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CORRPRO COMPANIES INC /OH/
Form 10-K/A
August 09, 2002

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

FORM 10-K/A

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 2002

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-12282

CORRPRO COMPANIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OHIO
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

34-1422570
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

1090 ENTERPRISE DRIVE, MEDINA, OHIO
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

44256
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (330) 723-5082

SECURITIES REGISTERED PURSUANT
TO SECTION 12(b) OF THE ACT:

SECURITIES REGISTERED PURSUANT TO
SECTION 12(g) OF THE ACT:

COMMON SHARES WITHOUT PAR VALUE
(TITLE OF CLASS)

NONE
(TITLE OF CLASS)

AMERICAN STOCK EXCHANGE
(NAME OF EACH EXCHANGE ON WHICH REGISTERED)

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 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 the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of Common Shares held by nonaffiliates of the Registrant was approximately \$7,775,555 at July 5, 2002. (The aggregate market value has been computed using the closing market price of the stock as reported by the American Stock Exchange on July 5, 2002.) For purposes of this

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calculation, the Registrant deems the Common Shares held by its Directors, executive officers and holders of 10% or more of its Common Shares to be Common Shares held by affiliates.

8,350,987

(Number of Common Shares outstanding as of July 5, 2002.)

DOCUMENTS INCORPORATED BY REFERENCE

Certain documents are incorporated from prior filings (see Part IV of this Annual Report on Form 10-K).

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INTRODUCTORY NOTE

This Amendment No. 1 to the Company's Annual Report on Form 10-K is being filed to file Items 6, 7, 7A and 8 of its Annual Report on Form 10-K and certain portions of other items to the Form 10-K and to report Part III information in lieu of the incorporation of such information by reference to the Company's definitive proxy material for its 2002 Annual Meeting of Shareholders. The remainder of the document remains as previously filed, except where updated as appropriate.

Due to the accounting irregularities associated with the Company's Australian subsidiary discussed in more detail below (see "Item 1 - Business - Recent Developments"), the Company is, by means of this filing, restating its previously issued audited financial statements for the fiscal year ended March 31, 2001. See Note 2, Restatement of Consolidated Financial Statements, Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. Unaudited quarterly financial information for the first nine months through December 31, 2001 of its fiscal year ended March 31, 2002 and all four quarters of its fiscal year ended March 31, 2001, as shown in Note 12, Restated Quarterly Financial Information (Unaudited), Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K, is also being restated by means of this filing.

PART I

ITEM 1. BUSINESS

GENERAL

Corrpro Companies, Inc. was founded in 1984 and is organized under the laws of the State of Ohio. As used in this report, the terms "Corrpro" and the "Company" mean Corrpro Companies, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

RECENT DEVELOPMENTS

On March 20, 2002, the Company announced that it had discovered accounting irregularities caused by apparent internal misconduct in its Australian subsidiary. The accounting irregularities involved the overstatement of revenues and understatement of expenses by the Australian subsidiary. The irregularities were discovered by Corrpro management in connection with an internal review of the subsidiary's working capital management practices and cash flow problems inconsistent with the subsidiary's reported results. Upon discovering the irregularities, the Company immediately began an internal investigation conducted under the direction of the Audit Committee of its Board of Directors. The Audit Committee subsequently retained special counsel in connection with the investigation and retained the forensic investigation unit of the accounting firm, Deloitte Touche Tohmatsu.

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The Company also announced in March 2002 that its Australian subsidiary was in the process of appointing an administrator and commencing voluntary administration proceedings, a process under Australian law providing relief from creditors of Australian companies. Following the appointment, the Company recorded a charge to earnings in the fiscal fourth quarter ended March 31, 2002 for its loss on investment related to the subsidiary. The Company also stated that, to the extent that the accounting irregularities materially affect previously filed financial statements, the Company expected that it would have to restate its audited financial statements for its fiscal year which ended March 31, 2001 as well as unaudited financial information for the first nine months through December 31, 2001 of its fiscal year ended March 31, 2002, as previously released. Accordingly, the financial statements for affected periods and accompanying auditor's report should no longer be relied upon.

On June 13, 2002, the Company announced that the Australian Securities and Investments Commission ("ASIC") had commenced an independent investigation of the accounting irregularities. The Company also had voluntarily disclosed this matter to the United States Securities and Exchange Commission ("SEC"), which commenced an informal inquiry. The ASIC investigation and the SEC inquiry, which is now a formal inquiry, both continue to be ongoing and the Company has been and intends to continue cooperating with both commissions. See "Item 3 - Legal Proceedings." The Company also announced that the creditors of the Australian subsidiary effective in May 2002 had approved an arrangement under voluntary administration proceedings.

2

The Company also has announced that, as a result of the matters discussed above, the Company is not in compliance with the provisions, including certain financial covenants, of its existing senior secured credit agreement and its senior note facility. The remedies available to these lenders upon default by the Company, including acceleration of principal, would have a material adverse impact on the Company's liquidity, its financial position and its ability to operate as a going concern. The Company has continued to make scheduled monthly interest payments on such senior debt; however, it has not made scheduled principal payments that were due since April 2002 on the senior note facility. The Company is continuing to hold discussions with its bank group and the holder of its senior notes concerning the Company's non-compliance, operational changes and debt reduction. If the Company is unable to satisfactorily resolve these lender negotiations and/or access other sources of capital on a timely basis, it would have a material adverse effect on the Company's liquidity and financial condition and could result in the Company's inability to operate as a going concern. If the Company is unable to operate as a going concern, it may have no alternative but to file bankruptcy or insolvency proceedings or pursue a sale or sales of assets to satisfy creditors.

Subsequent to the announcement of the investigation of the accounting irregularities at the Australian subsidiary, a purported class action lawsuit has been filed against the Company and certain of its current and former directors and officers. See "Item 3 - Legal Proceedings."

RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is, by means of this filing, restating its previously issued audited financial statements for the fiscal year ended March 31, 2001. See Note 2, Restatement of Consolidated Financial Statements, Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. Unaudited quarterly financial information for the first three quarters of the fiscal year ended March 31, 2002 and all four quarters of its fiscal year ended March 31, 2001, as shown in Note 12, Restated Quarterly Financial Information (Unaudited), Notes to

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Consolidated Financial Statements included in Item 8 of this Form 10-K, is also being restated by means of this filing.

The effect of the Company's revisions will be to increase the Company's loss and basic and diluted loss per share, respectively, from \$4.7 million and \$0.61 to \$8.3 million and \$1.07 for the fiscal year ended March 31, 2001. Consolidated stockholders' equity as of March 31, 2001 decreased by approximately \$3.8 million from amounts previously reported.

Unless otherwise expressly stated, all financial information in this Annual Report on Form 10-K is presented inclusive of these revisions.

OPERATIONS OF AUSTRALIAN SUBSIDIARY

The Australian companies appointed an administrator and commenced voluntary administration proceedings at March 21, 2002, a process under Australian law providing relief from creditors of Australian companies. Following the appointment, the Company no longer controlled the Australian subsidiary and recorded a charge to earnings of approximately \$2.5 million in the fiscal fourth quarter ended March 31, 2002 for its loss on investment related to the subsidiary. The results of operations of the subsidiary are included in the Company's Consolidated Statements of Operations through March 31, 2002. The assets and liabilities of the subsidiary are not included in the Consolidated Balance Sheet of the Company as of March 31, 2002, as the Company has written off its investment in the subsidiary. Thereafter, results from the subsidiary are not includable in the Company's consolidated financial statements. See Note 14, Corrpro Companies Australia, Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

PRODUCTS AND SERVICES

Corrpro provides corrosion control related services, systems, equipment and materials to the infrastructure, environmental and energy markets. Our products and services include (i) corrosion control engineering services, systems and equipment ("corrosion control"), (ii) coatings services ("coatings") and (iii) pipeline integrity and risk assessment services.

3

CORROSION CONTROL. Corrpro's specialty in the corrosion control market is cathodic protection. We offer a comprehensive range of services in this area, which include the design, manufacture, installation, maintenance and monitoring of cathodic protection systems. Cathodic protection is an electrochemical process that prevents corrosion for new structures and stops the corrosion process for existing structures. It can provide a cost-effective alternative to the replacement of corroding structures. In order to understand how cathodic protection works, it is helpful to first understand the corrosion process. Steel, the most common metal protected by cathodic protection, is produced from iron ore. To produce steel, the iron ore is subjected to a refining process that adds energy. Once the steel is put back into the environment, it begins to revert back to its original state (i.e., iron ore) by releasing the added energy back into the surrounding environment. This process of dispersing energy is called corrosion. Cathodic protection electrodes, called anodes, are placed near, and connected to, the structure to be protected (i.e., the cathode). Anodes are typically made from cast iron, graphite, aluminum, zinc or magnesium. A cathodic protection system works by passing an electrical current from the anode to the cathode. This process maintains the energy level on the cathode, thus stopping it from corroding. Instead, the anode corrodes, sacrificing itself to maintain the integrity of the structure. In order for the electrical current to pass from the anode to the cathode, they both must be in a common environment. Therefore, cathodic protection can only be used to protect

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structures that are buried in soil, submerged in water or encased in concrete. Structures commonly protected against corrosion by the cathodic protection process include oil and gas pipelines, offshore platforms, above and underground storage tanks, ships, electric power plants, bridges, parking garages, transit systems and water and wastewater treatment equipment.

In addition to cathodic protection, our corrosion control services include corrosion engineering, material selection, inspection services, advanced corrosion research and testing and corrosion monitoring (including remote monitoring). Remote monitoring is a technology we acquired in September 1999. In order for cathodic protection to be most effective, the system must run continuously. To ensure that this is happening, the cathodic protection systems need to be monitored on a regular basis. Remote monitoring allows customers to reduce the cost of monitoring and maintaining their cathodic protection systems by eliminating the need to have personnel travel to various sites in order to collect data from the cathodic protection system. Equally significant is the continuous flow (and more frequent updates) of data that remote monitoring can provide. This information allows problems to be identified immediately rather than waiting for the on-site inspection interval. We also sell a variety of materials and equipment including anodes, rectifiers and corrosion monitoring probes used in cathodic protection and corrosion monitoring systems. Corrosion control represented approximately 73%, 81% and 91% of our revenues in fiscal years 2002, 2001 and 2000, respectively.

COATINGS. Corrpro offers a wide variety of coatings-related services designed to provide our customers with longer coatings life, reduced corrosion, improved aesthetics and lower life-cycle costs for their coated structures. Coatings services include research, testing, evaluation and application of coatings. In addition, we provide project management services for coatings maintenance programs, including condition surveys, failure analysis, selection of site surface preparation methods and selection and application of coatings. We also provide specialized coatings application services for structures with aggressive corrosion conditions such as the inside and outside of storage tanks and pipelines. Coatings represented approximately 22%, 15% and 5% of our revenues in fiscal years 2002, 2001 and 2000, respectively.

PIPELINE INTEGRITY AND RISK ASSESSMENT SERVICES. Corrpro offers a comprehensive line of pipeline integrity, risk assessment and inspection services, including assessment, surveys, inspection, analysis, repairs and ongoing maintenance. By offering a wide range of services, we are able to provide pipeline owners with one-stop shopping for the preservation of their pipeline systems. Pipeline integrity and risk assessment services represented approximately 5%, 4% and 4% of our revenues in fiscal years 2002, 2001 and 2000, respectively.

4

ACQUISITIONS AND DISPOSITIONS

We have broadened our business capabilities and expanded our geographic presence through a series of acquisitions. We made twenty strategic acquisitions between fiscal 1987 and fiscal 1999. The following table details acquisitions made subsequent to fiscal 1999.

ACQUISITION	YEAR ACQUIRED	
CSI Coatings Systems, Inc.	FY 2000	Specialty coatings application serv
Acquisition of remote monitoring technology	FY 2000	Product line expansion - corrosion
Borza Inspections Ltd.	FY 2000	Inspection services - Western Canad

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Corrosion and Technical Services, WWL

FY 2000

Geographic expansion - Bahrain

In fiscal 2001, we ceased certain Mexican foundry operations and disposed of a small, non-core business unit.

SEGMENTS

We have organized our operations into four business segments: Domestic Core Operations, Canadian Operations, International Operations and Other Operations. Our business segments and a description of the products and services they provide are described below:

DOMESTIC CORE OPERATIONS. Our Domestic Core Operations segment consists of operations that service the United States and Central and South America. Products and services include corrosion control, coatings, pipeline integrity, risk assessment and inspection services. This segment provides corrosion control products and services to a wide-range of customers in a number of industries, including energy, utilities, water and wastewater treatment, chemical and petrochemical, pipelines, defense and municipalities. In addition, this segment provides coatings services to customers in the entertainment, aerospace, transportation, petrochemical and electric power industries, as well as the United States military. Finally, the Domestic Core Operations segment includes a production facility in the United States that assembles and distributes cathodic protection products, such as anodes, primarily to the United States market. Revenues relating to this segment totaled \$101.5 million (or 59% of consolidated revenues), \$99.7 million (or 61% of consolidated revenues) and \$98.7 million (or 59% of consolidated revenues) during fiscal 2002, 2001 and 2000, respectively.

CANADIAN OPERATIONS. Our Canadian Operations segment provides corrosion control, pipeline integrity and inspection services to customers in Canada which are primarily in the oil and gas industry. These customers include pipeline operators and petrochemical plants and refineries. The Canadian Operations segment also includes production facilities that assemble products such as anodes and rectifiers. Revenues relating to this segment totaled \$21.3 million (or 12% of consolidated revenues), \$24.3 million (or 15% of consolidated revenues) and \$26.2 million (or 16% of consolidated revenues) during fiscal 2002, 2001 and 2000, respectively.

INTERNATIONAL OPERATIONS. Our International Operations segment consists of operations in Europe, the Middle East and Asia, which provide corrosion control products and services to customers in the petroleum, utility, industrial, marine and offshore markets, as well as to governmental entities in connection with their infrastructure assets. This segment had included our Australian subsidiary until it became subject to voluntary administration. Revenues relating to this segment (including Australian operations prior to voluntary administration) totaled \$37.3 million (or 22% of consolidated revenues), \$36.9 million (or 22% of consolidated revenues) and \$42.0 million (or 25% of consolidated revenues) during fiscal 2002, 2001 and 2000, respectively.

OTHER OPERATIONS. Our Other Operations segment includes our corrosion monitoring equipment business, which assembles and sells products including corrosion monitoring probes, instrument access fittings and remote monitoring units to customers in the oil and gas and chemical industries. In addition, this segment also includes our risk assessment and analysis software business, which sells or licenses products to customers primarily in the oil and gas industry. Revenues relating to this segment totaled \$12.1 million (or 7% of consolidated revenues), \$9.0 million (or 6% of consolidated revenues) and \$10.8 million (or 6% of consolidated revenues) during fiscal 2002, 2001 and 2000, respectively.

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Further information about our business segments is included in Note 10, Business Segments, Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

SALES AND MARKETING

We market our products and services in the United States and Canada primarily through our sales personnel. The technical nature of our products and services requires a highly trained, professional sales force, and, as a result, many of our sales personnel have engineering or technical expertise and experience. Due to the problem solving experience of our engineering staff, potential and existing customers regularly seek out advice from our technical personnel, which can result in business opportunities on an ongoing basis.

Our products and services in the Middle East, Asia, Europe and South America are marketed by our sales personnel, as well as by independent, locally-based sales representatives. These independent sales representatives are used to supplement the efforts of our direct sales force and to market our products and services to other regions of the world. The independent sales representatives earn commissions on sales that vary by product and service type. Certain products, including rectifiers and corrosion monitoring equipment, are marketed through networks of both domestic and international distributors.

SOURCES AND AVAILABILITY OF RAW MATERIALS

We assemble certain components of cathodic protection systems, which include aluminum, zinc, magnesium and other metallic anodes. We do not believe that we are dependent upon any single outside vendor as a source of supply and we believe that sufficient alternative sources of supply for the same, similar or alternative products are available.

PATENTS AND LICENSES

We own patents, patent applications and licenses relating to certain of our products and processes. While our rights under the patents and licenses are of importance to individual components of our operations, our business as a whole is not materially dependent on any one patent or license or on the patents and licenses as a group.

SEASONAL TRENDS

Our business is somewhat seasonal as winter weather can adversely impact our operations in the northern United States, Canada and the United Kingdom. Therefore, our revenues during the fourth quarter of our fiscal year (i.e., January through March) are typically lower than revenues during each of the other three fiscal quarters.

FOREIGN OPERATIONS

The Company's foreign operations are subject to the usual risks of operating in foreign jurisdictions. They include, but are not limited to, exchange controls, currency restrictions and fluctuations, changes in local economics and changes in political conditions.

CUSTOMERS

Sales are made to a broad range of customers. During the fiscal year ended March 31, 2002, no one customer accounted for more than 10% of our sales. We do not believe that the loss of any one customer would have a materially adverse effect on our business.

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We sell products and services to the U.S. government and agencies and municipalities thereof, including the U.S. Navy. Sales to these customers accounted for approximately 11%, 8% and 3% of our net sales in fiscal 2002, 2001 and 2000, respectively. Our contracts with the U.S. government contain standard provisions permitting the government to terminate these contracts without cause. In the event of termination, we are entitled to receive reimbursement on the basis of the work completed (cost plus a reasonable profit). These contracts are also subject to renegotiation of profits. In addition, government procurement programs are subject to budget cutbacks and policy changes that could impact the revenue for, or alter the demand for, our products

6

or services. Accordingly, our future sales to the government are subject to these budgetary and policy changes. We have recently not received as many government contract awards as expected. Accordingly, revenues from our coatings services business may experience some decrease in fiscal 2003.

BACKLOG

Our backlog of unshipped orders was approximately \$56 million as of March 31, 2002, \$59 million as of March 31, 2001 and \$54 million as of March 31, 2000. We estimate that a substantial portion of our backlog of orders at March 31, 2002 will be filled during fiscal 2003.

COMPETITIVE CONDITIONS

Within the corrosion control market, we face competition from a large number of domestic and international companies, all of which we believe are considerably smaller than Corrpro. Only a few of these competitors offer a broad range of corrosion control engineering services, systems and products and we do not believe that any of our competitors offer the comprehensive range of products and services that we provide. In the service area, we compete principally on the basis of quality, technical expertise and capabilities and customer service, although price is a consideration, particularly when we are providing construction and installation services. In the product area, we typically compete on the basis of quality, service and price.

RESEARCH AND DEVELOPMENT

Our engineering and product development activities are primarily directed toward designing new products and services to meet customers' specific requirements. Product development costs amounted to approximately \$0.7 million, \$1.0 million and \$1.2 million during fiscal years 2002, 2001 and 2000, respectively.

GOVERNMENT REGULATIONS

We believe that our current operations and our current use of property, plant and equipment conform in all material respects to applicable laws and regulations. Other than as disclosed under "Item 3 - Legal Proceedings", we have not experienced, nor do we anticipate, any material claim or material capital expenditure in connection with environmental laws and other regulations impacting our operations.

EMPLOYEES

As of March 31, 2002, we had 1,283 employees, 513 of whom were located outside the United States and 91 of whom were employed by our Australian subsidiary.

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FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD LOOKING INFORMATION

This document includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on management's expectations and beliefs concerning future events and discuss, among other things, anticipated future performance and revenues, expected growth and future business plans. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" or variations of such words and similar expressions are intended to identify such forward-looking statements. We believe that the following factors, among others, could affect our future performance or the price and liquidity of our Common Shares and cause our actual results to differ materially from those results expressed or implied by forward-looking statements: the ultimate outcome of the Audit Committee's investigation of accounting irregularities; the ultimate outcome of the SEC's inquiry and the Australian Securities and Investment Commission's investigation of accounting irregularities; the impact of any litigation or regulatory process related to the financial statement restatement process including the class action litigation already filed; the Company's ability to extend, amend or refinance its existing debt, including the availability to the Company of external sources of financing and capital (the failure to receive such financing would have a material adverse effect on the Company's results of operations and financial condition and ability to operate as a going concern) and the terms and timing thereof; the Company's mix of products and services; the timing of jobs; the availability and value of larger jobs; qualification requirements and termination provisions relating to government jobs; the impact of inclement weather on the

7

Company's operations; the impact of energy prices on the Company's and its customers' businesses; adverse developments in pending litigation or regulatory matters; the impact of existing, new or changed regulatory initiatives; the Company's ability to satisfy the listing and trading requirements of the AMEX (which, if not satisfied, could result in the suspension of trading or delisting of the Company's shares from the exchange) or any other national exchange on which its shares are or will be listed or otherwise provide a trading venue for its shares; and the impact of changing global, political and economic conditions. In addition, any forward-looking statement speaks only as of the date on which such statement is made and we do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are beyond our control. Any one of such influences, or a combination, could materially affect the accuracy of the forward-looking statements and the assumptions on which the statements are based. Some important factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements include the following:

OUR ABILITY TO OBTAIN EXTENSIONS, AMENDMENTS AND WAIVERS UNDER OUR DEBT AGREEMENTS AND AVAILABILITY OF ADDITIONAL SOURCES OF FINANCING AND CAPITAL. We had earlier announced that, as a result of matters related to the accounting irregularities discussed above, we are not in compliance with the provisions, including certain financial covenants, of our existing senior secured credit agreement and senior note facility. This noncompliance of our senior secured credit agreement restricts the Company from borrowing any additional funds under our senior secured credit agreement. The remedies available to these lenders upon default by us, including acceleration of principal, would have a material adverse impact on our liquidity, our financial position or our ability to

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operate as a going concern. We have continued to make scheduled interest payments on such senior debt; however, we have not made scheduled monthly principal payments that were due since April 2002 on the senior note facility. We are continuing to hold discussions with our bank group and the holder of our senior notes concerning our non-compliance and our plans for operational changes and debt reduction. If we are unable to satisfactorily resolve these lender negotiations and/or access other sources of capital on a timely basis (as to which we can provide no assurance), it would have a material adverse effect on our liquidity and financial condition since we have substantially negative working capital and could result in our inability to operate as a going concern. If we are unable to operate as a going concern, we may file, or be forced to file, bankruptcy or insolvency proceedings or pursue a sale or sales of assets to satisfy creditors.

