

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 SEPTEMBER 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 OCTOBER 27, 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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SELAS CORPORATION OF AMERICA

Consolidated Balance Sheets  
Assets

	September 30, 1995 (Unaudited)	December 31, 1994 (Audited)
Current assets		
Cash, including cash equivalents of \$1,326,000 in 1995 and \$4,497,000 in 1994 . . . . .	\$ 5,550,217	\$ 5,812,508
Accounts receivable (including unbilled receivables of \$2,844,000 in 1995 and \$1,695,000 in 1994, less allowance for doubtful accounts of \$551,000 in 1995 and \$513,000 in 1994) . . . . .	20,190,912	21,480,083
Inventories . . . . .	9,289,830	8,210,027
Deferred income taxes . . . . .	1,551,612	1,414,952
Other current assets . . . . .	1,172,983	1,189,942
Total current assets . . . . .	37,755,554	38,107,512
Investment in unconsolidated affiliates . . . . .	1,054,705	1,705,080
Property, plant and equipment		
Land . . . . .	1,149,746	1,102,963
Buildings . . . . .	11,782,153	11,332,798
Machinery and equipment . . . . .	16,693,213	15,162,425
	29,625,112	27,598,186
Less: Accumulated depreciation . . . . .	13,028,687	11,291,064

Net property, plant and equipment . . .	16,596,425	16,307,122
Deferred pension cost . . . . .	337,841	379,178
Notes receivable . . . . .	379,239	376,996
Excess of cost over net assets of acquired subsidiary, less accumulated amortization of \$725,000 and \$476,000 . . . . .	12,541,278	12,790,019
Other assets including patents, less amortization . . . . .	415,698	454,416
	\$69,080,740	\$70,120,323
	=====	=====

See accompanying notes to the consolidated financial statements.

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SELAS CORPORATION OF AMERICA  
Consolidated Balance Sheets  
Liabilities and Shareholders' Equity

	September 30, 1995 (Unaudited)	December 31, 1994 (Audited)
Current liabilities		
Notes payable . . . . .	\$ 3,629,061	\$ --
Current maturities of long-term debt . . . . .	1,910,126	2,389,664
Accounts payable . . . . .	6,412,987	10,563,966
Federal, state and foreign income taxes . . . . .	412,319	446,624
Customers' advance payments on contracts . . . . .	480,679	761,792
Guarantee obligations and estimated future costs of service . . . . .	1,270,252	1,156,296
Other accrued liabilities . . . . .	5,102,686	4,853,978
Total current liabilities . . . . .	19,218,110	20,172,320
Long-term debt . . . . .	9,919,283	11,136,028
Pension plan obligation . . . . .	450,463	491,800
Other postretirement benefit obligations . . . . .	4,008,986	3,939,303
Deferred income taxes . . . . .	1,196,328	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 . . . . .	15,771,525	14,886,035
Foreign currency translation adjustment . . . . .	1,796,174	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 . . . . .	34,287,570	33,097,913
	\$69,080,740	\$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	
	September 30, 1995	September 30, 1994
Sales, net	\$15,713,794	\$15,490,043
Operating costs and expenses		
Cost of sales	11,360,221	10,454,437
Selling, general and administrative expenses	3,400,626	3,706,519
Operating income	952,947	1,329,087
Interest (expense)	(353,835)	(335,269)
Interest income	101,282	90,978
Other income (expense), net	23,356	10,973
Income before income taxes	723,750	1,095,769
Income taxes	350,132	508,014
Net income	\$ 373,618	\$ 587,755
	=====	=====
Earnings per common and common equivalent share	\$ .11	\$ .17
	=====	=====
Weighted average common and common equivalent shares outstanding	3,460,000	3,455,000

See accompanying notes to the consolidated financial statements.

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SELAS CORPORATION OF AMERICA

Consolidated Statements of Operations  
(Unaudited)

	Nine Months Ended	
	September 30, 1995	September 30, 1994

Sales, net	\$54,159,475	\$55,890,361
Operating costs and expenses		
Cost of sales	39,673,818	39,767,896
Selling, general and administrative expenses	10,996,288	10,887,874
Operating income	3,489,369	5,234,591
Interest (expense)	(975,208)	(977,749)
Interest income	254,450	206,217
Other income (expense), net	(38,264)	(67,350)
Income before income taxes	2,730,347	4,395,709
Income taxes	1,256,649	1,822,005
Net income	<u>\$ 1,473,698</u>	<u>\$ 2,573,704</u>

Earnings per common and common equivalent share	\$ .43	\$ .75
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Weighted average common and common equivalent shares outstanding	3,459,000	3,453,000
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See accompanying notes to the consolidated financial statements.

