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	**34-0778636**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1293 S. Main Street, Akron, Ohio	**44301**	**(330) 253-5592**
(Address of Principal Executive Offices)	(Zip Code)	(Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Act:	Name of Each Exchange On which registered:
Common Stock, Without Par Value	**New York Stock Exchange**
(Title of Class)	

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

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. þ

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

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 o No þ

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

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.

4

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.

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.

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		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Income (Deficit)	Comprehensive (Loss) Income
	Number	Amount				
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

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

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.

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.

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

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

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.

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**
Tradename	Indefinite	4,272,775	0	4,272,775	0	0	0
Customer Relationships	6 - 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.

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

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

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

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

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

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

17

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