OUR REPUTATION AND FINANCIAL CONDITION COULD BE AFFECTED BY THE SECURITIES LITIGATION AND RELATED INVESTIGATIONS AND/OR A RESTATEMENT OF FINANCIAL STATEMENTS. On March 20, 2002, we first announced that we had become aware of accounting irregularities caused by apparent internal misconduct in our Australian subsidiary and that, to the extent that the accounting irregularities materially affect previously filed financial statements, we expected that we would have to restate our audited financial statements for our fiscal year which ended March 31, 2001 as well as unaudited financial information for the first nine months through December 31, 2001 of our fiscal year ended March 31, 2002, as previously released. In addition, we recorded a charge to earnings for our loss on investment related to the subsidiary. This charge was taken in the Company's fiscal fourth quarter ended March 31, 2002. Subsequent to this announcement, a purported class action lawsuit has been filed against us and certain of our current and former directors and officers, asserting claims under the federal securities laws. In addition to significant expenditures we may have to make to defend ourselves in these actions and the related significant financial penalties that might be imposed on us if the plaintiffs prevail in these actions, the publicity surrounding the litigation and the SEC inquiry of these matters could affect our reputation with our customers and suppliers and have an impact on our financial condition and results of operations.

ADVERSE DEVELOPMENTS IN PENDING LITIGATION OR REGULATORY MATTERS. From time to time, we are involved in litigation and regulatory proceedings, including those disclosed in "Item 3 - Legal Proceedings" of this annual report and in our other periodic reports filed with the Securities and Exchange Commission. There are always significant uncertainties involved in litigation and regulatory proceedings. As to current matters in litigation, we believe that our positions and defenses are meritorious. However, the litigation process involves unpredictability and we cannot guarantee the result of any action. Regulatory compliance is often complex and subject to variation and unexpected changes, including changing interpretations and enforcement agendas affecting the regulatory community. We may need to expend significant financial resources in connection with legal and regulatory procedures and our management may be required to divert attention from other portions of our business. If, as a result of any proceeding, a judgment is rendered, decree is entered or administrative action is taken against us or our customers, it may materially and adversely affect our business, financial condition and results of operations.

8

OUR PROFITABILITY CAN BE IMPACTED BY OUR MIX OF PRODUCTS AND SERVICES. Given that our selling, general and administrative costs are largely fixed in terms of dollars, our profitability is dependent upon the amount of gross profit that we are able to realize. We typically generate higher gross profit margins on pure engineering service jobs than on those jobs that include a material or installation component. In addition, our gross profit margins also can be

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negatively impacted when we utilize subcontractors. Therefore, a shift in mix from engineering services to more construction and installation type work or an increase in the amount of subcontracting costs could have a negative impact on our operating results. In addition, certain of the products that we sell have gross profit margins that are considerably lower than our overall average gross profit margin. A shift in mix which results in a greater percentage of revenues relating to these lower margin products would also have a negative impact on our operating results.

THE TIMING OF JOBS CAN IMPACT OUR PROFITABILITY. There are a number of factors, some of which are beyond our control, that can cause projects to be delayed and thus negatively impact our profitability for the related period. These factors include the availability of labor, equipment or materials, customer scheduling issues, delays in obtaining required permits and weather. In addition, when we are working as a subcontractor on a project, our portion of the project can be delayed as a result of factors relating to other contractors.

THE AVAILABILITY AND VALUE OF LARGER JOBS CAN IMPACT OUR PROFITABILITY. While the majority of our jobs are relatively small, we can have a number of individual contracts in excess of \$1 million in progress at any particular time. These larger contracts typically generate more gross profit dollars than our average size jobs. Therefore, the absence of larger jobs, which can result from a number of factors, including market conditions, can have a negative impact on our operating results.

QUALIFICATION REQUIREMENTS AND TERMINATION PROVISIONS RELATING TO GOVERNMENT JOBS. We derive revenues from contracts with the United States, its agencies and other governmental entities. Government contracting is subject to competitive bidding processes and there can be no assurance that we will be the successful bidder for future contracts. Fluctuations in government spending also could adversely affect our revenues and profitability. In addition, it is the policy of the United States that certain small businesses and other concerns have the maximum practicable opportunity to participate in performing contracts let by any federal agency. To the extent that we do not meet applicable criteria for government jobs, we could be limited in our ability to participate directly in contracts being let by the United States and other governmental entities with similar requirements. Certain contracts with governmental entities contain provisions permitting the governmental entities to terminate the contract for convenience prior to completion of the contract. To the extent that any of our contracts with a government entity are so terminated, our revenues and profitability could be adversely impacted.

OUR COMPLIANCE WITH THE LISTING STANDARDS AND REPORTING REQUIREMENTS OF THE STOCK EXCHANGE ON WHICH OUR COMMON SHARES TRADE. We are required by the stock exchange on which we list our Common Shares for trading to maintain certain listing standards and meet certain reporting requirements in order to continue trading and to remain listed on that exchange. If we fail to meet the required listing standards and reporting requirements and cannot within a limited time frame thereafter demonstrate compliance, our Common Shares may not be allowed to trade on the stock exchange, although we would pursue an alternative national trading venue. If this occurs, it may make it more difficult for us to raise funds through the sale of our securities. In addition, it may make it more difficult for an investor to dispose of, or to obtain accurate quotations of, our Common Shares and negatively impact the market price. Our shares recently have been suspended from trading on the American Stock Exchange because, among other reasons, the late filing of this Form 10-K/A. We expect our shares to resume trading on the American Stock Exchange shortly after filing this Form 10-K/A, although there can be no assurance of such resumption of trading.

OUR OPERATIONS CAN BE IMPACTED BY INCLEMENT WEATHER. A large portion of our service work is performed in the field. Therefore, excessive amounts of rain,

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snow or cold, as well as other unusual weather conditions, including hurricanes and typhoons, can result in work stoppages. Also, working under inclement weather conditions can reduce our efficiencies, which can have a negative impact on our profitability.

OUR BUSINESS IS IMPACTED BY CHANGES IN ENERGY PRICES. The products and services we provide to our customers in the energy markets are, to some extent, deferrable in the event that these customers reduce their capital and discretionary maintenance expenditures. The level of spending on these types of expenditures can be influenced by oil and gas prices and industry perceptions of future prices. Our experience indicates that our energy customers react to declining oil and gas prices by reducing their capital and discretionary maintenance expenditures. This reaction has in the past, and may in the future, have a negative impact on our business. We are unable to predict future oil and gas prices. However, we believe that a prolonged period of low energy prices could have a negative impact on our business. Typically, there is a delay between the time prices decline and when we start to experience a negative impact on our results of operations. Conversely, there is also a delay between the time energy prices increase and when we start to experience a positive impact on our results of operations.

9

THE IMPACT OF CHANGING GLOBAL, POLITICAL AND ECONOMIC CONDITIONS. Changing political and economic conditions on a regional or worldwide basis can adversely impact our business. Deteriorating political and general economic conditions may result in customers delaying or canceling contracts and orders for our products and services, difficulties and inefficiencies in the performance of our services including work stoppages, and difficulties in collecting payment from our customers. As a result, such conditions can negatively impact our results of operations and our cash flows.

EXISTING, NEW OR CHANGED REGULATORY INITIATIVES CAN IMPACT OUR BUSINESS. Corrpro and its customers are subject to federal, state and local environmental and other laws and regulations. These laws and regulations affect our operations by imposing standards for the protection of health, welfare and the environment. Such laws and regulations, and applicable interpretations thereof, could expose us to liability for acts which are or were in compliance at the time such acts were performed. We cannot predict whether future legislative or regulatory developments may occur which would have an adverse effect on Corrpro.

These risks must be considered by any investor or potential investor in the Company.

10

ITEM 2. PROPERTIES

As of March 31, 2002, we owned eight of our locations. In addition, over sixty locations were leased from unrelated third parties. Certain property locations may contain multiple operations, such as an office and warehouse facility. Owned and leased facilities with greater than 5,000 square feet are listed below.

Location -----	Segment -----	Description -----
Bakersfield, California	Domestic Core	Office and Warehouse Facility

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Belle Chasse, Louisiana	Domestic Core	Office and Warehouse Facility
Brampton, Ontario	Canadian Ops.	Office and Warehouse Facility
Brisbane, Australia(1)	International	Office and Warehouse Facility
Conyers, Georgia	Domestic Core	Office and Warehouse Facility
Dammam, Saudi Arabia	International	Production and Warehouse Facility
Dorval, Quebec	Canadian Ops.	Office and Warehouse Facility
Durley, Southampton, UK	International	Office and Warehouse Facility
Edmonton, Alberta	Canadian Ops.	Office, Production and Warehouse Facility
Nisku, Alberta	Domestic Core	Office and Warehouse Facility
Estevan, Saskatchewan	Canadian Ops.	Office and Warehouse Facility
Glendale, Arizona	Domestic Core	Office and Warehouse Facility
Houston, Texas	Domestic Core	Office and Warehouse Facility
Jakarta, Indonesia	International	Office and Warehouse Facility
Medina, Ohio	Corporate	Corporate Headquarters
Medina, Ohio	Domestic Core	Office and Warehouse Facility
Melbourne, Australia(1)	International	Office and Warehouse Facility
Ocean City, New Jersey	Domestic Core	Office Facility
Perth, Australia(1)	International	Office and Warehouse Facility
San Leandro, California	Domestic Core	Office, Production and Warehouse Facility
Sand Springs, Oklahoma	Domestic Core	Office, Production and Warehouse Facility
Santa Fe Springs, California	Domestic Core and Other	Office, Production and Warehouse Facility
Schaumburg, Illinois	Domestic Core	Office and Warehouse Facility
Sharjah, UAE	International	Office and Production Facility
Singapore	International	Office Facility
Stockton-on-Tees, UK	International	Office, Production and Warehouse Facility
Sydney, Australia(1)	International	Office and Warehouse Facility
West Chester, Pennsylvania	Domestic Core	Office and Warehouse Facility

(1) These properties are part of the Australian subsidiary that commenced voluntary administration proceedings on March 21, 2002.

We consider the properties owned or leased by us to be generally sufficient to meet our requirements for office, production and warehouse space. We do not consider any one of our properties to be significant, since we believe that if it becomes necessary or desirable to relocate any of our office, production and warehouse facilities, other suitable properties could be found. Our owned properties are subject to mortgages or other security interests under our senior secured credit agreement and senior note facility and other bank credit arrangements.

11

ITEM 3. LEGAL PROCEEDINGS

As previously reported, in January 2000, the Michigan Department of Environmental Quality ("MDEQ") issued an administrative decision which effectively limited the scope of MDEQ's 1995 approval of certain assessment methodologies utilized by Corrpro in determining whether certain underground storage tanks meet Michigan's regulatory requirements for upgrade by means of cathodic protection. The MDEQ decision also would have required us to conduct further assessments and provide certain information. The assessment methodologies at issue have been and remain recognized by the Environmental Protection Agency ("EPA") and the other states in which we utilized such methodologies for virtually identical purposes. We believed that MDEQ's decision was in error and on January 24, 2000, filed a complaint and claim of appeal in the Circuit Court for the County of Ingham, Michigan seeking declaratory relief and appealing the decision on several grounds. In its November 14, 2000 ruling, the Ingham Circuit Court reversed MDEQ's decision that directed we take certain actions and provide certain information, however, the court also found that MDEQ

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had not approved the full use of the assessment methodologies we utilized in Michigan.

We believed that the circuit court's finding that MDEQ had not approved full use of the methodologies was not supported by the evidence, and was contradicted by evidence contained in the administrative record. On December 5, 2000, we filed, in the Michigan Court of Appeals, an application for leave to appeal the circuit court's finding that MDEQ did not approve the full use of the assessment methodologies we utilized in Michigan. By order dated February 14, 2001, the Michigan Court of Appeals denied our application for leave to appeal the circuit court's finding. On March 7, 2001, we filed an application for leave to appeal with the Supreme Court of the State of Michigan. On August 28, 2001, the Michigan Supreme Court denied our application for leave to appeal.

As a result of these proceedings, the MDEQ's administrative decision finding that certain of our assessment methodologies were not approved in full was upheld, but the MDEQ was found not to have jurisdiction to enforce its decision against us. In July 2002, the MDEQ sent certain underground storage tank owners and operators who may have relied on our method of assessment a notice informing them that certain of such owners and operators' tanks were improperly upgraded, that such owners and operators are to provide to MDEQ upon request evidence that they have conducted state required tank tightness testing, and certain of such tanks must be internally inspected. MDEQ also advised that internally inspected tanks that do not satisfy applicable criteria should be taken out-of-service and removed from the ground. There can be no assurance that the MDEQ will not take further action against underground storage tank owners or operators.

On July 25, 2002, a summons and complaint was issued from the Circuit Court for the County of Ingham, Michigan. The action was commenced by Blogett Oil Company, Inc. and other owners and operators of underground storage tanks systems on behalf of themselves and others similarly situated. The complaint relates to the MDEQ regulatory proceeding described immediately above and names both the Company and MDEQ. The plaintiffs seek an unspecified amount of damages in excess of \$25,000 from Corrpro. The plaintiffs also seek injunctive relief prohibiting the MDEQ from declaring that underground storage tanks upgraded by the Company do not meet the current requirement for corrosion protection set forth by law. The Company is unable at this time to make a determination as to whether an adverse outcome is likely and whether an adverse outcome would have a materially adverse affect on its operations or financial condition.

During fiscal 2001, the Company discovered that a former employee used an incorrect assessment standard in connection with the evaluation of whether certain underground storage tanks located at as many as 67 sites were eligible for upgrade using cathodic protection. Such evaluations were done using one of the approved assessment methodologies. The tanks at these sites, which are located in five states, were subsequently upgraded using cathodic protection which arrests corrosion. These tanks are also subject to ongoing leak detection requirements. Based on the Company's review of available information and governmental records, the Company believes that there have not been any releases from the affected tanks as a result of the actions of the former employee. The Company has contacted, and in October and November 2000 met with, officials from the EPA and officials from the corresponding environmental protection agencies of the five states involved to discuss this matter. It is the Company's understanding that none of the states nor the EPA intend to take any enforcement action as a result of the use of the inaccurate standard by the former employee. The Company is currently working with the states and the EPA to develop and implement field investigation procedures to assess the current status of the affected sites. Based on currently available information, the Company does not believe that the cost of field investigation procedures for this matter will have a material effect on the future operations, financial position or cash flows of the Company.

The Company is a defendant in a purported class action suit filed on June 24, 2002, in the United States District Court, Northern District of Ohio, Eastern Division by Russell J. Stambaugh. The complaint also names certain former and current officers and a director of the Company. The complaint was purportedly filed on behalf of all persons who purchased Corrpro Common Shares during the period April 1, 2000 through March 20, 2002 and alleges violations of the federal securities laws resulting in artificially inflated prices of the Company's Common Shares during the class period. The complaint relates to the Company's announcement that it had discovered accounting irregularities caused by apparent internal misconduct in its Australian subsidiary. The plaintiff seeks a declaration of the action as a proper class action and certifying plaintiff as class representative. The plaintiff also seeks unspecified compensatory damages, fees and expenses. The Company is unable at this time to make a determination as to whether an adverse outcome is likely and whether an adverse outcome would have a materially adverse affect on its operations or financial condition.

Company management discovered accounting irregularities at the Australian subsidiary in early calendar 2002 and upon discovery immediately began an internal investigation, which has been conducted under the direction of the Audit Committee of its Board of Directors. The Australian Securities and Investments Commission has commenced an independent investigation of the accounting irregularities. Corrpro voluntarily disclosed this matter to the SEC, which has commenced a formal inquiry. Corrpro is cooperating with both commissions.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2002.

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the names of all executive officers of the Company as of March 31, 2002 and certain other information relating to their position held with the Company and other business experience.

EXECUTIVE OFFICER -----	AGE ---	RECENT BUSINESS EXPERIENCE -----
Joseph W. Rog	62	Chairman of the Board of Directors since June 1993 and Chief Executive Officer since the Company's formation in 1984. President of the Company since June 1995 and from January 1984 to June 1993.
Michael K. Baach	47	Executive Vice President since April 1993 and Senior Vice President from 1992 until April 1993. Prior to that, Mr. Baach was Vice President of Sales and Marketing since the Company's formation in 1984.

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George A. Gehring, Jr.	58	Executive Vice President since April 1993 and Senior Vice President from 1991 until April 1993. Prior to that, Mr. Gehring served as President of Ocean City Research Corporation, a wholly-owned subsidiary of the Company, since 1987.
David H. Kroon	52	Executive Vice President since April 1993 and Senior Vice President from the Company's formation in 1984 to April 1993.
Barry W. Schadeck	51	Executive Vice President since June 1995 and President of Corrpro Canada, Inc., a wholly-owned subsidiary of the Company, since its formation in May 1994. Prior to that, Mr. Schadeck served as President since April 1993 and Chief Financial Officer since 1979 of Commonwealth Seager Group, a wholly-owned subsidiary of the Company, since 1993.
Michael R. Tighe	51	Executive Vice President since July 1999. Senior Vice President from January 1994 until July 1999. Prior to that, Mr. Tighe was President and General Manager of Elgard Corporation, an anode manufacturer.
Ted Bojanowski	45	Senior Vice President, Marketing and Strategic Planning since December 1999. Prior to that, Mr. Bojanowski spent 18 years with Coltec Industries, an industrial manufacturing firm servicing the oil, gas and energy markets, in sales, marketing and operational roles of increasing responsibility. His most recent position was Senior Vice President of Marketing and Sales for Coltec's Garlock Sealing Technologies, Inc. subsidiary.
Robert M. Sloan	46	Senior Vice President and Chief Financial Officer since March 2002. Prior to that, Mr. Sloan served six years as Vice President for Blue Coral Slick 50, a manufacturer and marketer of automotive appearance and additive products and a subsidiary of Pennzoil-Quaker State Corporation. Mr. Sloan also served for three years as Vice President of Finance for a subsidiary of Park Corporation and 11 years with Arthur Andersen.
14		
Robert M. Mayer	39	Vice President and Corporate Controller since August 2000 and Assistant Treasurer since January 2002. Assistant Corporate Controller from January 1998 until August 2000. Prior to that, Mr. Mayer was with Premier Farnell PLC, an industrial distributor of electronic components, most recently as Director of Finance. Mr. Mayer had prior experience with Ernst & Young, where he was an Audit Manager.
John D. Moran	44	General Counsel since December 1996, Secretary since January 2002, Senior Vice President since July 2000, Assistant Secretary from December 1996 to January 2002 and Vice President from October 1998 until July 2000. Prior to that, Mr. Moran was in-house counsel for Sealy Corporation, a bedding manufacturer, for 10 years and served as Secretary. Mr. Moran also has prior experience with Grant

Thornton.

15

PART II

ITEM 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS

PRICE RANGE OF COMMON SHARES

Our Common Shares are listed on the American Stock Exchange ("AMEX") under the symbol "CO." Prior to February 13, 2002, our Common Shares were listed on the New York Stock Exchange ("NYSE") under the symbol "CO."

The following table sets forth the high and low sale prices for the Common Shares on the AMEX and NYSE for the fiscal periods indicated.

	FISCAL 2002		FISCAL 2001	
	HIGH	LOW	HIGH	LOW
First Quarter	\$ 3.95	\$ 1.20	\$ 4.88	\$ 3.06
Second Quarter	2.90	1.80	4.38	3.13
Third Quarter	2.80	1.50	4.13	2.81
Fourth Quarter	3.15	1.01	3.13	1.57

HOLDERS OF RECORD

On July 5, 2002, there were 222 holders of record of our Common Shares.

DIVIDENDS

We have not paid any cash dividends on our Common Shares. We currently anticipate that we will retain all future earnings for use in our business and do not anticipate paying any cash dividends in the foreseeable future. Provisions within our senior secured credit agreement and senior notes facility limit our ability to pay cash dividends.

16

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of March 31, 2002.

EQUITY COMPENSATION PLAN INFORMATION TABLE

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTION WARRANTS AND RIGHTS
-----	-----	-----

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Equity compensation plans approved by shareholders	1,303,381	\$ 3.7013
Equity compensation plans not approved by shareholders (2)	---	---
Total	1,303,381	\$ 3.7013

- (1) Includes 34,375 Common Shares available for issuance under the Non-Employee Directors' Stock Option Plan.
- (2) Does not include the Company's 2001 Non-Employee Directors' Stock Appreciation Rights Plan which has not been approved by its shareholders. Under this plan, non-employee directors received a one-time grant of vested stock appreciation rights as part of their compensation for serving as directors. The stock appreciation rights entitle each eligible director to be paid in cash, subject to the applicable terms and conditions of the grant, on or after May 17, 2006, the amount of appreciation in the fair market value of 10,000 Common Shares between May 17, 2001 and May 17, 2006. Currently, three such non-employee directors hold such stock appreciation rights. Moreover, this does not include shares authorized for payment of bonuses totaling 25,000 of which 22,500 are still available. Also, this does not include the Company's Employee Stock Purchase Plan, which has been suspended, with authorized shares totaling 375,000 of which 300,068 shares are still available.