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

	Nine Months Ended	
	September 30, 1995	September 30, 1994
Cash flows from operating activities:		
Net income . . . . .	\$ 1,473,698	\$ 2,573,704
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization . . . . .	2,055,713	1,999,090
Equity in (income) of unconsolidated affiliate . . . . .	(15,638)	(33,414)
(Gain) on sale of equity in unconsolidated affiliate . . . . .	(148,767)	--
(Gain) loss on sale of property and equipment . . . . .	(7,789)	9,139
Deferred taxes . . . . .	(205,405)	(181,117)
Changes in operating assets and liabilities:		
Decrease in accounts receivable . . . . .	3,292,491	3,402,607
(Increase) in inventories . . . . .	(1,100,264)	(762,644)
(Increase) decrease in other assets . . . . .	61,190	(1,289,680)
(Decrease) in accounts payable . . . . .	(5,573,321)	(1,925,234)
Increase in accrued expenses . . . . .	243,171	1,595,971
Increase (decrease) in customer advances . . . . .	(305,778)	321,651
Increase in other liabilities . . . . .	34,347	44,601

Net cash provided (used) by operating activities . . . . .	(196,352)	5,754,674
Cash flows from investing activities:		
Purchases of property, plant and equipment . . . . .	(1,597,046)	(1,482,633)
Proceeds from sale of property, plant and equipment . . . . .	46,024	24,498
Investment in subsidiary . . . . .	--	(16,601)
Proceeds from sale of equity in unconsolidated affiliate . . . . .	270,666	--
Receipt of dividend from unconsolidated affiliate . . . . .	--	34,538
Loan made to unconsolidated affiliate . . . . .	--	(288,064)
Net cash provided (used) by investing activities . . . . .	(1,280,356)	(1,728,262)
Cash flows from financing activities:		
Proceeds from short-term bank borrowings . . . . .	3,558,894	--
Repayments of short-term bank borrowings . . . . .	--	(3,297,501)
Proceeds from long-term debt . . . . .	--	1,100,000
Repayments of long-term debt . . . . .	(1,922,618)	(1,402,340)
Proceeds from exercise of stock options . . . . .	28,281	124,437
Payment of dividends . . . . .	(588,209)	(518,057)
Net cash provided (used) by financing activities . . . . .	1,076,348	(3,993,461)
Effect of exchange rate changes on cash . . . . .	138,069	155,680
Net increase (decrease) in cash and cash equivalents . . . . .	(262,291)	188,631
Cash and cash equivalents, beginning of period . . . . .	5,812,508	7,147,358
Cash and cash equivalents, end of period . . . . .	\$ 5,550,217	\$ 7,335,989
	=====	=====

See accompanying notes to the consolidated financial statements.

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SELAS CORPORATION OF AMERICA

Consolidated Statement of Shareholders' Equity  
 Nine Months Ended September 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 (\$ .06 per share for the third quarter, \$.055 per share for each of the first two quarters)			
Translation gain			
Balance, September 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	1,473,698		
Exercise of 5,000 stock options			
Cash dividends paid (\$ .06 per share for the third quarter, \$.055 per share for each of the first two quarters)	(588,208)		

Translation gain		271,802	
Balance, September 30, 1995	\$15,771,525	\$1,796,174	\$(112,623)
	=====	=====	=====
		Total	
	Treasury	Shareholders'	
	Stock	Equity	
Balance, January 1, 1995	\$(381,937)	\$33,097,913	
Net income		1,473,698	
Exercise of 5,000 stock options		32,365	
Cash dividends paid (\$0.06 per share for the third quarter, \$0.055 per share for each of the first two quarters)		(588,208)	
Translation gain		271,802	
Balance, September 30, 1995	\$(381,937)	\$34,287,570	
	=====	=====	

(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)

- In the opinion of management, the accompanying 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 September 30, 1995 and December 31, 1994, and the consolidated results of its operations for the three and nine months ended September 30, 1995 and 1994 and consolidated statements of shareholders' equity and cash flows for the nine months then ended.
- 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.
- Inventories consist of the following:

	September 30, 1995	December 31, 1994
Raw material	\$2,619,488	\$2,281,342
Work-in-process	2,597,804	2,200,579
Finished products and components	4,072,538	3,728,106
Total	\$9,289,830	\$8,210,027
	=====	=====

4. Income Taxes

Consolidated income taxes for the nine month periods ended September 30, 1995 and 1994 are \$1,256,000 and \$1,822,000 which result in effective tax rates of 46.0% and 41.4%, 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.

5. 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 non-informative 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

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SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Continued)

5. Legal Proceedings (Continued)

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 cost of defense and 100% of all settlements and judgments up to the policy limits. The lead carrier settled approximately 450 claims in 1994 with no request for the Company to participate in any settlement and has not requested that the Company participate in any settlement for 1995. 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.

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.

6. Statements of Cash Flows

Supplemental disclosures of cash flow information.

