and quarter were unfavorably impacted by a restructuring charge of \$365,000 (\$285,000 net of tax), an unfavorable tax settlement in Germany of \$139,000 and foreign exchange loss of \$154,000. Also impacting the current quarter and year-to-date were lower sales and earnings in the heat processing segment due to a decline in orders and lower tire holders, lifts and related product segment sales and earnings due to the loss of the Chrysler mini-van contract.

Liquidity and Capital Resources

Consolidated net working capital increased to \$18.7 million at June 30, 1995 from \$17.9 million at December 31, 1994. The improvement in working capital is due primarily to the six month net earnings of \$1.1 million partially offset by dividend payments. The largest changes in the components of working

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SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

capital were increase in receivables of \$6 million, increase in current liabilities of \$6.4 million and \$.6 million increase in inventories for the six month period ended June 30, 1995 compared to December 31, 1994. These increases are consistent with the billing terms on the large engineered systems contracts.

The Company believes that its present working capital position, combined with funds expected to be generated from operations and the available borrowing capacity through its revolving credit loan facilities, will be sufficient to meet its anticipated cash requirements for operating needs and capital expenditures for 1995.

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (Statement No. 121). The provisions of Statement No. 121 is effective for the Company for years beginning after December 15, 1995. Management believes that Statement 121 will have no impact on the Consolidated Financial Statements of the Company.

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SELAS CORPORATION OF AMERICA

PART II - OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

The 1995 Annual Meeting of Shareholders of the Company was held on April 18, 1995.

At the 1995 Annual Meeting:

(i) Messrs. Francis J. Dunleavy and Stephen F. Ryan were re-elected to the Board of Directors of the Company for terms expiring at the 1998 Annual Meeting. In such election, 2,794,280 votes were cast for Mr. Dunleavy and 2,877,030 votes were cast for Mr. Ryan. Under Pennsylvania law, votes cannot be cast against a candidate. Proxies filed at the 1995 Annual Meeting by the holders of 214,630 shares withheld authority to vote for Mr. Dunleavy and those filed by the holders of 214,630 shares withheld authority to vote for Mr. Ryan. No "broker nonvotes" were received at the 1995 Annual Meeting with respect to the election of directors;

(ii) 3,058,172 shares were voted in favor of ratifying the appointment of KPMG Peat Marwick as the Company's auditors for 1995 and 25,628 shares were voted against such proposal. Proxies filed at the 1995 Annual Meeting by the holders of 8,310 shares instructed the proxy holders to abstain from voting on such proposal. No "broker nonvotes" were received at the 1995 Annual Meeting with respect to this proposal.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K - There were no reports on Form 8-K filed for the six months ended June 30, 1995.

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SELAS CORPORATION OF AMERICA

SIGNATURE

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

SELAS CORPORATION OF AMERICA
(Registrant)

Date: August 11, 1995

Robert W. Ross
Vice President and
Chief Financial Officer

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<ARTICLE> 5

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This schedule contains summary financial information extracted from the financial statements of Selas Corporation of America for the six months ended JUNE 30, 1995 and is qualified in its entirety by reference to such financial statements.

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