17

ITEM 6. SELECTED FINANCIAL DATA

The financial data presented below for each of the five years ended March 31 should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Form 10-K. As described in "Item 1 - Business - Recent Developments and - Restatement of Consolidated Financial Statements", the Company has restated its previously issued financial statements for the fiscal year ended March 31, 2001. See Note 2, Restatement of Consolidated Financial Statements, Notes to Consolidated Financial Statements for further information regarding the restatement.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2002	AS RESTATED 2001	2000	1
	----	----	----	----
STATEMENT OF OPERATIONS DATA:				
Revenues	\$ 172,190	\$ 163,937	\$ 168,442	\$ 17
Operating income (loss) (1) (2)	394	(1,957)	8,587	1
Interest expense	7,352	6,754	5,339	
	-----	-----	-----	-----
Income (loss) before income taxes	(6,958)	(8,711)	3,248	1
Income tax provision (benefit) (3)	11,259	(430)	1,299	

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Income (loss) from continuing operations	(18,217)	(8,281)	1,949	
Net income (loss)	\$ (18,217)	\$ (8,281)	\$ (2,668)	\$
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS-				
Basic	\$ (2.24)	\$ (1.07)	\$ 0.25	\$
Diluted	(2.24)	(1.07)	0.25	
NET INCOME (LOSS)-				
Basic	\$ (2.24)	\$ (1.07)	\$ (0.35)	\$
Diluted	(2.24)	(1.07)	(0.34)	
OTHER DATA:				
EBITDA(4)	\$ 5,571	\$ 3,468	\$ 14,677	\$ 2
Net cash provided (used) by operating activities	7,120	(3,118)	13,680	
Net cash provided (used) by investing activities	191	(1,283)	(11,996)	(1
Net cash provided (used) by financing activities	(5,575)	6,543	(3,355)	1
Working capital, excluding net assets held for sale	(21,726)	44,603	49,483	5
Total assets	109,453	135,551	139,825	14
Long-term debt, net of current portion	1,018	65,134	61,070	6
Shareholders' equity	23,857	41,518	54,235	5

(1) Includes unusual charges totaling \$2,868 in fiscal 2001 and \$2,000 in fiscal 2000. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements for further information.

(2) Includes loss on investment in subsidiary of \$2,480 in fiscal 2002, related to the write-off of our investment in our Australian subsidiary. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements for further information.

(3) Includes a valuation allowance of \$10,261 in fiscal 2002, related to our deferred tax asset. See Note 1, Summary of Significant Accounting Policies, Notes to Consolidated Financial Statements for further information.

(4) For purposes of the above table, "EBITDA" means earnings from continuing operations before interest, taxes, depreciation and amortization excluding deferred financing costs and should not be considered as an alternative to net income (loss) or any other generally accepted accounting principle, as a measure of performance, as an indication of the Company's operating performance or as a measure of liquidity. EBITDA is a widely accepted financial indicator of a company's ability to service debt.

18

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion and analysis contains certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See "Business - Factors Influencing

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Future Results and Accuracy of Forward Looking Information."

RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has determined that its audited financial statements for the fiscal year ended March 31, 2001 and its unaudited financial statements for the first nine months through December 31, 2001 of its fiscal year ended March 31, 2002 and all four quarters of its fiscal year ended March 31, 2001, were inaccurate and required restatement. These inaccuracies and required restatements are discussed in "Item 1 - Business - Recent Developments and - Restatement of Consolidated Financial Statements." This Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal years ended March 31, 2002 and March 31, 2001 reflects the restatement of the Company's previously reported financial statements for the fiscal year ended March 31, 2001.

FISCAL 2002 PERFORMANCE OVERVIEW

One of the primary factors affecting our fiscal 2002 results was our continued growth in the coatings service business while our revenues domestically in the energy-related markets, particularly the oil and gas sector, declined from the prior-year. In addition, our corrosion monitoring equipment business and our risk assessment and analysis software business showed slight growth in fiscal 2002 as compared to the prior-year. Offsetting these improvements were sluggish results within our cathodic protection business which saw a decrease in revenue levels over the prior-year. However, we have recently not received as many government contract awards as expected. Revenues from these contracts totaled approximately \$10.0 million during fiscal 2002.

Fiscal 2002 results were impacted by a \$2.5 million loss on the investment in our Australian operations which was recorded in the fourth quarter. Moreover, fiscal 2002 results also included a charge for a deferred tax asset valuation allowance of \$10.3 million which was recorded in the fourth quarter. Despite the impact of the problems associated with our Australian operations, fiscal 2002 had some positive highlights. First, we were pleased that our revenues continued to demonstrate improvement throughout the entire fiscal year and we continued to see a favorable impact from the actions taken to control expenses. Excluding the results of our Australian operations, our gross profit margins were below expectations primarily due to a business mix with a larger component of lower margin construction-type jobs. Our continuing efforts to control operating expenses resulted in a reduction in selling, general and administrative expenses as a percentage of sales year-over-year, excluding our Australian operations. Our emphasis on asset management resulted in a reduction in consolidated debt for the year of \$5.6 million, representing an 8.2% decrease over our prior fiscal year debt level.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies, including the assumptions and judgments underlying them, are more fully described in "Note 1 - Summary of Significant Accounting Policies" to the accompanying consolidated financial statements of this Form 10-K. Some of the Company's accounting policies require the application of significant judgment by management in the preparation of the Company's financial statements. In applying these policies, the Company's management uses its best judgment to determine the underlying assumptions that are used in calculating the estimates that affect the reported values on its financial statements. Management bases its estimates and assumptions on historical experience and other factors that the Company considers relevant. Corrpro's significant accounting policies include the following:

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Revenue Recognition

The Company records income from construction and engineering contracts under the percentage-of-completion method. Under this method, revenues are recognized in proportion to the ratio of costs incurred to currently estimated total contract costs. Estimated earnings and costs on contracts are subject to revision throughout the terms of the contracts, and any required adjustments are recorded in the periods in which revisions are made. The Company recognizes revenue from product sales upon transfer of ownership.

Accounts receivable

The Company records estimated allowances for uncollectible accounts receivable based upon the number of days the accounts are past due, the current business environment, and specific information such as bankruptcy or liquidity issues of customers. Historically, losses for uncollectible accounts receivable have been within management's estimates. However, if actual losses exceed management's expectations, additional allowances may be required. Corrosion control services and products are provided to a large number of customers with no substantial concentration in a particular industry or with an individual customer.

Inventories

Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventories are stated net of reserves for excess, slow moving and potentially obsolete materials.

Management continually reviews inventories for excess and obsolete goods based upon a combination of historical and forecasted usage. Additionally, discrete provisions are made when facts and circumstances indicate that particular inventories will not be utilized. If future market conditions are different than those estimated, a change to inventory valuation reserves may be required and would be reflected in the period the conditions change.

Asset Impairment

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability; the measurement of the impairment would be based on the amount by which the carrying value of the asset exceeds its fair value.

In July 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. Upon the Company's adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 require the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The adoption of SFAS 142 is expected to add approximately \$1.7 million to net income before taxes for the year ending March 31, 2003 as compared to the year ended March 31, 2002. The Company has not yet completed its impairment testing under SFAS 142 and, because of the extensive effort needed to comply with adopting the

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new rules, it is not practical to reasonably estimate the full impact of adopting these statements on the Company's financial statements as of the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

Income taxes

The Company uses the liability method whereby income taxes are recognized during the fiscal year in which transactions enter into the determination of financial statement income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement and tax basis of assets and liabilities. The Company

20

recorded a valuation allowance for its net deferred tax assets and net operating loss carryforwards of \$10.3 million in the fourth quarter of fiscal 2002. The Company intends to maintain a full valuation allowance for its net deferred tax assets and net operating loss carryforwards until sufficient positive evidence exists to support the reversal of the remaining reserve. Until such time, except for foreign tax provisions, the Company expects to have no reported tax provision, net of valuation allowance adjustments. In the event the Company was to determine, based on the existence of sufficient positive evidence, that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. See Note 6 of Notes to Consolidated Financial Statements of the Company for additional information regarding income taxes.

RESULTS OF OPERATIONS

YEAR ENDED MARCH 31, 2002 COMPARED TO YEAR ENDED MARCH 31, 2001 (AS RESTATED)

REVENUES

Revenues for fiscal 2002 totaled \$172.2 million, compared with \$163.9 million for fiscal 2001, an increase of 5.0%.

Fiscal 2002 revenues relating to our Domestic Core Operations segment totaled \$101.5 million, compared to \$99.7 million in fiscal 2001, an increase of 1.9%. Revenues continued to increase for our coatings services business which was partially offset by declines in our core cathodic protection business as a result of the sluggish energy-related markets. However, we have recently not received as many government contract awards as expected. Revenues from these contracts totaled approximately \$10.0 million during fiscal 2002.

Revenues relating to our Canadian Operations segment totaled \$21.3 million, compared to \$24.3 million in fiscal 2001, a decrease of 12.5%. This decrease was primarily due to lower levels of construction and material revenues.

Fiscal 2002 revenues relating to our International Operations segment totaled \$37.3 million, compared to \$36.9 million in fiscal 2001, an increase of 1.2%. The European, Middle East and Asia Pacific operations all saw increased revenue levels in fiscal 2002, which were partially offset by a decline in revenues from our Australian operations.

Our Other Operations segment had total revenues in fiscal 2002 of \$12.1 million, compared to \$9.0 million in fiscal 2001, an increase of 33.3%. This increase was due to strong revenue volume in our corrosion monitoring equipment

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business, as well as continued growth in our risk assessment and analysis software business.

GROSS PROFIT

On a consolidated basis, gross profit (defined as revenues less cost of sales items) for fiscal 2002 totaled \$50.2 million (29.1% of revenues) compared to \$47.2 million (28.8% of revenues) for fiscal 2001, an increase in gross profit dollars of 6.3%. Fiscal 2001 gross profit included a \$1.0 million unusual charge which is described below. Excluding the impact of the unusual charges to fiscal 2001, gross profit margins decreased slightly year-over-year. This decrease was due to lower margin type jobs in fiscal 2002.

UNUSUAL CHARGES

During fiscal 2001, we recorded unusual charges of \$2.9 million, of which \$1.0 million was included in cost of sales and \$1.9 million was included in selling, general and administrative expenses, related to the cessation of certain Mexican foundry operations, the disposition of a small non-core business unit, the consolidation of district offices, severance pay and other costs associated with the Company's cost reduction programs and expenses accrued in connection with state regulatory proceedings and anti-trust litigation involving the Company. See "Item 3 - Legal Proceedings" for a discussion of the ongoing regulatory and litigation matters.

21

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("S,G&A") expenses for fiscal 2002 totaled \$47.3 million (27.5% of revenues), compared with \$49.2 million (30.0% of revenues) for fiscal 2001, a decrease of 3.8%. Fiscal 2001 S,G&A expenses included a \$1.9 million unusual charge which is described above. The decrease, as a percentage of revenues, is the result of a number of cost reduction programs we implemented in the latter part of fiscal 2001 and our continuing efforts to reduce our S,G&A expenses.

LOSS ON INVESTMENT IN SUBSIDIARY

During fiscal 2002, we recorded a loss on investment in subsidiary of \$2.5 million, related to the loss on our investment in our Australian subsidiary. As discussed in Note 2, Restatement of Consolidated Financial Statements, in March 2002, the Company's Australian subsidiary commenced voluntary administration proceedings, a process under Australian law providing relief from creditors of Australian companies. See Note 14 of Notes to Consolidated Financial Statements of the Company for additional information regarding the Company's Australian subsidiary for a discussion relating to this matter.

OPERATING INCOME (LOSS)

Operating income for fiscal 2002 totaled \$0.4 million, compared to an operating loss of \$2.0 million during fiscal 2001, an increase of \$2.4 million. Excluding the impact of the fiscal 2001 unusual charge, the decrease in operating income is attributable to the \$2.5 million loss on investment in subsidiary.

INTEREST EXPENSE

Interest expense for fiscal 2002 totaled \$7.4 million, compared to \$6.8 million for fiscal 2001. The increase was related primarily to higher interest rates in fiscal 2002. See Note 4, Long-Term Debt, Notes to Consolidated

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Financial Statements.

INCOME TAX PROVISION

We recorded an income tax provision of \$11.3 million for fiscal 2002, compared to a provision for income tax benefit of \$0.4 million for fiscal 2001. Within the fiscal 2002 tax provision is an increase in valuation allowance for our deferred tax asset of \$10.3 million. Our effective rate is based on the statutory rates in effect in the countries in which we operate. See Note 6, Income Taxes, Notes to Consolidated Financial Statements included in Item 8 for a reconciliation of our effective tax rates.

NET LOSS

As a result of the foregoing, net loss for fiscal 2002 totaled \$18.2 million, compared with a net loss of \$8.3 million in fiscal 2001, an increase of \$9.9 million. Diluted loss per share increased to a loss of \$2.24 in fiscal 2002 compared with a loss of \$1.07 in fiscal 2001.

YEAR ENDED MARCH 31, 2001 (AS RESTATED) COMPARED TO YEAR ENDED MARCH 31, 2000

REVENUES

Revenues for fiscal 2001 totaled \$163.9 million compared with \$168.4 million for fiscal 2000, a decrease of 2.7%.

Fiscal 2001 revenues relating to our Domestic Core Operations segment totaled \$99.7 million, compared to \$98.7 million in fiscal 2000, an increase of 1.0%. Fiscal 2001 revenue increases relating to our fast growing coatings services business were offset by declines in our core cathodic protection business as a result of the sluggish energy-related markets.

Revenues relating to our Canadian Operations segment totaled \$24.3 million, compared to \$26.2 million in fiscal 2000, a decrease of 7.1%. This decrease in revenues was primarily because of the decline in the pipeline segment of our cathodic protection business in fiscal 2001.

22

Fiscal 2001 revenues relating to our International Operations segment totaled \$36.9 million, compared to \$42.0 million in fiscal 2000, a decrease of 12.1%. The decrease related partially to the Middle East operations, which had fewer active large projects in fiscal 2001 as compared to the previous year. Business in this region historically has been characterized by large projects and in fiscal 2000 there were several large projects in progress at the same time. Furthermore, the Australian operations saw a downturn in cathodic protection business during the fiscal year. The decrease in our business in the Middle East and Australian operations was partially offset by increased revenues in both the Europe and Asia Pacific operations.

Our Other Operations segment had total revenues in fiscal 2001 of \$9.0 million, compared to \$10.8 million in fiscal 2000, a decrease of 16.6%. The Other Operations segment includes our corrosion monitoring business and our risk assessment and analysis software business. The revenue decline was primarily due to lower fiscal 2001 revenues at our corrosion monitoring business.

GROSS PROFIT

On a consolidated basis, gross profit for fiscal 2001 totaled \$47.2 million (28.8% of revenues) compared to \$52.0 million (30.9% of revenues) for fiscal 2000, a decrease in gross profit dollars of 9.2%. Fiscal 2001 gross

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profit included a \$1.0 million unusual charge which is described below. Fiscal 2000 gross profit included a \$1.5 million unusual charge which also is described below. Excluding the unusual charges, gross profit for fiscal 2001 totaled \$48.2 million (29.4% of revenues) compared to \$53.5 million (31.8% of revenues) in fiscal 2000, a decrease in gross profit dollars of 9.9%. The decrease in gross profit dollars in fiscal 2001 was the result of lower revenues as discussed above and lower gross profit margins. The lower gross profit margins related primarily to our Domestic Core Operations segment. Operating margins in that business were negatively impacted in fiscal 2001 by inefficiencies associated with the closing and consolidation of several district offices and unreimbursed cost overruns on a large concrete coatings project.

UNUSUAL CHARGES

During fiscal 2001, we recorded unusual charges of \$2.9 million, of which \$1.0 million was included in cost of sales and \$1.9 million was included in selling, general and administrative expenses, related to the cessation of certain Mexican foundry operations, the disposition of a small non-core business unit, the consolidation of district offices, severance pay and other costs associated with the Company's cost reduction programs and expenses accrued in connection with state regulatory proceedings and anti-trust litigation involving the Company. See "Item 3 - Legal Proceedings" for a discussion of the ongoing regulatory and litigation matters.

During fiscal 2000, we recorded an unusual charge of \$2.0 million which consisted of two items. The first item was a \$1.5 million charge (included in cost of sales) related to the consolidation of certain production facilities. As part of this consolidation process, certain duplicate products were discontinued. This \$1.5 million charge represented the loss to be incurred in connection with the disposal of the discontinued products. The remaining \$0.5 million charge (included in S,G&A expenses) represented accrued costs to be incurred in connection with ongoing legal matters. See "Item 3 - Legal Proceedings" for a discussion of these matters.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

S,G&A expenses for fiscal 2001 totaled \$49.2 million (30.0% of revenues), compared with \$43.4 million (25.8% of revenues) for fiscal 2000, an increase of 13.3%. Fiscal 2001 S,G&A expenses included a \$1.9 million unusual charge which is described above. Fiscal 2000 S,G&A expenses included a \$0.5 million unusual charge which is also described above. Excluding the unusual charges, S,G&A expenses for fiscal 2001 were \$47.3 million (28.8% of revenues), compared to \$42.9 million (25.5% of revenues) in fiscal 2000, an increase of 10.2%. The increase was attributable to investments made in the Company's infrastructure in areas such as sales, marketing and product development. However, given the sales cycle of our industry, which can be long and especially so for the larger more attractive projects, we did not expect to fully benefit from such investments in fiscal 2001. Faced with relatively flat markets for our cathodic protection services, we implemented a number of cost reduction measures in the latter part of fiscal 2001 designed to bring operating expenses more in line with current revenue levels, the effects of which were not realized until fiscal 2002.

23

OPERATING INCOME (LOSS)

Operating loss for fiscal 2001 totaled \$2.0 million, compared with operating income of \$8.6 million during fiscal 2000, a decrease of \$10.6 million. The decrease in operating income was attributable to lower revenues, lower gross profit margins, unusual charges and higher S,G&A expenses.

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INTEREST EXPENSE

Interest expense for fiscal 2001 totaled \$6.8 million, compared to \$5.3 million for fiscal 2000. The increase was related to increased weighted average borrowings as well as higher interest rates in fiscal 2001. See Note 4, Long-Term Debt, Notes to Consolidated Financial Statements included in Item 8.

INCOME TAX PROVISION

We recorded an income tax benefit of \$0.4 million for fiscal 2001, compared to a provision for income tax expense of \$1.3 million for fiscal 2000. Our effective rate is based on the statutory rates in effect in the countries in which we operate. The fiscal 2001 net consolidated effective tax rate was negatively impacted during the year primarily due to losses generated by some of our international subsidiaries for which no income tax benefit could be recorded. See Note 6, Income Taxes, Notes to Consolidated Financial Statements included in Item 8 for reconciliation of our effective tax rates.

INCOME (LOSS) FROM CONTINUING OPERATIONS

As a result of the foregoing, loss from continuing operations for fiscal 2001 totaled \$8.3 million, compared with income from continuing operations of \$1.9 million in fiscal 2000, a decrease of \$10.2 million. Diluted earnings/loss per share from continuing operations decreased to a loss of \$1.07 in fiscal 2001 compared with income of \$0.25 in fiscal 2000.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, we had working capital of \$(21.7) million, compared to \$44.6 million at March 31, 2001, a decrease of \$66.3 million. This decrease in working capital is due to the classification of our senior secured credit agreement and senior note facility to current debt from long-term debt.

During fiscal 2002, cash provided by operating activities totaled \$7.1 million, compared to cash used by operating activities totaling \$3.1 million in fiscal 2001. This increase in cash provided by operating activities is primarily the result of our continuing efforts of controllable asset management. Cash provided by investing activities totaled \$0.2 million during fiscal 2002, which included \$1.0 million for capital expenditures offset by \$1.2 million of proceeds from the disposal of capital assets compared to cash used by investing activities totaling \$1.3 million during fiscal 2001, which included \$2.3 million for capital expenditures offset by \$1.0 million of proceeds from the disposal of capital assets. Cash used for financing activities totaled \$5.6 million which was used to pay down debt during fiscal 2002 compared to cash provided by financing activities of \$6.5 million that was provided under current year borrowings in fiscal 2001.

In March 1999, the Company entered into an \$80 million revolving credit facility that expires on January 31, 2003 (the "Revolving Credit Facility"). Initial borrowings were used to repay existing domestic bank indebtedness. Through a series of subsequent amendments, including an amendment executed by the Company on February 11, 2002 ("February 2002 Amendment"), the size of the Revolving Credit Facility was reduced to \$40 million. In addition, the February 2002 Amendment also provides that any payments made under the Senior Notes (see below) will result in a proportionate reduction in the lenders commitment under the Revolving Credit Agreement. At March 31, 2002, lenders commitments under the Revolving Credit Facility were limited to \$37.7 million. Borrowings under the Revolving Credit Facility are further limited to borrowing base amounts as defined. The February 2002 Amendment provides for interest on borrowings at prime plus 2.50%. In addition, the February 2002 Amendment requires the Company to pay a facility fee of 0.75% on the commitment amount. Borrowings under the Revolving Credit Facility are secured by the Company's

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domestic accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate as well as certain assets in Canada. The Company has also pledged slightly less than two-thirds of the capital stock of two of its foreign subsidiaries. The Revolving Credit Facility, as amended, requires the Company to maintain certain financial ratios and

24

places limitations on the Company's ability to pay cash dividends, incur additional indebtedness and make investments, including acquisitions.

At March 31, 2002, the Company was in violation of several financial covenants. These violations permit the lenders to cause the Revolving Credit Facility to become due prior to its stated maturity. As a result of the maturity, the Company has classified all of its outstanding indebtedness under the Revolving Credit Facility at March 31, 2002 as current. This Event of Default also restricts the Company from borrowing any additional funds under the Revolving Credit Facility and increases the interest rate on borrowings to prime plus 5.50%. The Company is continuing to make all required interest payments. The Company is currently negotiating with its lenders to amend this Revolving Credit Facility to eliminate the Company's violations and to extend the expiration date. If the Company is unable to negotiate an amendment to the Revolving Credit Facility, it will be necessary for the Company to refinance or repay this debt. The Company cannot assure that it will be able to accomplish such a transaction on terms acceptable to the Company. Failure to do so would have a material adverse effect on the Company's liquidity and financial condition and could result in the Company's inability to operate as a going concern. If the Company is unable to operate as a going concern, it may file, or may have no alternative but to file, bankruptcy or insolvency proceedings or pursue a sale or sales of assets to satisfy creditors.