	Nine Months Ended	
	September 30, 1995	September 30, 1994
Interest received . . . . .	\$ 189,795	\$ 184,143
Interest paid . . . . .	\$ 867,657	\$1,033,925
Income taxes paid . . . . .	\$1,729,179	\$1,383,516

7. Accounts Receivable

At September 30, 1995, the Company had \$1,387,408 of trade accounts receivable due from the major U.S. automotive manufacturers and \$2,662,135 of trade accounts receivable due from hearing aid manufacturers. The Company also had \$7,027,354 in receivables from long-term contracts for customers in the steel industry in North America, Europe and Asia.

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PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Continued)

8. 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 for the three months ended September 30, 1995 increased to \$15.7 million and decreased to \$54.2 million for the nine months ended September 30, 1995 compared to \$15.5 million and \$55.9 million for the three and nine months ended September 30, 1994. Net sales for the Company's heat processing segment were \$6.7 million and \$24.9 million for the three and nine months ended September 30, 1995 compared to \$6.0 million and \$26.8 million for the same periods in 1994. The increase in sales in this business segment for the third quarter of 1995 is due to an increase in revenues from engineered contracts. The decrease in sales for the nine months was caused by a lack of engineered contracts at the beginning of 1995. 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. Consolidated backlog for this business segment is \$30.4 million at September 30, 1995 compared to \$19.4 million at September 30, 1994. Net sales for the precision electromechanical and plastics component segment increased to \$6.3 million and \$18.5 million for the three and nine months ended September 30, 1995 compared to \$5.5 million and \$16.8 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 \$2.7 million and \$10.7 million for the three and nine months ended September 30, 1995 compared to \$4.1 million and \$12.3 million for the same periods in 1994. Lower sales for the three and nine 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 as a percentage of sales decreased to 27.7% and 26.7% for the three and nine month periods ended September 30, 1995 compared to 32.5% and 28.8% for the same periods in 1994. The Company's heat processing segment's gross profit margins were 27.7% and 24.9% for the three and nine month periods ended September 30, 1995 compared to 31.8% and 27.6% for the same periods in 1994. The lower gross profit margins for the segment are due primarily to lower profit margins on one large engineered steel contract which is near completion and will be completed in the fourth quarter of this year. Gross profit margins for the Company's precision electromechanical and plastic components segment for the three and nine month periods ended September 30, 1995 were 37.1% and 36% compared to 40.7% and 37% for the same periods in 1994. The lower gross profit margins for this segment are due to a change in the mix of products sold. The gross profit margins for the Company's tire holders, lifts and other products segment decreased to 6.5%

and 15.1% for the three and nine months ended September 30, 1995 compared to 21.9% and 20.4% for the same periods in 1994. The lower gross profit margins are due to higher labor and material costs which have not been passed on to the automotive customers through selling price increases, along with a drop in units produced and sold due to the loss of the Chrysler mini-van contract.

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 for the three month and nine month periods ended September 30, 1995 were \$3,400,000 and \$10,996,000 compared to \$3,706,000 and \$10,888,000 for the same periods in 1994. The lower costs in the current quarter are due to cost reductions and the slightly higher costs for the current nine months of 1% is due to general increases.

Interest income for the three and nine months ended September 30, 1995 increased to \$101,000 and \$255,000 compared to \$90,000 and \$206,000 for the same periods in 1994. The increase in interest is due in part to higher investments and higher rates on the investments. Interest expense for the three and nine month periods ended September 30, 1995 was \$353,000 and \$975,000 compared to \$335,000 and \$978,000 for the same period in 1994. The small increase in interest expense for the quarter is due to additional short-term borrowings in the current quarter.

Other income (expense) includes a foreign currency gain of \$10,000 for the three months ended September 30, 1995 and a loss of \$129,000 for the nine months ended September 30, 1995 compared to a loss of \$8,000 and a gain of \$2,000 for the same periods in 1994.

Consolidated income taxes for the nine month periods ended September 30, 1995 and 1994 are \$1,256,000 and \$1,822,000 which result in effective tax rates of 46.0% and 41.4%, 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.

Liquidity and Capital Resources

Consolidated net working capital increased to \$18.5 million at September 30, 1995 from \$17.9 million as of December 31, 1994. The increase is primarily due to net income of \$1.5 million for the nine months ended September 30, 1995, partially offset by payments of dividends and long-term borrowings. The largest changes in the components of working capital is increased inventory of \$1.1 million, reduction of current liabilities of \$1 million and lower accounts receivable of \$1.3 million.

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

SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

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

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.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (Statement No. 123). The provisions of Statement No. 123 is effective for the Company for years beginning after December 15, 1995. Management has not determined the impact, if any, Statement No. 123 will have on the Consolidated

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SELAS CORPORATION OF AMERICA

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

- (b) Reports on Form 8-K - The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

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: November 10, 1995

Robert W. Ross  
Vice President and CFO

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF SELAS CORPORATION OF AMERICA FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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