In January 1998, the Company issued, through private placement, \$30 million of Senior Notes due 2008 (the "Senior Notes"). The Senior Notes, as amended, bear interest at 10.6% effective April 15, 2001. In addition, the agreement relating to the Senior Notes, as amended, provides for an additional fee of 0.75% per annum on the outstanding principal amount of the Senior Notes for any quarter during which the ratio of debt to EBITDA equals or exceeds 4.00 to 1.00. The Senior Notes require monthly principal payments commencing in February 2002 and are secured equally and ratably with debt under the Revolving Credit Facility.

The Company is required to maintain certain financial ratios under the Senior Notes. At March 31, 2002, the Company was in violation of several of these financial covenants. These violations permit the lender to cause the Senior Notes to become due prior to their stated maturity. As a result, the Company has classified all of its outstanding indebtedness under the Senior Notes at March 31, 2002 as current. The Company is continuing to make all required interest payments. The Company made its required principal payments through March 2002, but has not made the required monthly payments after March 2002. The Company is currently negotiating with its lender to amend the Senior Notes to eliminate the Company's violations and to amend the schedule of principal payments required. If the Company is unable to negotiate an amendment to the Senior Notes, it will be necessary for the Company to refinance or repay this debt. The Company cannot assure that it will be able to accomplish such a transaction on terms acceptable to the Company. Failure to do so would have a material adverse effect on the Company's liquidity and financial condition and could result in the Company's inability to operate as a going concern. If the Company is unable to operate as a going concern, it may file, or may have no alternative but to file, bankruptcy or insolvency proceedings or pursue a sale or sales of assets to satisfy creditors.

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Because of uncertainty related to the Company's ability to amend or refinance its debt, and the timing thereof, certain vendors may no longer do business with the Company on favorable credit terms, and the Company could experience cash flow problems or the inability to obtain materials and services when required. In addition, vendors may require cash in advance or deposits. All of these developments could materially increase the Company's operating expenses and further reduce its liquidity.

The Company has incurred substantial costs in fiscal 2002, and will continue to incur substantial costs in fiscal 2003, in connection with the engagement of financial advisors and consultants, the investigation of accounting matters and the preparation and review of its audited financial statements and other reports. The Company also anticipates that it will continue to incur significant legal and other expenses in connection with the ongoing litigation and investigations described in Part I, Item 3 Legal Proceedings.

Based on the Events of Default which prevent the Company from accessing its Revolving Credit Facility, the Company can only obtain funds from its operating cash flow and under its foreign credit facilities, subject to applicable terms and conditions. Total availability under the foreign credit facilities at March 31, 2002, was approximately \$4.8 million.

In May 2002, with the assistance of strategic financial advisors, the Company developed a formal business restructuring plan. The multi-year plan includes a series of initiatives to improve operating income and reduce debt through restructuring, consolidation and divestiture of non-core businesses. Potential operating gains or losses may be experienced with the disposition of assets at the time of disposal during the implementation of the restructuring plan. Operating income improvements combined with debt reduction targets are expected to result. Implementation efforts are currently underway. As appropriate, the Company will report future quarterly and annual results separately for continuing operations and for discontinued operations.

25

The Company is negotiating agreements with its lenders to amend the current Revolving Credit Facility and Senior Note agreements and to address existing violations. Among other things, we seek to revise principal amortization of the Senior Notes and obtain ongoing borrowing capacity under the Revolving Credit Facility, subject to applicable borrowing base and other provisions. In addition to other terms and conditions, we expect to incur interest rates on borrowings under the Revolving Credit Facility at a higher applicable margin than under its existing provisions. We also intend to seek during fiscal 2003 other financing to retire the Senior Notes and Revolving Credit Facility. There can be no assurance however that we will be able to amend the existing agreements or obtain other financing.

The Company currently operates in a decentralized and geographically dispersed environment. This environment poses challenges, not found in centralized environments, for ensuring the integrity of internal controls. Management has reviewed existing controls and will continue to implement changes as needed to preserve and strengthen the Company's internal controls. We anticipate that the consolidation and divestiture initiatives contained in the restructuring plan will reduce the internal control risks inherent in a decentralized environment.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting

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Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. Upon the Company's adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 require the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The adoption of SFAS 142 is expected to add approximately \$1.7 million to net income before taxes for the year ending March 31, 2003 as compared to the year ended March 31, 2002. The Company has not yet completed its impairment testing under SFAS 142 and, because of the extensive effort needed to comply with adopting the new rules, it is not practical to reasonably estimate the full impact of adopting these statements on the Company's financial statements as of the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

In June 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations." Statement No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the remaining useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. Statement No. 143 is effective for fiscal years beginning after June 15, 2002. Management is evaluating the effect of this statement on the Company's results of operations and financial position.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which is effective for fiscal periods beginning after December 15, 2001 and interim periods within those fiscal years. SFAS 144 establishes an accounting model for impairment or disposal of long-lived assets to be disposed. The Company is currently evaluating the potential impact, if any, the adoption of SFAS 144 will have on our financial position and results of operation.

26

In April 2000, the Financial Accounting Standards Board issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This Statement also rescinds FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provision of this Statement related to the rescission of Statement 4 are applicable in fiscal years beginning after May 15, 2002. Early application is encouraged. The provisions of this Statement related to Statement 13 are effective for transactions occurring after May 15, 2002, with early application encouraged. All other provisions of this Statement are effective for financial

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statements issued on or after May 15, 2002, with early application encouraged. Management is evaluating the effect of this statement on the Company's results of operations and financial position.

27

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK DISCLOSURES

In the normal course of business, our operations are exposed to continuing fluctuations in foreign currency values and interest rates that can affect the cost of operating and financing.

INTEREST RATE RISK

Our primary interest rate risk exposure results from our Revolving Credit Facility, Senior Notes and various smaller lines of credit that we maintain with foreign banks. If interest rates were to increase 200 basis points (2%) from March 31, 2002 rates, and assuming no changes in debt from the March 31, 2002 levels, the additional annual expense would be approximately \$1.3 million on a pre-tax basis.

FOREIGN OPERATIONS AND FOREIGN CURRENCY EXCHANGE RISK

Our foreign subsidiaries generally conduct business in local currencies. During fiscal 2002, the Company recorded an unfavorable foreign currency translation adjustment of \$0.2 million in equity related to net assets located outside the United States. This foreign currency translation adjustment resulted primarily from the weakening of the United States dollar in relation to the Canadian dollar, Australian dollar and British pound. Our foreign operations are also subject to other customary risks of operating in a global environment, such as unstable political situations, the effect of local laws and taxes, tariff increases and regulations and requirements for export licenses, the potential imposition of trade or foreign exchange restrictions and transportation delays.

28

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders

Corrpro Companies, Inc.:

We have audited the accompanying consolidated balance sheets of Corrpro Companies, Inc. and subsidiaries (Company) as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2002. 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 auditing standards generally accepted in the United States of America. 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

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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 Corrpro Companies, Inc. and subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 4 to the consolidated financial statements, at March 31, 2002, the Company was not in compliance with certain financial covenants contained in its banking agreements. This matter raises substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to this matter is also described in note 4. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in note 2 to the accompanying consolidated financial statements, the accompanying consolidated balance sheet as of March 31, 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, have been restated.

/s/ KPMG LLP

Cleveland, Ohio
August 9, 2002

29

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS MARCH 31, 2002 AND 2001

(In Thousands)

ASSETS

	2002	AS RESTATED ----- SEE NOTE 2 ----- 2001
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,754	\$ 4,032
Accounts receivable, less allowance for doubtful accounts of \$3,243 and \$2,516 at March 31, 2002 and 2001 as restated, respectively	37,866	42,071
Inventories	14,567	20,689
Prepaid expenses and other	4,206	4,092
Deferred income taxes	--	2,526
	-----	-----
Total current assets	62,393	73,410
	-----	-----

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PROPERTY, PLANT AND EQUIPMENT:		
Land	592	593
Buildings and improvements	6,612	6,615
Equipment, furniture and fixtures	19,138	19,667
	-----	-----
	26,342	26,875
Less accumulated depreciation	(16,100)	(13,630)
	-----	-----
Property, plant and equipment, net	10,242	13,245
	-----	-----
OTHER ASSETS:		
Goodwill, net	32,370	37,139
Deferred income taxes	--	6,512
Other assets	4,448	5,245
	-----	-----
Total other assets	36,818	48,896
	-----	-----
	\$ 109,453	\$ 135,551
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

30

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2002 AND 2001

(In Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

		AS RESTATED

		SEE NOTE 2

	2002	2001
	----	----
CURRENT LIABILITIES:		
Short-term borrowings	\$ 961	\$ 939
Current portion of long-term debt	60,707	2,216
Accounts payable	11,308	13,897
Accrued liabilities and other	11,143	11,755
	-----	-----
Total current liabilities	84,119	28,807
	-----	-----
LONG-TERM DEBT, NET OF CURRENT PORTION	1,018	65,134
DEFERRED INCOME TAXES	397	--

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COMMITMENTS AND CONTINGENCIES	--	--
MINORITY INTEREST	62	92
SHAREHOLDERS' EQUITY:		
Serial Preferred Shares, voting, no par value; 1,000 shares authorized and unissued	--	--
Common Shares, voting, no par value, at stated value; 40,000 shares authorized; 8,538 shares issued in 2002 and 2001; 8,288 and 7,897 shares outstanding in 2002 and 2001	2,276	2,276
Additional paid-in capital	46,993	49,979
Accumulated earnings (deficit)	(16,251)	1,966
Accumulated other comprehensive loss	(7,002)	(6,679)
Common Shares in treasury, at cost; 250 and 641 shares held in 2002 and 2001	(2,159)	(6,024)
	-----	-----
Total shareholders' equity	23,857	41,518
	-----	-----
	\$ 109,453	\$ 135,551
	=====	=====

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

31

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2002, 2001 AND 2000

(In Thousands, Except Per Share Data)

		AS RESTATED	
		SEE NOTE 2	
	2002	2001	2000
	----	----	----
Revenues	\$ 172,190	\$ 163,937	\$ 168,442
Operating costs and expenses:			
Cost of sales	122,034	116,734	116,454
Selling, general and administrative expenses	47,282	49,160	43,401
Loss on investment in subsidiary	2,480	--	--
	-----	-----	-----
Operating income (loss)	394	(1,957)	8,587
Interest expense	7,352	6,754	5,339
	-----	-----	-----
Income (loss) from continuing operations before income taxes	(6,958)	(8,711)	3,248
Provision for income taxes	11,259	(430)	1,299
	-----	-----	-----
Income (loss) from continuing operations	(18,217)	(8,281)	1,949

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Discontinued operations:			
Income (loss) from operations, net of income taxes	--	--	(353)
Loss on disposal, net of income taxes	--	--	(4,264)
	-----	-----	-----
Net loss	\$ (18,217)	\$ (8,281)	\$ (2,668)
	=====	=====	=====
Earnings (loss) per share - Basic:			
Income (loss) from continuing operations	\$ (2.24)	\$ (1.07)	\$ 0.25
Discontinued operations:			
Loss from operations, net of income taxes	--	--	(0.05)
Loss on disposal, net of income taxes	--	--	(0.55)
	-----	-----	-----
Net loss	\$ (2.24)	\$ (1.07)	\$ (0.35)
	=====	=====	=====
Weighted average shares outstanding - Basic	8,119	7,736	7,663
	=====	=====	=====
Earnings (loss) per share - Diluted:			
Income (loss) from continuing operations	\$ (2.24)	\$ (1.07)	\$ 0.25
Discontinued operations:			
Loss from operations, net of income taxes	--	--	(0.05)
Loss on disposal, net of income taxes	--	--	(0.54)
	-----	-----	-----
Net loss	\$ (2.24)	\$ (1.07)	\$ (0.34)
	=====	=====	=====
Weighted average shares outstanding - Diluted	8,119	7,736	7,824
	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

32

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2002, 2001 AND 2000

(In Thousands)

	SERIAL PREFERRED SHARES	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	ACCUM- ULATED EARNINGS	ACCUM OT CO HE IN (L --
	-----	-----	-----	-----	-----
March 31, 1999	\$ --	\$ 2,255	\$ 50,945	\$ 12,915	\$ (
Comprehensive Loss:					
Net loss	--	--	--	(2,668)	
Cumulative translation adjustment	--	--	--	--	
Total Comprehensive Loss	--	--	--	--	

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Exercise of 82 stock options	--	21	541	--	
Repurchase of 153 Common Shares	--	--	--	--	
	-----	-----	-----	-----	-----
March 31, 2000	--	2,276	51,486	10,247	(
Comprehensive Loss:					
Net loss (as restated, see Note 2)	--	--	--	(8,281)	
Minimum pension liability, net of tax of \$142 (as restated)	--	--	--	--	
Cumulative translation adjustment (as restated)	--	--	--	--	(
Total Comprehensive Loss (as restated, see Note 2)	--	--	--	--	
Exercise of 2 stock options	--	--	4	--	
Issuance of 208 Treasury Shares	--	--	(1,511)	--	
	-----	-----	-----	-----	-----
March 31, 2001 (as restated, see Note 2)	--	2,276	49,979	1,966	(
Comprehensive Loss:					
Net loss	--	--	--	(18,217)	
Minimum pension liability, net of tax of \$74	--	--	--	--	
Cumulative translation adjustment	--	--	--	--	
Total Comprehensive Loss	--	--	--	--	
Issuance of 391 Treasury Shares	--	--	(2,986)	--	
	-----	-----	-----	-----	-----
March 31, 2002	\$ --	\$ 2,276	\$ 46,993	\$ (16,251)	\$ (
	=====	=====	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

33

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2002, 2001 AND 2000

(In Thousands)

		AS RESTATED ----- SEE NOTE 2 -----	
	2002 ----	2001 ----	2000 ----
Cash flows from operating activities:			
Net loss	\$(18,217)	\$ (8,281)	\$ (2
Adjustments to reconcile net loss to net cash provided (used) by continuing operations:			
Depreciation and amortization	5,817	5,809	6

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Asset impairment	--	659	
401K matching contributions in Treasury shares	841	361	
Deferred income taxes	9,442	(2,747)	
Loss on sale of assets	(81)	(100)	
Loss from discontinued operations	--	--	4
Loss on disposal of discontinued operations	--	--	
Loss on investment in subsidiary	1,840	--	
Minority interest	(30)	(53)	
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	2,744	(4,523)	10
Inventories	5,792	2,316	2
Prepaid expenses and other	405	2,187	(1)
Other assets	(1,559)	(2,183)	(2)
Accounts payable and accrued expenses	126	3,437	(3)
	-----	-----	-----
Total adjustments	25,337	5,163	16
	-----	-----	-----
Net cash provided (used) by continuing operations	7,120	(3,118)	13
Net cash provided by discontinued operations	--	--	
	-----	-----	-----
Net cash provided (used) by operating activities	7,120	(3,118)	13
	-----	-----	-----
Cash flows from investing activities:			
Additions to property, plant and equipment	(969)	(2,282)	(3)
Proceeds from disposal of property, plant and equipment	1,160	999	
Acquisitions, net of cash acquired	--	--	(8)
	-----	-----	-----
Net cash provided (used) by investing activities	191	(1,283)	(11)
	-----	-----	-----
Cash flows from financing activities:			
Long-term debt, net	(5,110)	6,924	(1)
Repayment of other debt	(505)	(564)	(1)
Net proceeds from issuance of Common Shares	40	183	
Repurchase of Common Shares, net	--	--	(1)
	-----	-----	-----
Net cash provided (used) by financing activities	(5,575)	6,543	(3)
	-----	-----	-----
Effect of changes in foreign currency exchange rates on cash	(14)	(75)	
	-----	-----	-----
Net increase (decrease) in cash	1,722	2,067	(1)
Cash and cash equivalents at beginning of year	4,032	1,965	3
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 5,754	\$ 4,032	\$ 1
	=====	=====	=====

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

34

CORRPRO COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2002, 2001 AND 2000

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(In Thousands, Except Per Share Data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidation and basis of presentation

The consolidated financial statements include the accounts of Corrpro Companies, Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain fiscal 2001, as restated, and 2000 amounts have been reclassified to conform with the fiscal 2002 presentation.

Following the appointment of an administrator and the commencement of voluntary administration proceedings on March 21, 2002, a process under Australian law providing relief from creditors of Australian companies, the Company no longer controlled its Australian subsidiary. The results of operations of the subsidiary are included in the Company's Consolidated Statements of Operations through March 31, 2002. The assets and liabilities of the subsidiary are not included in the Consolidated Balance Sheet of the Company as of March 31, 2002 as the Company has written-off its investment in its subsidiary. See Note 14 of Notes to Consolidated Financial Statements of the Company for additional information regarding the Company's Australian subsidiary.

The Company's operations provide corrosion control engineering and monitoring services, systems and equipment to the infrastructure, environmental and energy markets throughout the world, including Asia, Europe, the Middle East, North America and South America.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of three months or less.

Accounts receivable

Accounts receivable are presented net of allowances for doubtful accounts of \$3,243 and \$2,516 at March 31, 2002 and 2001. Bad debt expense totaled \$949, \$696 and \$546 in fiscal 2002, 2001 and 2000, respectively. Trade receivables written-off, net of recoveries of prior write-offs, totaled \$222, \$143 and \$1,086 in fiscal 2002, 2001 and 2000, respectively.

The Company performs ongoing credit evaluations of its customers' financial condition. Corrosion control services and products are provided to a large number of customers with no substantial concentration in a particular industry or with an individual customer.

Inventories

Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventories are stated net of reserves for excess, slow moving and potentially obsolete materials. Inventories consist of the following at March 31, 2002 and 2001:

	2002	RESTATED ----- 2001 -----
Component parts and raw materials	\$ 8,021	\$ 9,450

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Work in process	751	2,140
Finished goods	7,209	10,292
	-----	-----
	15,981	21,882
Inventory reserve	(1,414)	(1,193)
	-----	-----
	\$ 14,567	\$ 20,689
	=====	=====

35

Provision for inventory obsolescence totaled \$404, \$289 and \$1,626 in fiscal 2002, 2001 and 2000, respectively. Disposals of obsolete inventory, net of proceeds, totaled \$183, \$1,728 and \$93 in fiscal 2002, 2001 and 2000, respectively.

Property, plant and equipment

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. The cost and accumulated depreciation for property, plant and equipment sold, retired or otherwise disposed of are removed from the account and resulting gains or losses are reflected in income.

Substantially all of the Company's operations compute depreciation on the straight-line method. Depreciation for the Company's Canadian Operations segment is computed on the declining balance method. Estimated useful lives range from 25 to 40 years for buildings and from 4 to 10 years for equipment, furniture and fixtures. Leasehold improvements are depreciated over the term of the lease. For income tax reporting purposes, depreciation is computed principally using accelerated methods.

Depreciation expense totaled \$3,130, \$3,356 and \$3,124 in fiscal 2002, 2001 and 2000, respectively.

Goodwill, patents and other intangibles

Goodwill is being amortized on a straight-line basis over periods ranging from 20 to 40 years. It is the Company's policy to evaluate continually the period of amortization and recoverability of goodwill based on an evaluation of certain factors. Such factors include the occurrence of a significant adverse event or change in the environment in which the business operates or if the expected future net cash flows, undiscounted and without interest, would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related businesses. Following the appointment of an administrator and the commencement of voluntary administration proceedings of the Company's Australian subsidiary, consolidated goodwill was reduced by \$3,510 as a result of the assets and liabilities of the subsidiary not being included in the Consolidated Balance Sheet of the Company as of March 31, 2002. Goodwill amortization totaled \$1,723, \$1,668 and \$1,587 in fiscal 2002, 2001 and 2000, respectively. Accumulated amortization was \$9,622 and \$7,899 at March 31, 2002 and 2001, respectively.

Included in other assets are amortizable assets consisting primarily of patents, trademarks and covenants not to compete. Such assets, with a cost of \$1,772 and \$2,012 at March 31, 2002 and 2001, respectively, are amortized on the straight-line method over their estimated useful lives ranging from 4 to 20 years. Amortization expense for such assets totaled \$314, \$394 and \$244 in fiscal 2002, 2001 and 2000, respectively.

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The Company uses an undiscounted cash flow method to periodically review the net realizable value of goodwill and other intangible assets and believes that such assets are realizable.

Fair value of financial instruments

The recorded value of cash and cash equivalents, receivables, payables, accrued liabilities and short-term borrowings approximates fair value because of the short maturity of these instruments. The recorded value of the Company's long-term debt is considered to approximate fair value based on the borrowing rates currently available to the Company for loans with similar terms and maturities.

Revenue recognition

The Company records income from construction and engineering contracts under the percentage-of-completion method. Under this method, revenues are recognized in proportion to the ratio of costs incurred to currently estimated total contract costs. Estimated earnings and costs on contracts are subject to revision throughout the terms of the contracts and any required adjustments are recorded in the periods in which revisions are made. Accounts receivable includes \$1,059 and \$869 at March 31, 2002 and 2001, respectively, of amounts billed but not paid by customers under retainage provisions of contracts.

36

Prepaid expenses and other includes \$2,756 and \$2,806 at March 31, 2002 and 2001, respectively, of amounts related to costs and estimated earnings in excess of billings on uncompleted contracts. The Company recognizes revenue from product sales upon transfer of ownership.

Product development expenses

Expenditures for product development totaled approximately \$660, \$1,006 and \$1,169 in fiscal 2002, 2001 and 2000, respectively.

Income taxes

The Company uses the liability method whereby income taxes are recognized during the fiscal year in which transactions enter into the determination of financial statement income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement and tax basis of assets and liabilities. The Company recorded a valuation allowance for its net deferred tax assets and net operating loss carryforwards of \$10,261 in the fourth quarter of fiscal 2002. The Company intends to maintain a full valuation allowance for its net deferred tax assets and net operating loss carryforwards until sufficient positive evidence exists to support the reversal of the remaining reserve. Until such time, except for foreign tax provisions, the Company will have no reported tax provision, net of valuation allowance adjustments. In the event the Company was to determine, based on the existence of sufficient positive evidence, that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. See Note 6 of Notes to Consolidated Financial Statements of the Company for additional information regarding income taxes.

Unusual charges

During fiscal 2001, the Company recorded an unusual charge of \$2,868 of

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which \$935 is included in cost of sales and \$1,933 is included in selling, general and administrative expenses related to the cessation of certain Mexican foundry operations, the disposition of a small non-core business unit, the consolidation of district offices, severance pay and other costs associated with the Company's cost reduction programs and expenses accrued in connection with state regulatory proceedings and anti-trust litigation involving the Company.

During fiscal 2000, the Company recorded an unusual charge of \$2,000 which consisted of two items. The first item was a \$1,500 charge to cost of sales relating to the consolidation of certain production facilities. As part of this consolidation process, certain duplicate products were discontinued. The \$1,500 charge represents the loss to be incurred in connection with the disposal of the discontinued products. The remaining \$500 charge to selling, general and administrative expense represents accrued costs to be incurred in connection with ongoing legal matters.

Loss on investment in subsidiary

As discussed in Note 2, Restatement of Consolidated Financial Statements, in March 2002, the Company's Australian subsidiary commenced voluntary administration proceedings, a process under Australian law providing relief from creditors of Australian companies. As a result of such proceedings, the Company was no longer in control of the Australian subsidiary and recorded a charge to earnings for its loss on investment related to the subsidiary of \$2,480. See Note 14 of Notes to Consolidated Financial Statements of the Company for additional information regarding the Company's Australian subsidiary.

Earnings per share

Basic Earning Per Share ("EPS") is computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted average number of common shares and potential shares outstanding for the period. Stock options are the only potential common shares and are considered in the Company's diluted EPS calculation. Potential common shares are computed using the treasury stock method.

37

The effect of the 28 and 47 incremental shares stock options in fiscal 2002 and 2001, respectively, have been excluded from dilutive weighted average shares, as the net loss for the year would cause the incremental shares to be antidilutive.

Comprehensive income(loss)

Comprehensive income (loss) includes net income (loss) and other revenues, expenses, gains and losses that are excluded from net income (loss) but included as a component of total shareholders' equity. Other comprehensive income (loss) was \$(323), \$(4,980) and \$(286) for the years ended March 31, 2002, 2001 and 2000, respectively. These amounts are comprised of the effect of foreign currency translation adjustments in accordance with SFAS No. 52, "Foreign Currency Translation" totaling \$(191), \$(4,614) and \$(286) for the years ended March 31, 2002, 2001 and 2000, respectively and minimum pension liability totaling \$(132), \$(366) and \$0 for the years ended March 31, 2002, 2001 and 2000, respectively. The accumulated balance of foreign currency translation adjustments and a minimum pension liability excluded from net income (loss) at March 31, 2002 is \$(6,504) and \$(498), respectively, and is presented in the Consolidated Balance Sheets and Statements of Shareholders' Equity as "Accumulated other comprehensive income (loss)."

Foreign currency translation

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The functional currency of each foreign subsidiary is the respective local currency. Assets and liabilities are translated at the year-end exchange rates and revenues and expenses are translated at average exchange rates for the period. Resulting translation adjustments are recorded as a component of shareholders' equity in other comprehensive income (loss).

Financial statement estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

Stock-based compensation

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and will continue to account for stock-based compensation using the intrinsic value method under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees."

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS:

On March 20, 2002, the Company announced that it had discovered accounting irregularities caused by apparent internal misconduct in its Australian subsidiary. The accounting irregularities involved the overstatement of revenues and understatement of expenses by the Australian subsidiary. The irregularities were discovered by Corrpro management in connection with an internal review of the subsidiary's working capital management practices and cash flow problems inconsistent with the subsidiary's reported results. Upon discovering the irregularities, the Company immediately began an internal investigation conducted under the direction of the Audit Committee of its Board of Directors. The Audit Committee subsequently retained special counsel in connection with the investigation and retained the forensic investigation unit of the accounting firm, Deloitte Touche Tohmatsu.

The Company also announced in March 2002 that its Australian subsidiary was in the process of appointing an administrator and commencing voluntary administration proceedings, a process under Australian law providing relief from creditors of Australian companies. Following the appointment, the Company recorded a charge to earnings in the fiscal fourth quarter ended March 31, 2002 for its loss on investment related to the subsidiary. The Company also stated that, to the extent that the accounting irregularities materially affect previously filed financial statements, the Company expected that it would have to restate its audited financial statements for its fiscal year which ended March 31, 2001 as well as unaudited financial information for the first nine months through December 31, 2001 of its fiscal year ended March 31, 2002, as previously released. See Note 12, Restated Quarterly Financial Information (Unaudited), Notes to

38

Consolidated Financial Statements. Accordingly, the financial statements for affected periods and accompanying auditor's report should no longer be relied upon.

In addition to the Audit Committee investigation, the Company conducted a review of the accounting records for fiscal 2001 and the first nine months through December 31, 2001 of fiscal 2002 and contracted KPMG LLP to audit the Company's restated consolidated financial statements for fiscal 2001. The

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cumulative restatement of the Company's fiscal 2001 decreased consolidated stockholders' equity as of March 31, 2001 by approximately \$3,805 from amounts previously reported and increased the loss by \$3,575.

Following are the primary categories of restatement adjustments to the Company's previously reported financial results:

39

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

	As of March 31, 2001	
	As Previously Reported	As Restated
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,900	\$ 4,032
Accounts receivable, less allowance for doubtful accounts of \$2,516	43,222	42,071
Inventories	22,298	20,689
Prepaid expenses and other	4,734	4,092
Deferred income taxes	2,688	2,526
	76,842	73,410
	-----	-----
PROPERTY, PLANT AND EQUIPMENT		
Land	593	593
Building and improvements	6,615	6,615
Equipment, furniture and fixtures	19,667	19,667
	26,875	26,875
Less accumulated depreciation	(13,630)	(13,630)
	13,245	13,245
	-----	-----
Other Assets:		
Goodwill, net	37,139	37,139
Deferred income taxes	6,056	6,512
Other assets	4,852	5,245
	48,047	48,896
	-----	-----
	\$ 138,134	\$ 135,551
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 939	\$ 939
Current portion of long-term debt	2,216	2,216
Accounts payable	14,007	13,897
Accrued liabilities and other	10,423	11,755

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Total current liabilities	27,585	28,807
Long-term debt, net of current portion	65,134	65,134
Commitments and contingencies	--	--
Minority interest	92	92
Shareholders' Equity:		
Serial preferred shares, voting, no par value; 1,000 shares authorized and unissued	--	--
Common shares, no par value, at stated value; 40,000 shares authorized; 8,538 issued in 2001 and 7,897 shares outstanding in 2001	2,276	2,276
Additional paid-in capital	49,979	49,979
Accumulated earnings	5,541	1,966
	57,796	54,221
Accumulated other comprehensive loss	(6,449)	(6,679)
Common shares in treasury, at cost 641 shares held in 2001	(6,024)	(6,024)
Total shareholders' equity	45,323	41,518
	\$ 138,134	\$ 135,551
	=====	=====

40

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended March 31, 2001	
	As Previously Reported	As Restated
	-----	-----
Revenues	\$ 165,416	\$ 163,937
Cost of sales	115,154	116,734
Selling, general & administrative expenses	48,701	49,160
	-----	-----
Operating income (loss)	1,561	(1,957)
Interest expense	6,771	6,754
	-----	-----
Loss before income taxes	(5,210)	(8,711)
Provision for income taxes	(504)	(430)
	-----	-----
Net loss	\$ (4,706)	\$ (8,281)

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	=====	=====
Loss per share-		
Basic	\$ (0.61)	\$ (1.07)
Diluted	\$ (0.61)	\$ (1.07)
Weighted average shares outstanding-		
Basic	7,736	7,736
Diluted	7,736	7,736

41

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended March 31, 2001	
	As Previously Reported -----	As Restated -----
Cash flows from operating activities:		
Net loss	\$ (4,706)	\$ (8,281)
Adjustments to reconcile net loss to net cash used for operations:		
Depreciation and amortization	5,809	5,809
Asset impairment	659	659
401K matching contribution in Treasury shares	361	361
Deferred income taxes	(2,423)	(2,747)
Loss on sale of assets	(100)	(100)
Minority interest	(53)	(53)
Changes in operating assets and liabilities:		
Accounts receivable	(5,792)	(4,523)
Inventories	590	2,316
Prepaid expenses and other	1,498	2,187
Other assets	(1,864)	(2,183)
Accounts payable and accrued expenses	2,813	3,437
Total adjustments	1,498	5,163
Net cash used by operating activities	(3,208)	(3,118)
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,282)	(2,282)
Proceeds from disposal of property, plant and equipment	999	999
Net cash used by investing activities	(1,283)	(1,283)
Cash flows from financing activities:		
Long-term debt, net	6,924	6,924
Repayment of other debt	(564)	(564)
Net proceeds from issuance of Common Shares	183	183
Net cash provided by financing activities	6,543	6,543

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Effect of changes in foreign currency exchange rates on cash	(117)	(75)
	-----	-----
Net increase in cash	1,935	2,067
Cash and cash equivalents at beginning of period	1,965	1,965
	-----	-----
Cash and cash equivalents at end of period	\$ 3,900	\$ 4,032
	=====	=====

42

3. ACQUISITIONS:

The results of the various acquisitions have been included in the Company's results since the effective dates of the respective acquisitions. Pro forma results have not been presented as the effect of the individual acquisitions on the Company's consolidated financial statements were not material. No acquisitions were made by the Company in fiscal 2002 and 2001. The following is a discussion of acquisition activity for fiscal 2000:

Effective April 1, 1999, the Company acquired certain assets and assumed certain liabilities of CSI Coatings Systems, Inc. ("CSI"). The purchase price was \$5,060 in cash plus the assumption of \$893 of long-term debt. The acquisition of CSI has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the net assets acquired based upon their fair market value at the date of acquisition. The excess of the purchase price over the estimated fair value of net assets acquired totaled \$4,838 and is being amortized over 20 years on a straight-line basis.

During fiscal 2000, the Company also completed three smaller acquisitions. The total cash purchase price for all three of these acquisitions was \$3,800. The purchase agreements provide for post-closing purchase price adjustments. These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the respective purchase prices have been allocated to the related net assets acquired based upon their fair market values at the dates of acquisition. The excess of the purchase price over the estimated fair value of net assets acquired totaled \$1,726 and is being amortized over 20 years on a straight-line basis.

4. LONG-TERM DEBT:

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	2002	AS RESTATED 2001
	----	----
Senior Notes, due 2008	\$ 28,286	\$ 30,000
Revolving Credit Facility	32,045	35,435
Other	2,355	2,854
	-----	-----
	62,686	68,289
Less: current portion	61,668	3,155
	-----	-----
	\$ 1,018	\$ 65,134
	=====	=====

In March 1999, the Company entered into an \$80 million revolving credit facility that expires on January 31, 2003 (the "Revolving Credit Facility"). Initial borrowings were used to repay existing domestic bank indebtedness. Through a series of subsequent amendments, including an amendment executed by the Company on February 11, 2002 ("February 2002 Amendment"), the size of the Revolving Credit Facility was reduced to \$40 million. In addition, the February 2002 Amendment also provides that any payments made under the Senior Notes (see below) will result in a proportionate reduction in the lenders commitment under the Revolving Credit Agreement. At March 31, 2002 lenders commitments under the Revolving Credit Facility were limited to \$37.7 million. Borrowings under the Revolving Credit Facility are further limited to borrowing base amounts as defined. The February 2002 Amendment provides for interest on borrowings at prime plus 2.50%. In addition, the February 2002 Amendment requires the Company to pay a facility fee of 0.75% on the commitment amount. Borrowings under the Revolving Credit Facility are secured by the Company's domestic accounts receivable, inventories, certain intangibles, machinery and equipment and owned real estate as well as certain assets in Canada. The Company has also pledged slightly less than two-thirds of the capital stock of two of its foreign subsidiaries. The Revolving Credit Facility, as amended, requires the Company to maintain certain financial ratios and places limitations on the Company's ability to pay cash dividends, incur additional indebtedness and make investments, including acquisitions.

At March 31, 2002, the Company was in violation of several financial covenants. These violations permit the lenders to cause the Revolving Credit Facility to become due prior to its stated maturity. As a result of the maturity, the Company has

43

classified all of its outstanding indebtedness under the Revolving Credit Facility at March 31, 2002 as current. This Event of Default also restricts the Company from borrowing any additional funds under the Revolving Credit Facility and increases the interest rate on borrowings to prime plus 5.50%. The Company is continuing to make all required interest payments. The Company is currently negotiating with its lenders to amend this Revolving Credit Facility to address the Company's violations and to extend the expiration date. If the Company is unable to negotiate an amendment to the Revolving Credit Facility, it will be necessary for the Company to refinance or repay this debt. The Company cannot assure that it will be able to accomplish such a transaction on terms acceptable to the Company. Failure to do so would have a material adverse effect on the Company's liquidity and financial condition and could result in the Company's inability to operate as a going concern. If the Company is unable to operate as a going concern, it may file, or may have no alternative but to file, bankruptcy or insolvency proceedings or pursue a sale or sales of assets to satisfy creditors.

The weighted average interest rate on borrowings under the Revolving Credit Facility was 9.2% during fiscal 2002.

In January 1998, the Company issued, through private placement, \$30 million of Senior Notes due 2008 (the "Senior Notes"). The Senior Notes, as amended, bear interest at 10.6% effective April 15, 2001. In addition, the agreement relating to the Senior Notes, as amended, provides for an additional fee of 0.75% per annum on the outstanding principal amount of the Senior Notes for any quarter during which the ratio of debt to EBITDA equals or exceeds 4.00 to 1.00. The Senior Notes require monthly principal payments commencing in February 2002 and are secured equally and ratably with debt under the Revolving

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Credit Facility.

The Company is required to maintain certain financial ratios under the Senior Notes. At March 31, 2002, the Company was in violation of several of these financial covenants. These violations permit the lender to cause the Senior Notes to become due prior to their stated maturity. As a result, the Company has classified all of its outstanding indebtedness under the Senior Notes at March 31, 2002 as current. The Company is continuing to make all required interest payments. The Company made its required principal payments through March 2002, but has not made the required monthly payments after March 2002. The Company is currently negotiating with its lender to amend the Senior Notes to eliminate the Company's violations and to amend the schedule of principal payments required. If the Company is unable to negotiate an amendment to the Senior Notes, it will be necessary for the Company to refinance or repay this debt. The Company cannot assure that it will be able to accomplish such a transaction on terms acceptable to the Company. Failure to do so would have a material adverse effect on the Company's liquidity and financial condition and could result in the Company's inability to operate as a going concern. If the Company is unable to operate as a going concern, it may file, or may have no alternative but to file, bankruptcy or insolvency proceedings or pursue a sale or sales of assets to satisfy creditors.

The weighted average interest rate on borrowings under the Senior Notes was 9.1% during fiscal 2002.

Other long-term debt bears interest at various rates, which ranged from 6.2% to 7.0% at March 31, 2002 and March 31, 2001. The obligations mature at various intervals between 2003 and 2007.

The Company's long-term debt excluding the Revolving Credit Facility and the Senior Notes, matures as follows: \$313 in 2004, \$313 in 2005, \$313 in 2006 and \$79 in 2007.

The Company also maintains available lines of credit from various foreign banks, which are secured by the assets of certain foreign subsidiaries. Short-term borrowings amounted to \$961 and \$939 at March 31, 2002 and 2001, respectively, under these lines of credit. The interest rates on such borrowings at March 31, 2002 ranged from 7.0% to 11.0%.

Based on the Events of Default which prevent the Company from accessing its Revolving Credit Facility, the Company can only obtain funds under its foreign credit facilities. Total availability under the foreign credit facilities at March 31, 2002, was approximately \$4,799.

Cash paid for interest totaled \$6,633, \$5,687 and \$4,786 for fiscal year 2002, 2001 and 2000, respectively.

44

In May 2002, with the assistance of strategic financial advisors, the Company developed a formal business restructuring plan. The multi-year plan includes a series of initiatives to improve operating income and reduce debt through restructuring, consolidation and divestiture of non-core businesses. Potential operating gains or losses may be experienced with the disposition of assets at the time of disposal during the implementation of the restructuring plan. Operating income improvements combined with debt reduction targets are expected to result. Implementation efforts are currently underway. As appropriate, the Company will report future quarterly and annual results separately for continuing operations and for discontinued operations.

The Company is negotiating agreements with its lenders to amend the

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current Revolving Credit Facility and Senior Note agreements and to address existing violations. Among other things, we seek to revise principal amortization of the Senior Notes and obtain ongoing borrowing capacity under the Revolving Credit Facility, subject to applicable borrowing base and other provisions. In addition to other terms and conditions, we expect to incur interest rates on borrowings under the Revolving Credit Facility at a higher applicable margin than under its existing provisions. We also intend to seek during fiscal 2003 other financing to retire the Senior Notes and Revolving Credit Facility. There can be no assurance however that we will be able to amend the existing agreements or obtain other financing.

5. LEASES:

The Company leases certain office and warehouse space and equipment under operating leases which expire at various dates through 2012. Future minimum rental payments under long-term lease agreements are as follows: \$1,781 in 2003, \$1,454 in 2004, \$1,027 in 2005, \$588 in 2006, \$240 in 2007 and \$522 after 2008 with a cumulative total of \$5,612. In addition, the Company rents other property on a month-to-month basis.

Total rental expense was \$4,361, \$4,164 and \$3,600 for fiscal 2002, 2001 and 2000, respectively.

6. INCOME TAXES:

The Company recorded a \$10,261 charge to establish a valuation allowance for its net deferred tax assets and net operating loss carryforwards in the fourth quarter of fiscal year 2002. The valuation allowance was calculated in accordance with the provisions of SFAS 109. The Company intends to maintain a full valuation allowance of its net deferred tax assets and net operating loss carryforwards until sufficient positive evidence exists to support reversal of the remaining reserve. Until such time, except for foreign tax provisions, the Company expects to have no reported tax provision, net of valuation allowance adjustments.

45

Components of income (loss) from continuing operations before income taxes as follows:

	2002	AS RESTATED 2001	2000
	----	----	----
United States	\$ (60)	\$ (5,338)	\$ 473
Foreign	(6,898)	(3,373)	2,775
	-----	-----	-----
	\$ (6,958)	\$ (8,711)	\$ 3,248
	=====	=====	=====

Components of the provision for income taxes by jurisdiction follow:

	2002	AS RESTATED 2001	2000
	----	----	----

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Current	-- Federal	\$ --	\$ 431	\$ (2,674)
	-- State and local	--	11	(102)
	-- Foreign	1,518	1,892	2,178
		-----	-----	-----
		1,518	2,334	(598)
Deferred	-- Federal	9,351	(2,313)	1,612
	-- State and local	(56)	(508)	154
	-- Foreign	446	57	131
		-----	-----	-----
		9,741	(2,764)	1,897
		-----	-----	-----
		\$ 11,259	\$ (430)	\$ 1,299
		=====	=====	=====

Differences between the statutory United States federal income tax rate (34%) and the effective income tax rate are as follows:

	2002	AS RESTATED 2001	2000
	----	----	----
Federal income tax provision (benefit) at statutory rate	\$ (2,366)	\$ (2,962)	\$ 1,104
State income taxes, net	--	(303)	34
Foreign tax rate differential	2,999	2,288	66
Meals and entertainment	179	198	219
Valuation allowance	10,261	--	--
Other	186	349	(124)
	-----	-----	-----
Effective income tax	\$ 11,259	\$ (430)	\$ 1,299
	=====	=====	=====

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities were comprised of the following at March 31, 2002 and 2001:

	2002	AS RESTATED 2001
	----	----
DEFERRED TAX ASSETS		
Bad debts	\$ 590	\$ 458
Other reserves	1,267	1,329
Uniform cost capitalization	27	217
Accrued expenses	671	512
Pension and other benefit reserves	654	586
Minimum tax credit	557	557
Federal net operating loss carryforward	6,285	5,667
State net operating loss carryforwards	714	725
Other	710	636
	-----	-----
Total deferred tax assets	11,475	10,687

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	2002	AS RESTATED 2001
	----	----
DEFERRED TAX LIABILITIES		
Fixed assets	(673)	(917)
Other	(938)	(732)
	-----	-----
Total deferred tax liabilities	(1,611)	(1,649)
	-----	-----
Valuation allowance	(10,261)	--
	-----	-----
Total net deferred taxes	\$ (397)	\$ 9,038
	=====	=====

Accrued liabilities included \$375 and \$588 at March 31, 2002 and 2001, respectively, related to accrued income taxes.

No income tax benefit for United States income tax on approximately \$9,031 of undistributed losses of foreign subsidiaries at March 31, 2002 has been made. Determination of the amount of the unrecognized deferred tax liabilities for temporary differences related to investments in foreign subsidiaries is not practicable.

The Company had state net operating loss carryforwards of approximately \$13,521 at March 31, 2002. At March 31, 2002, the Company had federal net operating loss carryforwards of \$18,188, which expire through 2022. The Company also has federal credit carryforwards of \$557 at March 31, 2002 relating to non-expiring alternative minimum tax credits.

Cash paid for income taxes totaled \$1,603, \$1,897 and \$2,471 for fiscal 2002, 2001 and 2000, respectively.

7. EMPLOYEE BENEFIT PLANS:

One of the Company's foreign subsidiaries has a contributory defined benefit pension plan. Employees of such foreign subsidiary no longer accrue benefits under the plan, however, the Company continues to be obligated to fund prior period benefits. The Company funds the plan in accordance with recommendations from independent actuaries. Pension benefits generally depend on length of service and job grade.

The following table sets forth the change in benefit obligation, change in plan assets, funded status, Consolidated Balance Sheets presentation, net periodic pension benefit cost and the relevant assumptions for the Company's defined benefit pension plan at March 31:

	2002	AS RESTATED 2001
	----	----
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 3,651	\$ 3,745
Service cost	--	--
Interest cost	218	211
Assumption change	--	(221)

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Benefits paid	(53)	(84)
	-----	-----
Benefit obligation at end of year	\$ 3,816	\$ 3,651
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 2,933	\$ 3,145
Employer contributions	137	126
Benefits paid	(53)	(84)
Investment return	17	(254)
	-----	-----
Fair value of plan assets at end of year	\$ 3,034	\$ 2,933
Funded status	\$ (782)	\$ (718)
Amounts recognized in Consolidated Balance Sheets		
Accrued benefit liability	\$ (68)	\$ (210)
Minimum pension liability	(714)	(508)

47

	2002	As Restated 2001	2000
	----	----	----
Net periodic pension benefit cost			
Service cost	\$ --	\$ --	\$ 216
Interest cost	218	211	245
Actual return on assets	(239)	(256)	(485)
Net amortization and deferral	17	--	245
	-----	-----	-----
Net periodic pension cost	\$ (4)	\$ (45)	\$ 221
Weighted-average assumptions as of March 31			
Discount rate	6.0%	6.5%	6.5%
Long-term rate of return on plan assets	8.0%	8.5%	8.5%
Rate of increase in compensation level	N/A	N/A	4.5%

The Company also maintains the Corrpro Companies, Inc. 401(k) Savings Plan for all eligible employees in the United States under Section 401(k) of the Internal Revenue Code. The Company may, at its discretion, make contributions to the plan. In addition, the plan permits matching contributions. Effective October 1, 2000, the Company began matching employee contributions with treasury shares. For fiscal year 2002 and 2001, the Company issued 375 and 148 treasury shares for the Company's matching portion. Total matching contributions in cash and treasury shares totaled \$977, \$973 and \$924 in fiscal 2002, 2001 and 2000, respectively.

Effective April 2002, the Company has suspended the Company match.

The Company has entered into an agreement with one of its executives which provides, among other things, that such employee shall be eligible to receive retirement income, with a lifetime survivor benefit, in an amount equal to 50% of base salary. The Company is providing for this deferred compensation benefit over the term of the agreement.

8. SHAREHOLDERS' EQUITY:

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Stock Repurchase Program

In November 1996, the Board of Directors authorized a program to repurchase up to 750 shares of the Company's outstanding common shares. In April 1999, the Board of Directors authorized the repurchase of up to an additional 750 outstanding common shares. No shares were repurchased in fiscal 2002 or 2001 under this program. During fiscal 2000, the Company repurchased approximately 153 shares, at a total cost of \$1,429 under this program. The Company's Revolving Credit Facility, as amended, provides for limitations on the Company's ability to repurchase its outstanding common shares.

Shareholder Rights Plan

On July 23, 1997, the Company adopted a Shareholder Rights Plan and declared a dividend of one Right on each outstanding common share of the Company. Each Right would entitle shareholders to buy, upon certain triggering events, one one-hundredth of a newly created Series A Junior Participating Preferred Share at an exercise price of \$75 (subject to certain adjustments). The record date for the distribution was August 7, 1997.

Subject to certain exceptions, Rights will become exercisable only after a person or group acquires 20% or more of the Company's common shares or announces a tender offer for 20% or more of the Company's common shares. The Company's Board of Directors can redeem the Rights at \$0.01 per Right at any time before a person acquires 20% or more of the Company's common shares. If a person or group acquires 20% or more of the Company's common shares, each Right will entitle holders, other than the acquiring party, to purchase common shares of the Company having a market value of twice the exercise price of the Right. If, after the Rights have become exercisable, the Company merges or otherwise combines with another entity, each Right then outstanding will entitle its holder to purchase a number of the acquiring party's common shares having a market value of twice the exercise price of the Right. The Plan also contains other customary provisions and is similar to plans adopted by many other companies. The Rights will expire in July 2007.

48

9. STOCK PLANS:

In June 1999, the Company adopted an Employee Stock Purchase Plan under which employees have a systematic long-term investment opportunity to own Company shares. Shareholder approval for such adoption was obtained on July 22, 1999. In total, 375 common shares are available for purchase under the plan.

The Company has options outstanding under various option plans including the 1997 Long-Term Incentive Plan (the "1997 Option Plan") and the 1997 Non-Employee Directors' Stock Option Plan (the "1997 Directors Plan"). The Company's 1994 Corrpro Stock Option Plan (the "1994 Plan") and the 1994 Corrpro Outside Directors' Stock Option Plan (the "Directors Plan") were terminated upon adoption of the 1997 Option Plan and the 1997 Directors Plan. In addition, prior to its initial public offering in September 1993, the Company issued stock options under various arrangements.

The 1997 Option Plan was adopted on April 28, 1997, subject to shareholder approval, which was obtained on July 23, 1997. The 1997 Option Plan, as amended, provides for the granting of up to 469 non-qualified stock options, stock appreciation rights, restricted stock awards or stock bonus awards to officers, key employees and consultants of the Company. In addition, the 1997 Option Plan provides that shares exercised, forfeited or otherwise terminated under previously granted stock awards, other than awards under the 1994 Directors Plan, will also be available for grant under the new plan. The option price per

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share will generally be the fair market value of the Company's common shares on the date of grant and the term of the options will not exceed 10 years. The 1997 Option Plan will terminate on April 28, 2007. On April 30, 1998, the Company adopted an amendment to the 1997 Option Plan increasing the number of shares available for issuance by 300.

The 1997 Directors Plan was also adopted on April 28, 1997. The 1997 Directors Plan provides for the granting of up to 63 non-qualified stock options to current and future non-employee directors of the Company. Under this plan, each non-employee director will annually be granted options to purchase 3 common shares. The option price per share will be the fair market value of the Company's common shares on the date of grant and the term of the options will be 10 years. The 1997 Directors Plan will terminate on April 28, 2007.

In fiscal 2001, the Company adopted a plan whereby holders of stock options covered under the 1997 Option Plan could surrender options previously granted with the understanding that a like number of options would be granted no sooner than six months after surrender. Accordingly, options for 654 shares with exercise prices ranging from \$5.25 to \$14.96 were surrendered during December 2000. Subsequently, in June 2001, the Company reissued options for 648 shares with a price of \$2.55, the market price.

Shares for issuance under equity compensation plans does not include the Company's 2001 Non-Employee Directors' Stock Appreciation Rights Plan which has not been approved by its shareholders. Under this plan, non-employee directors received a one-time grant of vested stock appreciation rights as part of their compensation for serving as directors. The stock appreciation rights entitle each eligible director to be paid in cash, subject to the applicable terms and conditions of the grant, on or after May 17, 2006, the amount of appreciation in the fair market value of 10,000 Common Shares between May 17, 2001 and May 17, 2006. Currently, three such non-employee directors hold such stock appreciation rights.

49

Stock option activity for the Company during fiscal 2002, 2001 and 2000 was as follows:

NUMBER OF SHARES	2002	2001	2000
-----	----	----	----
Options outstanding, beginning of year	757	1,107	1,229
Granted	676	425	45
Exercised	--	(2)	(82)
Expired, canceled or surrendered	(130)	(773)	(85)
	-----	-----	-----
Outstanding, end of year	1,303	757	1,107
	-----	-----	-----
Exercisable, end of year	305	444	907
Available for grant, end of year	1,014	891	568
Price range of options:			
Granted	\$ 1.30 to	\$ 3.69 to	\$ 5.25 to
	\$ 3.05	\$ 4.00	\$ 9.94
Exercised	N/A	\$ 1.86	\$ 1.86 to
			\$ 7.75
Options outstanding, end of year	\$ 1.30 to	\$ 1.86 to	\$ 1.86 to

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\$ 13.78 \$ 13.78 \$ 17.33

Of the options shares outstanding at March 31, 2002, 1,108 shares outstanding were in a price range of \$1.30 to \$3.75. The remaining 195 options shares outstanding were at a price range from \$4.00 to \$13.78.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and will continue to account for stock-based compensation using the intrinsic value method under APB No. 25 "Accounting for Stock Issued to Employees." Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's income from continuing operations and income from continuing operations per share would have been reduced to the pro forma amounts indicated below:

	2002 ----	AS RESTAT 2001 ----
Income (loss) from continuing operations:		
As reported	\$ (18,217)	\$ (8,28
Pro forma	(18,339)	(8,68
Income (loss) from continuing operations per share - Basic:		
As reported	\$ (2.24)	\$ (1.0
Pro forma	(2.26)	(1.1
Income (loss) from continuing operations per share - Diluted:		
As reported	\$ (2.24)	\$ (1.0
Pro forma	(2.26)	(1.1

All options were granted at an exercise price equal to the market price of the Company's common stock at the date of the grant. The weighted-average fair value price at the date of grant for options granted during fiscal 2002, 2001 and 2000 was \$3.70, \$3.75 and \$5.63 per option, respectively. For purposes of this pro forma, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The significant assumptions used were risk-free interest rates ranging from 4.2% to 7.0%, expected volatility of 113.5% for 2002, 46.5% for 2001 and 49.0% for 2000, an expected life of 10 years and no expected dividends.

50

10. BUSINESS SEGMENTS:

The Company's business segments and a description of the products and services they provide are described below:

Domestic Core Operations. The Domestic Core Operations segment consists of the Company's operations in the United States and Central and South America, which provide products and services including corrosion control, coatings, pipeline integrity, risk assessment and inspection services. This segment provides corrosion control products and services to a wide-range of customers in a number of industries including: energy, utilities, water and wastewater treatment, chemical and petrochemical, pipelines, defense and municipalities. In addition, this segment provides coatings services to customers in the entertainment, aerospace, transportation, petrochemical and electric power industries, as well

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as inspection services to customers in the pharmaceutical, chemical and energy industries. Finally, this segment includes a production facility in the United States that assembles and distributes cathodic protection products, such as anodes, primarily to the United States market.

Canadian Operations. The Canadian Operations segment provides corrosion control, pipeline integrity and inspection services to customers in Canada who are primarily in the oil and gas industry. These customers include pipeline operators, petrochemical plants and refineries. The Canadian Operations segment also includes production facilities that assemble products such as anodes and rectifiers.

International Operations. The International Operations segment consists of the Company's operations in Europe, the Middle East and Asia, which provide corrosion control products and services to customers in the petroleum, utility, industrial, marine and offshore markets, as well as to governmental entities in connection with their infrastructure assets. This segment includes the operations of our Australian subsidiary that became subject to voluntary administration on March 21, 2002.

Other Operations. The Other Operations segment includes the Company's corrosion monitoring equipment business, which assembles and sells products including probes, instruments and access fittings to customers in the oil and gas and chemical industries. In addition, this segment also includes the Company's risk assessment and analysis software business, which sells or licenses products to customers primarily in the oil and gas industry.

Financial information relating to the Company's operations by segment are presented below:

	2002 ----	AS RESTATED 2001 ----	
Revenue:			
Domestic Core Operations	\$ 101,549	\$ 99,684	\$
Canadian Operations	21,277	24,328	
International Operations	37,326	36,877	
Other Operations	12,052	9,042	
Eliminations	(14)	(5,994)	
	-----	-----	-----
	\$ 172,190	\$ 163,937	\$ 1
	=====	=====	=====
Operating Income (Loss):			
Domestic Core Operations	\$ 14,980	\$ 12,483	\$
Canadian Operations	2,850	4,193	
International Operations	(4,343)	(1,992)	
Other Operations	1,466	1,322	
Corporate Related Costs, Unusual Items and Other	(14,559)	(17,963)	(
	-----	-----	-----
	\$ 394	\$ (1,957)	\$
	=====	=====	=====
Total Assets:			
Domestic Core Operations	\$ 73,241	\$ 77,462	
Canadian Operations	21,588	22,217	
International Operations	4,736	17,060	
Other Operations	7,801	7,177	
Corporate Related Assets and Other	2,087	11,635	
	-----	-----	
	\$ 109,453	\$ 135,551	

=====

51

	2002	AS RESTATED 2001
	----	----
Capital Expenditures, Net of Proceeds from Retirements:		
Domestic Core Operations	\$ (511)	\$ 1,322
Canadian Operations	6	(91)
International Operations	108	247
Other Operations	120	(40)
Corporate Related Capital Expenditures	86	(155)
	-----	-----
	\$ (191)	\$ 1,283
	=====	=====
Depreciation and Amortization:		
Domestic Core Operations	\$ 1,566	\$ 1,727
Canadian Operations	683	729
International Operations	1,009	1,102
Other Operations	777	617
Corporate Related Depreciation and Amortization	1,782	1,634
	-----	-----
	\$ 5,817	\$ 5,809
	=====	=====

11. NET ASSETS HELD FOR SALE:

In fiscal 2000, the Company completed the disposition of its UK and Asia foundry operations. The divested UK and Asia foundry operations are reported as discontinued operations and the consolidated financial statements have been reclassified to report separately the results of operations of the divested foundries.

As a result of these divestitures, the Company recorded a loss on disposal of \$4,610 (\$4,264 net of related tax benefit) in fiscal 2000. The loss included \$3,000 related to the write-off of goodwill and \$1,610 of other costs including severance payments and transaction related expenses. The Company allocated interest of \$45 in 2000 based on the proceeds realized from the divestiture. Revenues from the UK and Asia foundry operations, which are excluded from consolidated revenues, totaled \$6,416 in 2000. The revenues included intercompany sales of \$2,122 in 2000. Loss from discontinued operations totaled \$(353) in 2000.

52

12. RESTATED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The following quarterly financial information for the Company's fiscal year ended March 31, 2002 is, by means of this filing, being restated to reflect certain adjustments discussed in Note 2.

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(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended March 31, 2002			
	First Quarter		Second Quarter	
	Previously Reported	As Restated	Previously Reported	As Restated
Revenues	\$ 44,377	\$ 44,071	\$ 43,231	\$ 42,710
Cost of sales	30,967	30,951	28,950	29,030
Selling, general & administrative expenses	11,202	11,233	10,742	10,900
Operating income	2,208	1,887	3,539	2,780
Interest expense	1,820	1,833	1,924	1,930
Income (loss) before income taxes	388	54	1,615	850
Provision for income taxes	163	320	718	710
Net income (loss)	\$ 225	\$ (266)	\$ 897	\$ 130
Earnings (loss) per share:				
Basic	\$ 0.03	\$ (0.03)	\$ 0.11	\$ 0.00
Diluted	\$ 0.03	\$ (0.03)	\$ 0.11	\$ 0.00
Weighted average shares:				
Basic	7,960	7,960	8,073	8,070
Diluted	7,978	7,960	8,104	8,100

53

CORRPRO COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

ASSETS	Year Ended March 31, 2002			
	First Quarter		Second Quarter	
	Previously Reported	As Restated	Previously Reported	As Restated
Current Assets:				

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Cash and cash equivalents	\$ 3,279	\$ 3,206	\$ 4,399	\$ 4,373
Accounts receivable, net	47,106	46,107	38,861	37,983
Inventories	20,499	19,083	21,482	20,200
Prepaid expenses and other	6,837	5,990	7,679	6,846
Deferred income taxes	2,697	2,526	2,691	2,526
	-----	-----	-----	-----
Total current assets	80,418	76,912	75,112	71,928
	-----	-----	-----	-----
Property, plant and equipment, net	12,632	12,530	11,735	11,636
Other Assets:				
Goodwill	37,250	37,352	37,008	37,107
Other assets	11,077	11,904	11,015	11,840
	-----	-----	-----	-----
Total other assets	48,327	49,256	48,023	48,947
	-----	-----	-----	-----
	\$ 141,377	\$ 138,698	\$ 134,870	\$ 132,511
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Short-term borrowings and current portion of long-term debt	\$ 5,881	\$ 5,881	\$ 6,276	\$ 6,276
Accounts payable	15,206	15,257	12,805	13,341
Accrued liabilities and other	8,651	10,394	9,081	11,230
	-----	-----	-----	-----
Total current liabilities	29,738	31,532	28,162	30,847
	-----	-----	-----	-----
Long-term debt, net of current portion	65,126	65,126	59,300	59,300
Commitments and contingencies	--	--	--	--
Minority interest	90	90	58	58
Shareholders' Equity:				
Serial preferred shares	--	--	--	--
Common shares	2,276	2,276	2,276	2,276
Additional paid-in capital	49,047	49,047	48,141	48,140
Accumulated earnings	5,766	1,700	6,663	1,834
	-----	-----	-----	-----
	57,089	53,023	57,080	52,250
Accumulated other comprehensive loss	(5,789)	(6,196)	(6,048)	(6,262)
Common shares in treasury, at cost	(4,877)	(4,877)	(3,682)	(3,682)
	-----	-----	-----	-----
Total shareholders' equity	46,423	41,950	47,350	42,306
	-----	-----	-----	-----
	\$ 141,377	\$ 138,698	\$ 134,870	\$ 132,511
	=====	=====	=====	=====

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	Year Ended March			
	Three Months Ended		Six Months Ended	
	Previously Reported	As Restated	Previously Reported	Res
Cash flows from operating activities:				
Net income (loss)	\$ 225	\$ (266)	\$ 1,122	\$
Adjustments to reconcile net income (loss) to net cash provided (used) for operations:				
Depreciation and amortization	1,354	1,354	2,861	
401K matching contribution in Treasury shares	215	215	465	
Deferred income taxes	(9)	(1)	(3)	
(Gain) loss on sale of assets	8	8	(86)	
Minority interest	(1)	(1)	(36)	
Changes in operating assets and liabilities:				
Accounts receivable	(3,609)	(3,786)	4,226	
Inventories	1,965	1,750	920	
Prepaid expenses and other	(2,156)	(1,970)	(3,606)	
Other assets	(572)	(400)	(614)	
Accounts payable and accrued expenses	(369)	(94)	(2,026)	
Total adjustments	(3,174)	(2,925)	2,101	
Net cash provided (used) by operating activities	(2,949)	(3,191)	3,223	
Cash flows from investing activities:				
Additions to property, plant and equipment	(317)	(220)	(433)	
Proceeds from disposal of property, plant and equipment	377	377	615	
Net cash provided (used) by investing activities	60	157	182	
Cash flows from financing activities:				
Net (payments) borrowings under revolving credit facility and lines of credit	2,419	2,419	(2,706)	
Net payments under other long-term debt	(138)	(138)	(295)	
Net payments from issuance of Common Shares	--	--	--	
Net proceeds from employee stock purchase plan	--	--	40	
Net cash provided (used) by financing activities	2,281	2,281	(2,961)	
Effect of changes in foreign currency exchange rates on cash	(13)	(73)	55	
Net increase (decrease) in cash	(621)	(826)	499	
Cash and cash equivalents at beginning of period	3,900	4,032	3,900	
Cash and cash equivalents at end of period	\$ 3,279	\$ 3,206	\$ 4,399	\$

The following quarterly financial information for the Company's fiscal year ended March 31, 2001 is, by means of this filing, being restated to reflect certain adjustments discussed in Note 2.

CORRPRO COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended March 31, 2001				
	First Quarter		Second Quarter		Third
	Previously Reported	As Restated	Previously Reported	As Restated	Previously Reported
Revenues	\$ 40,760	\$ 40,496	\$ 43,486	\$ 43,440	\$ 42,709
Cost of sales	27,045	27,044	29,483	29,483	29,296
Selling, general & administrative expenses	11,660	11,660	11,710	11,710	10,692
Operating income	2,055	1,792	2,293	2,247	2,721
Interest expense	1,456	1,456	1,571	1,571	1,747
Income before income taxes	599	336	722	676	974
Provision for income taxes	239	240	288	288	391
Net income	\$ 360	\$ 96	\$ 434	\$ 388	\$ 583
Earnings per share:					
Basic	\$ 0.05	\$ 0.01	\$ 0.06	\$ 0.05	\$ 0.08
Diluted	\$ 0.05	\$ 0.01	\$ 0.06	\$ 0.05	\$ 0.07
Weighted average shares:					
Basic	7,687	7,687	7,706	7,706	7,731
Diluted	7,748	7,748	7,760	7,760	7,783

CORRPRO COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)
CONTINUED

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	Year Ended March 31, 2001	

	Fourth Quarter	

	Previously	As
	Reported	Restated
	-----	-----
Revenues	\$ 38,461	\$ 37,549
Cost of sales	29,330	30,910
Selling, general & administrative expenses	14,639	15,098
	-----	-----
Operating loss	(5,508)	(8,459)
Interest expense	1,997	1,980
	-----	-----
Loss before income taxes	(7,505)	(10,439)
Provision for income taxes	(1,422)	(1,347)
	-----	-----
Net loss	\$ (6,083)	\$ (9,092)
	=====	=====
Loss per share:		
Basic	\$ (0.78)	\$ (1.16)
Diluted	\$ (0.78)	\$ (1.16)
Weighted average shares:		
Basic	7,822	7,822
Diluted	7,822	7,822

57

CORRPRO COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

	Year Ended March 31, 2001			
	-----		-----	
	First Quarter		Second Quarter	
	-----		-----	
	Previously	As	Previously	As
	Reported	Restated	Reported	Restated
	-----	-----	-----	-----
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,048	\$ 2,048	\$ 2,502	\$ 2,502
Accounts receivable, net	40,840	40,576	46,332	46,022
Inventories	23,855	23,855	24,196	24,196

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Prepaid expenses and other	11,613	9,125	11,320	8,852
Deferred income taxes	--	2,488	--	2,469
	-----	-----	-----	-----
Total current assets	78,356	78,092	84,350	84,041
	-----	-----	-----	-----
Property, plant and equipment, net	15,828	15,828	15,571	15,571
Other Assets:				
Goodwill	39,395	39,395	38,414	38,414
Other assets	10,187	9,067	9,948	8,830
	-----	-----	-----	-----
Total other assets	49,582	48,462	48,362	47,244
	-----	-----	-----	-----
	\$ 143,766	\$ 142,382	\$ 148,283	\$ 146,856
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Short-term borrowings and current portion of long-term debt	\$ 2,114	\$ 2,114	\$ 2,217	\$ 2,217
Accounts payable	14,642	14,642	17,569	17,569
Accrued liabilities and other	8,164	8,164	7,662	7,662
	-----	-----	-----	-----
Total current liabilities	24,920	24,920	27,448	27,448
	-----	-----	-----	-----
Long-term debt, net of current portion	63,966	63,966	66,629	66,629
Deferred income taxes	1,120	--	1,118	--
Commitments and contingencies	--	--	--	--
Minority interest	192	192	100	100
Shareholders' Equity:				
Serial preferred shares	--	--	--	--
Common shares	2,276	2,276	2,284	2,284
Additional paid-in capital	51,486	51,486	51,259	51,259
Accumulated earnings	10,607	10,343	11,041	10,732
	-----	-----	-----	-----
	64,369	64,105	64,584	64,275
Accumulated other comprehensive loss	(2,726)	(2,726)	(3,833)	(3,833)
Common shares in treasury, at cost	(8,075)	(8,075)	(7,763)	(7,763)
	-----	-----	-----	-----
Total shareholders' equity	53,568	53,304	52,988	52,679
	-----	-----	-----	-----
	\$ 143,766	\$ 142,382	\$ 148,283	\$ 146,856
	=====	=====	=====	=====

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	Year Ended March			
	Three Months Ended		Six Months Ended	
	Previously Reported	As Restated	Previously Reported	Res
Cash flows from operating activities:				
Net income	\$ 360	\$ 96	\$ 794	\$
Adjustments to reconcile net income to net cash provided (used) for operations:				
Depreciation and amortization	1,372	1,372	2,903	
401K matching contribution in Treasury shares	--	--	--	
Deferred income taxes	52	52	95	
(Gain) loss on sale of assets	(44)	(44)	(46)	
Minority interest	50	50	(48)	
Changes in operating assets and liabilities:				
Accounts receivable	(2,410)	(2,146)	(8,170)	(
Inventories	16	16	(655)	
Prepaid expenses and other	(2,185)	(2,185)	(2,190)	(
Other assets	(427)	(427)	(31)	
Accounts payable and accrued expenses	77	77	2,470	
Total adjustments	(3,499)	(3,235)	(5,672)	(
Net cash provided (used) by operating activities	(3,139)	(3,139)	(4,878)	(
Cash flows from investing activities:				
Additions to property, plant and equipment	(875)	(875)	(1,576)	(
Proceeds from disposal of property, plant and equipment	348	348	348	
Net cash provided (used) by investing activities	(527)	(527)	(1,228)	(
Cash flows from financing activities:				
Net (payments) borrowings under revolving credit facility and lines of credit	3,916	3,916	7,198	
Net payments under other long-term debt	(130)	(130)	(601)	
Net payments from issuance of Common Shares	--	--	4	
Net proceeds from employee stock purchase plan	--	--	89	
Net cash provided (used) by financing activities	3,786	3,786	6,690	
Effect of changes in foreign currency exchange rates on cash	(37)	(37)	(47)	
Net increase (decrease) in cash	83	83	537	
Cash and cash equivalents at beginning of period	1,965	1,965	1,965	
Cash and cash equivalents at end of period	\$ 2,048	\$ 2,048	\$ 2,502	\$

13. LEGAL MATTERS:

As previously reported, in January 2000, the Michigan Department of Environmental Quality ("MDEQ") issued an administrative decision which effectively limited the scope of MDEQ's 1995 approval of certain assessment methodologies utilized by Corrpro in determining whether certain underground storage tanks meet Michigan's regulatory requirements for upgrade by means of cathodic protection. The MDEQ decision also would have required us to conduct further assessments and provide certain information. The assessment methodologies at issue have been and remain recognized by the Environmental Protection Agency ("EPA") and the other states in which we utilized such methodologies for virtually identical purposes. We believed that MDEQ's decision was in error and on January 24, 2000, filed a complaint and claim of appeal in the Circuit Court for the County of Ingham, Michigan seeking declaratory relief and appealing the decision on several grounds. In its November 14, 2000 ruling, the Ingham Circuit Court reversed MDEQ's decision that directed we take certain actions and provide certain information, however, the court also found that MDEQ had not approved the full use of the assessment methodologies we utilized in Michigan.

We believed that the circuit court's finding that MDEQ had not approved full use of the methodologies was not supported by the evidence, and was contradicted by evidence contained in the administrative record. On December 5, 2000, we filed, in the Michigan Court of Appeals, an application for leave to appeal the circuit court's finding that MDEQ did not approve the full use of the assessment methodologies we utilized in Michigan. By order dated February 14, 2001, the Michigan Court of Appeals denied our application for leave to appeal the circuit court's finding. On March 7, 2001, we filed an application for leave to appeal with the Supreme Court of the State of Michigan. On August 28, 2001, the Michigan Supreme Court denied our application for leave to appeal.

As a result of these proceedings, the MDEQ's administrative decision finding that certain of our assessment methodologies were not approved in full was upheld, but the MDEQ was found not to have jurisdiction to enforce its decision against us. In July 2002, the MDEQ sent certain underground storage tank owners and operators who may have relied on our method of assessment a notice informing them that certain of such owners and operators' tanks were improperly upgraded, that such owners and operators are to provide to MDEQ upon request evidence that they have conducted state required tank tightness testing, and certain of such tanks must be internally inspected. MDEQ also advised that internally inspected tanks that do not satisfy applicable criteria should be taken out-of-service and removed from the ground. There can be no assurance that the MDEQ will not take further action against underground storage tank owners or operators.

On July 25, 2002, a summons and complaint was issued from the Circuit Court for the County of Ingham, Michigan. The action was commenced by Blogett Oil Company, Inc. and other owners and operators of underground storage tanks systems on behalf of themselves and others similarly situated. The complaint relates to the MDEQ regulatory proceeding described immediately above and names both the Company and MDEQ. The plaintiffs seek an unspecified amount of damages in excess of \$25 from Corrpro. The plaintiffs also seek injunctive relief prohibiting the MDEQ from declaring that underground storage tanks upgraded by the Company do not meet the current requirement for corrosion protection set forth by law. The Company is unable at this time to make a determination as to whether an adverse outcome is likely and whether an adverse outcome would have a materially adverse affect on its operations or financial condition.

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During fiscal 2001, the Company discovered that a former employee used an incorrect assessment standard in connection with the evaluation of whether certain underground storage tanks located at as many as 67 sites were eligible for upgrade using cathodic protection. Such evaluations were done using one of the approved assessment methodologies. The tanks at these sites, which are located in five states, were subsequently upgraded using cathodic protection which arrests corrosion. These tanks are also subject to ongoing leak detection requirements. Based on the Company's review of available information and governmental records, the Company believes that there have not been any releases from the affected tanks as a result of the actions of the former employee. The Company has contacted, and in October and November 2000 met with, officials from the EPA and officials from the corresponding environmental protection agencies of the five states involved to discuss this matter. It is the Company's understanding that none of the states nor the EPA intend to take any enforcement action as a result of the use of the inaccurate standard by the former employee. The Company is currently working with the states and the EPA to develop and implement field investigation procedures to assess the current status of the affected sites. Based on currently available information, the Company does not believe that the cost of field investigation procedures for this matter will have a material effect on the future operations, financial position or cash flows of the Company.

60

The Company is a defendant in a purported class action suit filed on June 24, 2002, in the United States District Court, Northern District of Ohio, Eastern Division by Russell J. Stambaugh. The complaint also names certain former and current officers and a director of the Company. The complaint was purportedly filed on behalf of all persons who purchased Corrpro Common Shares during the period April 1, 2000 through March 20, 2002 and alleges violations of the federal securities laws resulting in artificially inflated prices of the Company's Common Shares during the class period. The complaint relates to the Company's announcement that it had discovered accounting irregularities caused by apparent internal misconduct in its Australian subsidiary. The plaintiff seeks a declaration of the action as a proper class action and certifying plaintiff as class representative. The plaintiff also seeks unspecified compensatory damages, fees and expenses. The Company is unable at this time to make a determination as to whether an adverse outcome is likely and whether an adverse outcome would have a materially adverse affect on its operations or financial condition.

Company management discovered accounting irregularities at the Australian subsidiary in early calendar 2002 and upon discovery immediately began an internal investigation, which has been conducted under the direction of the Audit Committee of its Board of Directors. The Australian Securities and Investments Commission has commenced an independent investigation of the accounting irregularities. Corrpro voluntarily disclosed this matter to the SEC, which has commenced a formal inquiry. Corrpro is cooperating with both commissions.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of business.

14. CORRPRO COMPANIES AUSTRALIA:

On March 20, 2002, the Company announced that it had discovered accounting irregularities caused by apparent internal misconduct in its Australian subsidiary. The accounting irregularities involved the overstatement of revenues and understatement of expenses by the Australian companies. The irregularities were discovered by Corrpro management in connection with an internal review of the subsidiary's working capital management practices and cash flow problems

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inconsistent with the subsidiary's reported results. Upon discovering the irregularities, the Company immediately began an internal investigation conducted under the direction of the Audit Committee of its Board of Directors. The Audit Committee subsequently retained special counsel in connection with the investigation and retained the forensic investigation unit of the accounting firm, Deloitte Touche Tohmatsu.

The Australian subsidiary appointed an administrator and commenced voluntary administration proceedings, a process under Australian law providing relief from creditors of Australian companies. As a result of the appointment, the Company no longer controlled the Australian subsidiary and the Company recorded a charge to earnings in the fiscal fourth quarter ended March 31, 2002 for its loss on investment related to the subsidiary.

On April 24, 2002, the creditors of the Australian subsidiary resolved that the Administrators of the Australian subsidiary should enter into a Deed of Company Arrangement. The Deed of Company Arrangement became effective May 1, 2002. The arrangement requires the Australian subsidiary to make unsecured payments to the Administrators for the Administrator's fees, certain employee benefit programs and unsecured creditors. The Company is not required to fund any of these unsecured payments. The Company did guarantee payment of the Australian subsidiary's bank debt, which totaled \$961 at March 31, 2002. The arrangement also returns the day-to-day management of the Australian subsidiary to the Director of the subsidiary subject to the oversight of the Administrator who will retain control of, and be entitled to realize and deal with in accordance with the Deed of Company Arrangement, the claims against the Australian subsidiary.

61

For the fiscal years ended March 31, 2002 and March 31, 2001, the results of the Australian subsidiary are included in the Company's consolidated results. The results of the Australian subsidiary are identified below:

	Year Ended March 31, 2002	Year Ended March 31, 2001
	-----	-----
Revenues	\$ 7,696	\$ 8,235
Cost of sales	6,809	7,964
	-----	-----
Gross margin	887	271
Operating expenses	3,676	3,068
Loss on investment in subsidiary	2,480	--
	-----	-----
Operating loss	\$ (5,269)	\$ (2,797)
	=====	=====

Due to the commencement of the voluntary administration proceedings, and the resulting loss of control over the Australian subsidiary, the Company believes its investment in the subsidiary has been fully impaired. The assets and liabilities of the subsidiary are not included in the consolidated balance sheet of the Company as of March 31, 2002, and except for the existing obligation of \$961 under the guarantee of the subsidiary's bank debt, the Company will no longer provide any financial support to the subsidiary. In the fourth quarter of fiscal year 2002, the Company has recorded a provision of \$2,162 to write its net investment to zero.

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The loss also includes \$318 of legal and professional fees related to the Australian subsidiary in fiscal year 2002. In connection with the Company's and the Audit Committee's investigation, the Company expects to incur additional legal and professional fees of approximately \$800 in fiscal 2003 related to this matter. In addition, as a result of the Company's decision to sell the subsidiary subsequent to year end, a loss of \$1,418 related to the cumulative currency translation adjustment of the subsidiary will be recognized in the first quarter of fiscal year 2003.

62

SUPPLEMENTAL FINANCIAL INFORMATION

Quarterly Results of Operations (Unaudited):

The following is a summary of the unaudited quarterly results of operations of the Company for the fiscal years ended March 31, 2002 and 2001. The sum of the quarterly per share figures does not equal annual per share figures due to rounding.

Three Months Ended	As Restated 06/30/01	As Restated 09/30/01	As Restated 12/31/01	0

(In Thousands, Except per Share Data)				
Revenues	\$ 44,071	\$ 42,717	\$ 46,999	\$
Operating income (loss)	1,887	2,785	2,780	
Income (loss) from continuing operations	(266)	134	78	
Net income (loss)	(266)	134	78	
Earnings (loss) per share - Basic:				
Income (loss) from continuing operations	\$ (0.03)	\$ 0.02	\$ 0.01	\$
Net income (loss)	(0.03)	0.02	0.01	
Weighted average number of shares - Basic	7,960	8,073	8,179	
Earnings (loss) per share - Diluted:				
Income (loss) from continuing operations	\$ (0.03)	\$ 0.02	\$ 0.01	\$
Net income (loss)	(0.03)	0.02	0.01	
Weighted average number of shares - Diluted	7,960	8,104	8,199	

Three Months Ended	As Restated 06/30/00	As Restated 09/30/00	As Restated 12/31/00	As

(In Thousands, Except per Share Data)				
Revenues	\$ 40,496	\$ 43,440	\$ 42,452	\$
Operating income (loss)	1,792	2,247	2,463	

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Income (loss) from continuing operations	96	388	327
Net income (loss)	96	388	327
Earnings (loss) per share - Basic:			
Income (loss) from continuing operations	\$ 0.01	\$ 0.05	\$ 0.04
Net income (loss)	0.01	0.05	0.04
Weighted average number of shares - Basic	7,687	7,706	7,731
Earnings (loss) per share - Diluted:			
Income (loss) from continuing operations	\$ 0.01	\$ 0.05	\$ 0.04
Net income (loss)	0.01	0.05	0.04
Weighted average number of shares - Diluted	7,748	7,760	7,783

Included in the fourth quarter of fiscal 2002 was a tax valuation allowance of \$10,261 and a loss on investment in subsidiary of \$2,480. In addition, the Company recorded a loss on inventory in the Australian subsidiary of \$683 and \$520 in the fourth quarters of fiscal years 2002 and 2001, respectively.

63

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth the names of all the directors of the Company as of March 31, 2002 and certain other information relating to their position with the Company and/or other business experience.

Michael K. Baach

Mr. Baach has been a director of Corrpro since August 2000 and an Executive Vice President since April 1993. Mr. Baach was our Vice President of Sales and Marketing from our formation in 1984 until February 1992 when he was elected Senior Vice President. Mr. Baach has over twenty years of experience in the corrosion control market and has been responsible for Corrpro's marketing and sales activities, manufacturing and international operations. Mr. Baach attended Cuyahoga Community College. Age 47.

David H. Kroon

Mr. Kroon has been a director of Corrpro since 1984, and an Executive Vice President since April 1993. Mr. Kroon is currently our Executive Vice President, Engineering. He served as Senior Vice President of Corrpro from its formation in 1984 until April 1993. Mr. Kroon has over thirty years of engineering and consulting experience in the corrosion control market, including management of business, planning, policies and procedures, and professional development. Mr. Kroon graduated from Yale University with a Bachelor of Science degree in Chemistry. Age 53.

C. Richard Lynham

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Mr. Lynham has been a director of Corrpro since June 1992. Since 1992, Mr. Lynham has been the owner and Chief Executive Officer of Harbor Castings, Inc., an investment-casting foundry holding company with wholly-owned subsidiaries in North Canton, Ohio, Piney Flats, Tennessee, and Muskegon, Michigan. From 1984 to 1992, he was Group Vice President, Industrial Ceramics, for Ferro Corporation, a Fortune 500 manufacturer of specialty industrial products. Mr. Lynham is a director of Western Reserve Bancorp, Inc. He holds the degrees of Bachelor of Mechanical Engineering from Cornell University and Master of Business Administration from Harvard University. Age 60.

Harry W. Millis

Mr. Millis has been a director of Corrpro since February 2002. Mr. Millis has been Managing Director of SM Berger & Company, Inc., an investor relations consulting firm, since January 1999. From April 1991 to January 1999, he was Managing Director for Fundamental Research, Inc., an investment research corporation. Mr. Millis began his financial career at National City Bank, was a general partner in the brokerage firm of Prescott, Ball & Turben, where he also served as Partner in Charge of Institutional Research, and then joined McDonald & Co. as a general partner in 1979. Age 65.

Neal R. Restivo

Mr. Restivo has been a director since January 2001. Mr. Restivo is currently Vice President - Operations and Finance and Chief Financial Officer of Weatherchem Corporation, a provider of dispensing and packaging products which he joined in October 2001. From February 2001 until September 2001, Mr. Restivo was Vice President, Chief Financial Officer, Secretary and Treasurer at Grand Eagle, Inc., a motor, transformer and power system repair services company. From October 1995 to January 2001, Mr. Restivo was employed as our Chief Financial Officer, Secretary and Treasurer. He was also elected Senior

64

Vice President in October 1995 and became an Executive Vice President of the Company in March 1998. Mr. Restivo graduated from Miami University, Ohio with the degree of Bachelor of Science, Accountancy. Age 42.

Joseph W. Rog

Mr. Rog has been a director and Corrpro's Chief Executive Officer since our formation in 1984. Mr. Rog became Chairman of the Board in June 1993 and has been President since June 1995. Mr. Rog was also Corrpro's President between January 1984 and June 1993. Mr. Rog has over thirty-five years of industry experience in various technical and management capacities, and particularly in corrosion analysis and the design and implementation of corrosion control systems. He graduated from Kent State University with a Bachelor of Science degree in Geology, and has also completed the Graduate School of Business course at Stanford University. Age 62.

Warren F. Rogers

Dr. Rogers has been a director of Corrpro since July 1996. Dr. Rogers has been President of Warren Rogers Associates, Inc., a Newport, Rhode Island firm which provides underground storage tank management and consulting services, including mathematical and statistical modeling, since 1979. Dr. Rogers also served as a Vice President of the Center for Naval Analysis in Alexandria, Virginia from 1982 to 1989. He earned a Ph.D. in statistics from Stanford University and has an M.S. in Operations Research from the U.S. Naval Post-Graduate School. Age 72.

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Information regarding the executive officers of the Company as of March 31, 2002 is set forth in Part I, Item 4A of this Form 10-K.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based on a review of reports filed by our directors, executive officers and beneficial holders of 10% or more of our shares, and upon information provided by those persons, all SEC stock ownership reports required to be filed by those reporting persons during fiscal 2002 were timely made, with the exception that the initial Form 3, Initial Statement of Beneficial Ownership of Securities for Mr. Robert Sloan was inadvertently filed late.

65

ITEM 11. EXECUTIVE COMPENSATION

BOARD COMPENSATION

RETAINER AND FEES

Corrpro pays non-employee directors an annual retainer of \$12,000. Corrpro also pays non-employee directors \$1,000 (\$1,200 for a Committee chairperson) for each in-person Board or Committee meeting attended and \$350 (\$550 for a Committee chairperson) for each telephonic Board or Committee meeting attended. Corrpro also reimburses its directors for reasonable out of pocket expenses incurred in attending Board and Committee meetings.

In May 2001, we reviewed our non-employee directors' historic level of compensation and the compensation levels of directors within the industry and at other publicly held companies. As a result, we recommended to the Compensation Committee an increase in our director's cash compensation. The Compensation Committee expressed its desire to align more closely the compensation of our outside directors with the performance of the Company and the interests of the shareholders. The Compensation Committee asked the Company to explore the use of equity incentives in lieu of increasing the cash retainer to accomplish this purpose. As a result, the Board approved the 2001 Non-Employee Directors' Stock Appreciation Rights Plan, at an exercise price of \$2.10 per share was made, which became effective May 17, 2001. Pursuant to the plan, a one-time grant of vested stock appreciation rights to non-employee directors then serving on the Board. The stock appreciation rights entitle each eligible director to be paid in cash, subject to the applicable terms and conditions of the grant, on or after May 17, 2006 the amount of appreciation in the fair market value over the exercise price of 10,000 Corrpro Common Shares between May 17, 2001 and May 17, 2006.

DEFERRED COMPENSATION PLAN

Eligible directors may elect to defer payment of all or any part of their retainer and fees under the Deferred Compensation Plan for Outside Directors. Participating directors elect an investment model which determines the return on their deferred funds. The investment model can include Corrpro Common Shares. Deferred portions are payable in a lump sum, over a period of five years or over a period of ten years. The director specifies in advance the date on which payments will begin. Payments may be accelerated if the director dies or becomes disabled.

OUTSIDE DIRECTORS' STOCK OPTION PLAN

Under the 1997 Non-Employee Directors' Stock Option Plan, Corrpro automatically grants stock options to purchase 2,500 Corrpro Common Shares at

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fair market value on the date a director is first elected and, beginning the next calendar year, on each September 30th on which the individual continues as a Corrpro director.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

SUMMARY OF COMPENSATION

The following table summarizes the compensation we paid our CEO and each of the four other most highly compensated executive officers for fiscal 2002, 2001 and 2000.

66

Name and Principal Position	Fiscal Year	Salary	Bonus (3)	Other Annual Compensation	Long Term Compensation Awards Stock Options
Joseph W. Rog Chairman of the Board, Chief Executive Officer and President	2002	\$285,000	\$ 0	0	206,
	2001	285,000	0	0	28,
	2000	274,000	0	0	
Michael K. Baach Executive Vice President, Sales	2002	180,000	0	0	56,
	2001	180,000	0	0	17,
	2000	165,000	0	0	
George A. Gehring, Jr. Executive Vice President, Operations	2002	172,000	17,355	0	131,
	2001	172,000	0	0	17,
	2000	165,000	0	0	
David H. Kroon Executive Vice President, Engineering	2002	170,000	0	0	46,
	2001	170,000	0	0	17,
	2000	160,000	0	0	
Barry W. Schadeck Executive Vice President, Manufacturing and President of Corrpro Canada, Inc.	2002	180,000	0	0	91,
	2001	180,000	0	0	17,
	2000	165,000	0	0	

(1) Amounts represent Company matching contributions under Corrpro's 401(k) retirement savings plan.

(2) These options were granted in June 2001 pursuant to the Company's stock option surrender program in an amount equal to the same number of options surrendered under the program. The new options are subject to the terms of the applicable option agreement and the provisions of the Corrpro 1997 Long-Term Incentive Plan and become exercisable in equal annual increments

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on the first, second and third anniversaries of the grant date.

- (3) Amounts represent bonus earned pursuant to the Company's Management Incentive Plan for fiscal 2002.

67

OPTIONS GRANTED IN LAST FISCAL YEAR

The following table lists our grants during fiscal 2002 of stock options to the officers named in the Summary Compensation Table. The amounts shown as potential realizable values rely on arbitrarily assumed increases in value required by the SEC. The ultimate value of the options depends on actual future share prices. Market conditions and other factors can influence those future share values, and the amounts shown below are not intended to forecast future appreciation of Corrpro Common Shares.

INDIVIDUAL GRANTS

NAME (a)	NUMBER OF SECURITIES UNDERLYING OPTION/SARs GRANTED (#) (1) (b)	PERCENT OF TOTAL OPTIONS/SARs GRANTED TO EMPLOYEES IN FISCAL YEAR (c)	EXERCISE OR BASE PRICE (\$/SH) (2) (d)	EXPIRATION DATE (e)	POTENTIAL ASSUMED AN PRICE A 5% (\$) (f)
Joseph W. Rog	206,250	30.8	2.55	June 29, 2011	330,759
Michael K. Baach	56,250	8.4	2.55	June 29, 2011	90,207
George A. Gehring, Jr.	131,250	19.6	2.55	June 29, 2011	210,483
David H. Kroon	46,875	7.0	2.55	June 29, 2011	75,173
Barry W. Schadeck	91,250	13.6	2.55	June 29, 2011	146,335

- (1) These options were granted in June 2001 pursuant to the Company's stock option surrender program in an amount equal to the same number of options surrendered under the program. The new options are subject to the terms of the applicable option agreement and the provisions of the Corrpro 1997 Long-Term Incentive Plan and become exercisable in equal annual increments on the first, second and third anniversaries of the grant date. The options also may become exercisable upon a change in control as defined either in the 1997 Long-Term Incentive Plan or the applicable change in control agreements entered into by Corrpro and the named executive officers. The new options were granted subject to a new 3-year vesting schedule, regardless of the vested status of the options surrendered.

- (2) Based on the closing price of the Common Shares of \$2.55 on the New York Stock Exchange on June 30, 2001.

68

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR/AND FISCAL YEAR END OPTION/SAR VALUES

The following table shows for the officers named in the Summary Compensation table above information about their exercise of stock options to purchase Common Shares during fiscal 2002 and their unexercised stock options to

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purchase Common Shares at March 31, 2002.

NAME	SHARES	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING		VA MONEY EXE
	ACQUIRED ON EXERCISE		OPTIONS AT FISCAL YEAR-END EXERCISABLE/ UNEXERCISABLE		
Joseph W. Rog	None	N/A	45,000	234,250	
Michael K. Baach	None	N/A	18,750	73,250	
George A. Gehring, Jr.	None	N/A	15,600	148,250	
David H. Kroon	None	N/A	18,750	63,875	
Barry W. Schadeck	None	N/A	0	108,250	

(1) Based on the fact that the closing price of Corrpro's Common Shares on March 29, 2002 was less than the exercise price of the options, none of the outstanding options were in-the-money.

In fiscal 2001, we initiated a stock option surrender program. Under the program, eligible participants were provided the opportunity to surrender voluntarily any or all of their eligible existing Corrpro stock options (generally those granted prior to fiscal 2001) and have a like number of new options issued at a date at least six months in the future at the fair market value of the common shares at that time.

In exchange, Corrpro granted new options on June 30, 2001 in an amount equal to the same number of options surrendered under this program. Participants who surrendered options had to be in our employ on the date the new options were granted in order to receive a grant of new options. The new options are subject to the terms of the applicable option agreement and the provisions of the Corrpro 1997 Long-Term Incentive Plan.

These new options were granted at an exercise price of \$2.55 per share, the fair market value of our common shares on June 30, 2001. The new options become exercisable in equal annual increments on the first, second and third anniversaries of the grant date. The new options were granted subject to a new 3-year vesting schedule, regardless of the vested status of the options surrendered.

In December 2000, Messrs. Rog, Baach, Gehring, Kroon and Schadeck surrendered, respectively: 206,250; 56,250; 131,250; 46,875; and 91,250 previously granted options. On June 30, 2001, each was granted a like number of options, subject to a new vesting schedule, at the June 30, 2001 fair market value of \$2.55 per share.

EMPLOYMENT AND CHANGE IN CONTROL AGREEMENTS

Mr. Rog is employed under an employment agreement having a term through March 31, 2004. Under this agreement, Mr. Rog serves as Corrpro's Chairman of the Board, Chief Executive Officer and President. The agreement provides for Mr. Rog to be nominated as a Corrpro director for so long as such agreement remains in effect.

This employment agreement provides for the payment of Mr. Rog's base salary and such other compensation as determined by the Board of Directors from time to time. Other compensation may include bonuses, stock options and incentive compensation. Mr. Rog's base salary is subject to annual review.

Mr. Rog may not compete with Corrpro during the term of the agreement and

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for as long as Mr. Rog receives retirement income payments from Corrpro. Corrpro may terminate Mr. Rog's employment for good cause (as defined in the agreement), in which case the Company will pay Mr. Rog his base salary earned through termination with no further obligation

69

to him except as required by law. Mr. Rog has earned the right to receive retirement income with a lifetime survivor benefit to his spouse in an amount equal to 50% of his base salary, payable monthly, provided that certain conditions are satisfied.

Corrpro may have to pay severance to Mr. Rog if specified events occur. These events include termination of his employment at a time when Corrpro is in breach or termination of the agreement by Corrpro without good cause. In such cases, Corrpro must pay two years of severance at the rate of his base salary in effect at the time of termination plus a payment equal to one full year's participation in any short-term incentive bonus plan at the 100% level. Mr. Rog also would be entitled to continue any medical or other insurance coverage in effect at the time of termination until age 65.

Mr. Rog is eligible for disability benefits. If he becomes disabled while employed, his salary and other compensation continues for the first ninety days, offset by amounts paid under other company-sponsored disability plans. If his disability cannot be reasonably accommodated, the Board may terminate his employment. In such case, Mr. Rog's current participation in bonus and incentive plans will not be adversely affected. Mr. Rog also is covered by other company welfare benefits.

Corrpro and each of Mr. Baach, Mr. Gehring and Mr. Kroon have signed employment agreements effective through March 31, 2004 under which each serves as an Executive Vice President. These agreements provide for the payment of base salaries, subject to annual adjustment. In general, these agreements provide severance arrangements similar to those included in the employment agreement with Mr. Rog described above, except that no retirement income will be paid and that medical and other insurance coverage shall continue for a period of twenty-four months rather than to age 65 if the executive is terminated when specified events occur. Mr. Schadeck's services are provided through one of Corrpro's Canadian subsidiaries. This subsidiary has engaged Mr. Schadeck under a management services agreement which provides for base level compensation and bonuses based on performance. The agreements with the named executive officers generally restrict the officers from competing for two years following termination.

We recognize that our executives may be involved from time to time in evaluating or negotiating offers, proposals, or other transactions that could result in a change in control of Corrpro and believe that it is in the best interest of Corrpro and its shareholders for such executives to be in a position, free from personal financial and employment considerations, to be able to assess objectively and pursue aggressively our interests and the interests of our shareholders in making these evaluations and carrying on such negotiations. Therefore, we have entered into change in control agreements with our named executive officers. The agreements are intended to provide the executives with certain benefits and to grant certain protections so that the executives may more fully focus on enhancing shareholder value and addressing the issues related to a change in control (as defined in the agreements), and to reward the executives for the substantial extra effort involved in a change in control.

The change in control agreements provide for severance payment and other benefits without duplication of amounts payable under the executive employment contracts, if certain events occur. Each agreement applies only to the first

change in control to occur.

The type of change in control determines the potential severance benefits. Upon the occurrence of a hostile change in control, the executive would be entitled, whether or not employment is terminated, to a lump sum payment equal to three times current cash compensation, bonus and certain benefits and a gross-up for certain excise taxes, if they apply. The executive would also be entitled to three years of continued welfare benefits. In a friendly change in control, if the executive is terminated, other than for good cause, or resigns for good reason, in contemplation of or before the second anniversary of the friendly change in control, the executive is entitled to, in total, a lump sum payment equal to two times current cash compensation, bonus and certain benefits. The executive would also be entitled to two years of continued welfare benefits. In the event of a change in control of any type, all of the executives' outstanding stock options become exercisable. In addition, Corrpro must set aside sufficient funds, in a trust which satisfies certain tax requirements, covering potential obligations to Mr. Rog. The following terms are used in this paragraph, as defined in the change in control agreements: hostile change in control, welfare benefits, friendly change in control, good cause, good reason and in contemplation of.

In addition, to provide further incentives to management to maximize shareholder value on a continuing basis and to address certain other concerns, executives can earn a transaction bonus upon a change in control in certain

70

circumstances. In the event of a friendly change in control, the transaction bonuses are payable 50% upon completion of a change in control and 50% on the first anniversary thereof, provided the executive is still a Corrpro employee at that time.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2002, Joseph W. Rog served as our Chairman of the Board, Chief Executive Officer and President and also served on our Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows information regarding beneficial ownership of our Common Shares as of June 17, 2002, unless otherwise indicated, by each person or group which is known by us to own beneficially more than 5% of our common shares, each director and nominee for election as a director, each of the officers named in the Summary Compensation Table and all directors and executive officers as a group. All information with respect to beneficial ownership has been furnished by the respective director, officer or shareholder, as the case may be. Ownership includes direct and indirect (beneficial) ownership, as defined by SEC rules. To our knowledge, each person, along with his or her spouse, has sole voting and investment power over the shares unless otherwise noted.

CERTAIN BENEFICIAL OWNERS

Name	Number of Shares (1)	Percent

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Michael K. Baach	128,614	1.5
George A. Gehring, Jr	67,000	*
David H. Kroon	282,772	3.2
C. Richard Lynham	25,625	*
Harry Millis	39,850	*
Neal R. Restivo	110,749	1.3
Joseph W. Rog	383,629	4.4
Warren F. Rogers	30,875	*
14 Directors and executive officers as a group ..	1,157,467	13.2
Royce & Associates, Inc. (2)	857,975	10.6
1414 Avenue of the Americas		
New York, New York 10019		
Delta Partners LLC (2)	735,000	8.9
One Financial Center, Suite 1600		
Boston, Massachusetts 02111		
JB Capital Partners L.P. (2)	519,800	6.3
23 Berkley Lane		
Rye Brook, New York 10573		
Dimensional Fund Advisors, Inc. (2)	504,400	6.2
1299 Ocean Avenue, 11th Floor		
Santa Monica, California 90401		

*Less than 1%

71

- (1) The number of shares listed includes shares under currently exercisable stock options and stock options which may become exercisable within 60 days following June 17, 2002. The number of such exercisable stock options for those listed above are: Mr. Baach (37,500 shares); Mr. Gehring (59,350 shares); Mr. Kroon (34,375 shares); Mr. Lynham (23,750 shares); Mr. Restivo (107,917 shares); Mr. Rog (113,750 shares); and Dr. Rogers (10,625 shares); and all directors and executive officers as a group (443,808 shares).
- (2) Based upon information contained in the following documents as filed with the SEC:
- Amendment to Schedule 13G filed by Royce & Associates, Inc. on February 7, 2002.
 - Amendment to Schedule 13G jointly filed by Delta Partners LLC, Prism Partners LP, Delta Advisors LLC, Prism Offshore Fund Ltd., Charles Jobson and Christopher Argyople on June 18, 2002. Delta Partners LLC reported that it had shared voting and dispositive power with respect to 735,000 shares. Prism Partners LP reported that it had sole voting and dispositive power with respect to 268,011 shares. Delta Advisors LLC reported that it had shared voting and dispositive power with respect to 268,011 shares. Prism Offshore Fund Ltd. reported that it had shared voting and dispositive power with respect to 466,989 shares. Charles Jobson reported that he had shared voting and dispositive power with respect to 735,000 shares.

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Christopher Argyrople reported that he had shared voting and dispositive power with respect to 735,000 shares.

- Schedule 13G jointly filed by JB Capital Partners, L.P. and Alan W. Weber on April 11, 2002. JB Capital Partners, L.P. reported that it had shared voting and dispositive power with respect to 484,800 shares. Alan W. Weber reported that he had sole voting and dispositive power with respect to 35,000 shares and shared voting and dispositive power with respect to 484,800 shares.
- Amendment to Schedule 13G filed by Dimensional Fund Advisors, Inc. on February 12, 2002.

Information regarding the Company's equity compensation plans is set forth in Part II, Item 5 of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) (1) THE FOLLOWING CONSOLIDATED FINANCIAL STATEMENTS ARE INCLUDED IN PART II, ITEM 8:

Report of Independent Accountants

Consolidated Balance Sheets at March 31, 2002 and 2001

Consolidated Statements of Income for the years ended March 31, 2002, 2001 and 2000

Consolidated Statements of Shareholders' Equity for the years ended March 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows for the years ended March 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

72

- (a) (3) INDEX TO EXHIBITS:

EXHIBIT

EXHIBIT NO. ---	EXHIBIT -----
3.1	Amended and Restated Articles of Incorporation of the Company. (1)
3.2	Amended and Restated Code of Regulations of the Company. (2)
4.1	Specimen certificate for the Common Shares. (3)
4.2	Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders

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Party thereto. Other long-term debt agreements of the Company, except for Note Purchase Agreement, are not filed pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Company will furnish copies of any such agreements to the Securities and Exchange Commission upon its request. (4)

- 4.3 First Amendment to Credit Agreement dated October 19, 2000 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders Party thereto. (12)
- 4.4 Letter Agreement dated October 19, 2000 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders Party thereto. (12)
- 4.5 Second Amendment to Credit Agreement dated as of June 29, 2001 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders Party thereto. (12)
- 4.6 Third Amendment to Credit Agreement dated as of August 10, 2001 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders Party thereto. (13)
- 4.7 Fourth Amendment to Credit Agreement dated as of November 12, 2001 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders Party thereto. (14)
- 4.8 Fifth Amendment to Credit Agreement dated as of February 11, 2002 relating to the Amended and Restated Credit Agreement dated as of June 9, 2000 among Corrpro Companies, Inc., CSI Coating Systems, Inc. and the Lenders Party thereto. (15)
- 4.9 Note Purchase Agreement dated as of January 21, 1998 by and among the Company and the Purchaser herein. (5)
- 4.10 Rights Agreement dated as of July 23, 1997 between the Company and Fifth Third Bank, successor Rights Agent. (6)
- 4.11 Amendment dated June 9, 2000 to Note Purchase Agreement dated January 21, 1998. (4)
- 4.12 Amendment dated October 18, 2000 to Note Purchase Agreement dated January 21, 1998. (12)

- 4.13 Letter Agreement dated October 18, 2000 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (12)
- 4.14 Amendment dated as of June 29, 2001 by and between The Prudential Insurance Company of America and the Company relating to the Note Purchase Agreement dated as of January 21, 1998. (12)

73

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- *10.1 Corrpro Companies, Inc. 2001 Non-Employees Directors' Stock Appreciation Rights Plan and form of Award Agreement. (16)
- *10.2 1997 Long-Term Incentive Plan of Corrpro Companies, Inc. (7)
- *10.3 Amendment to 1997 Long-Term Incentive Plan of Corrpro Companies, Inc. (8)
- *10.4 1997 Non-Employee Directors' Stock Option Plan. (7)
- 10.5 Corrpro Companies, Inc. Employee Stock Purchase Plan. (9)
- *10.6 December 2000 Stock Option Agreement Surrender form. (12)
- *10.7 Form of Indemnification Agreement for Officers and Directors of the Company. (10)
- 10.8 Consulting Agreement dated April 1, 1997 by and between Commonwealth Seager Holdings Ltd. and Corrttech Consulting Group. (11)
- *10.9 Employment Agreement effective November 2, 2000 by and between the Company and Joseph W. Rog. (12)
- *10.10 Form of Executive Officer Employment Agreement by and between the Company and certain executive officers and schedule thereto. (10)
- *10.11 Stock Option Agreement dated as of June 15, 1992 and November 15, 1992 by and between the Company and C. Richard Lynham, Michael K. Baach, George A. Gehring, Jr., David H. Kroon and Joseph W. Rog. (3)
- *10.12 Company Incentive Option Plan as amended. (3)
- *10.13 Company Deferred Compensation Plan. (12)
- *10.14 Consulting Agreement dated January 26, 2001 by and between the Company and Neal R. Restivo. (12)
- *10.15 Form of Change in Control Agreement entered into between the Company and certain of its executive officers and schedule thereto. (10)
- 21.1 Subsidiaries of the Company. (4)
- 23.1 Consent of KPMG LLP.

- * Management contract or compensatory plan or arrangement identified pursuant to Item 14(a) (3) of this Annual Report on Form 10-K.

74

- (1) A copy of this exhibit filed as Exhibit 3.1 to the Company's report on Form 10-Q for the quarterly period ended December 31, 1998 is incorporated herein by reference.
- (2) A copy of this exhibit filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (Registration No. 33-74814) is incorporated herein by reference.

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- (3) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 4.1 (Stock certificate specimen), 10.13, 10.19, 10.20, 10.22 and 10.23 (Stock Option Agreements) and 10.25 (Incentive Option Plan) to the Company's Registration Statement on Form S-1 (Registration No. 33-64482) and are hereby incorporated by reference.
- (4) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 4.3 (Amended and Restated Credit Agreement), 4.6 (Note Purchase Agreement Amendment) and 21.1 (Subsidiaries) to the Company's report on Form 10-K for the period ended March 31, 2000 and are hereby incorporated by reference.
- (5) A copy of this exhibit filed as Exhibit 4.2 to the Company's report on Form 10-Q for the quarterly period ended December 31, 1997 is incorporated herein by reference.
- (6) A copy of this exhibit filed as Exhibit 1.1 to the Company's Registration Statement on Form 8-A filed August 7, 1997 is incorporated herein by reference.
- (7) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 4.4 (1997 Long-Term Incentive Plan) and 4.5 (1997 Non-Employee Directors' Stock Option Plan) to the Company's Registration Statement on Form S-8 filed October 24, 1997 (SEC File No. 333-38767), and are hereby incorporated by reference.
- (8) A copy of this exhibit filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 filed January 19, 2000 (SEC File No. 333-94989) is incorporated herein by reference.
- (9) A copy of this exhibit contained in Corrpro's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 16, 1999 is incorporated herein by reference.
- (10) Copies of the exhibits to which this footnote applies were filed, respectively, as Exhibits 10.2 (Change in Control Agreement) and 10.3 (Indemnification Agreement) to the Company's report on Form 10-Q for the quarterly period ended December 31, 2000, and are hereby incorporated by reference.
- (11) A copy of this exhibit filed as Exhibit 10.2 to the Company's report on Form 10-K for the period ended March 31, 1998 is hereby incorporated by reference.
- (12) Copies of the exhibits filed to which this footnote applies were filed, respectively, as Exhibits 4.3 (First Amendment to Credit Agreement), 4.4 (Letter Agreement), 4.5 (Second Amendment to Credit Agreement), 4.9 (Amendment to Note Purchase Agreement), 4.10 (Letter Agreement), 10.3 (Employment Agreement), 10.7 (Deferred Compensation Plan) and 10.8 (Consulting Agreement) to the Company's report on Form 10-K for the period ended March 31, 2001 and are hereby incorporated by reference.
- (13) A copy of this exhibit filed as Exhibit 4.3 to the Company's report on Form 10-Q for the quarterly period ended June 30, 2001 and is incorporated herein by reference.
- (14) A copy of this exhibit filed as Exhibit 4.2 to the Company's report on Form 10-Q for the quarterly period ended September 30, 2001 and is incorporated herein by reference.

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- (15) A copy of this exhibit filed as Exhibit 4.2 to the Company's report on Form 10-Q for the quarterly period ended December 31, 2001 and is incorporated herein by reference.
- (16) A copy of this exhibit filed as exhibit 4.9 to the Company's report on Form 10-K for the period ended March 31, 2002 is hereby incorporated by reference.

(b) REPORTS ON FORM 8-K:

During the quarter ended March 31, 2002, the Company filed one current report on Form 8-K. A current report on Form 8-K, dated March 20, 2002, furnished a press release pursuant to Regulation FD.

(c) EXHIBITS

See "Index to Exhibits" at Item 14(a) above.

76

SIGNATURES

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

CORRPRO COMPANIES, INC.

August 9, 2002

By: /s/ Joseph W. Rog

Joseph W. Rog
Chairman of the Board of Directors,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

August 9, 2002

/s/ Joseph W. Rog

Joseph W. Rog
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

August 9, 2002

/s/ Robert M. Sloan

Robert M. Sloan
Senior Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

August 9, 2002

/s/ Michael K. Baach

Michael K. Baach, Director

August 9, 2002

/s/ David H. Kroon

David H. Kroon, Director

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August 9, 2002	/s/ C. Richard Lynham ----- C. Richard Lynham, Director
August 9, 2002	/s/ Harry W. Millis ----- Harry W. Millis, Director
August 9, 2002	/s/ Neal R. Restivo ----- Neal R. Restivo, Director
August 9, 2002	/s/ Warren F. Rogers ----- Warren F. Rogers, Director