ABLEST INC
Form 10-Q
May 14, 2007

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED APRIL 1, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSISTION PERIOD FROM __________ TO __________

Commission File Number 1-10893

Ablest Inc.
(Exact name of registrant as specified in its charter)

Delaware	**65-0978462**
(State of Incorporation)	*(I.R.S.Identification No.)*

1511 N. Westshore Boulevard, Suite 900
Tampa, Florida 33607
(813) 830-7700
(Address, including zip code, and telephone number, including area code, of principal executive offices)

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 þ No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

The number of outstanding shares of the Registrant s Common Stock at May 11, 2007 was 2,825,104.

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ITEM 1. FINANCIAL STATEMENTS

ABLEST INC.
Condensed Balance Sheets
(amounts in thousands except share data)
(Unaudited)

	April 1, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash	$ 4,350	$ 3,040
Accounts receivable, net	14,605	17,564
Prepaid expenses and other current assets	476	439
Current deferred tax asset	1,504	1,323
Total current assets	20,935	22,366
Property and equipment, net	3,330	3,259
Deferred tax asset	871	592
Goodwill	1,283	1,283
Other assets	65	64
Total assets	$ 26,484	$ 27,564
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 408	$ 375
Income taxes payable		296
Accrued insurance	1,923	2,965
Accrued wages	2,463	1,995
Other current liabilities	659	566
Total current liabilities	5,453	6,197
Other liabilities	262	261
Total liabilities	5,715	6,458
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Preferred stock of $.05 par value; 500,000 shares authorized, none issued or outstanding at April 1, 2007 and December 31, 2006		
Common stock of $.05 par value; 7,500,000 shares authorized, 3,382,833 and 3,385,153 shares issued and outstanding including shares held in	169	169

treasury at April 1, 2007 and December 31, 2006, respectively				
Additional paid-in capital		5,589		5,636
Retained earnings		17,121		17,411
Treasury stock at cost; 457,729 shares held at April 1, 2007 and December 31, 2006		(2,110)		(2,110)
Total stockholders equity		20,769		21,106
Total liabilities and stockholders equity	$	26,484	$	27,564

See accompanying Notes to Financial Statements

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ABLEST INC.
Condensed Statements of Operations
(amounts in thousands except share and per share data)
(Unaudited)

	For the Thirteen Week Period Ended April 1, 2007	For the Fourteen Week Period Ended April 2, 2006
Net service revenues	$ 31,473	$ 35,864
Cost of services	25,790	29,753
Gross profit	5,683	6,111
Selling, general and administrative expenses	6,300	5,551
Operating (loss) income	(617)	560
Other:		
Interest income (expense), net		
Miscellaneous income (expense), net	4	1
Other income (expense)	4	1
(Loss) income before income taxes	(613)	561
Income tax (benefit) expense	(323)	213
Net (loss) income	$ (290)	$ 348
Basic net (loss) income per common share	$ (0.10)	$ 0.12
Diluted net (loss) income per common share	$ (0.10)	$ 0.12
Weighted average number of common shares used in computing net income per common share		
Basic	2,916,112	2,879,764

Diluted	2,958,890	2,935,050

See accompanying Notes to Financial Statements

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ABLEST INC.
Condensed Statements of Cash Flows
(amounts in thousands)
(Unaudited)

	For the Thirteen Week Period Ended April 1, 2007	For the Fourteen Week Period Ended April 2, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (290)	$ 348
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	219	105
Stock compensation		47
Loss on disposal of property and equipment		9
Deferred income taxes	(460)	136
Change in income taxes payable	(296)	(51)
Changes in assets and liabilities (see below)	2,427	2,023
Net cash provided by operating activities	1,600	2,617
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(290)	(379)
Net increase in cash and cash equivalents	1,310	2,238
CASH BEGINNING OF PERIOD	3,040	1,931
CASH END OF PERIOD	$ 4,350	$ 4,169
Changes in assets and liabilities providing (using) cash:		
Accounts receivable, net	$ 2,959	$ 3,728
Prepaid expenses and other current assets	(37)	(131)
Other assets	(1)	(72)
Accounts payable	33	(262)
Accrued insurance	(1,042)	(551)
Accrued wages	468	(607)
Other current liabilities	93	(86)
Other liabilities	(46)	4

Total change in assets and liabilities providing cash	$	2,427	$	2,023

See accompanying Notes to Financial Statements

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

1. COMPANY BACKGROUND

Ablest Inc. (Company) offers staffing services in the United States. Staffing services are principally provided through 62 service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, light industrial, information technology, finance and accounting needs of their customers. Positions often filled include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accounting, financial analysis and internal auditing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America for interim financial information, the instructions to Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X. The year-end balance date was derived from audited financial statements, but does not include all disclosures required by GAAP. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, all adjustments are of a normal recurring nature and are considered necessary for a fair statement of the results for an interim period.

The operating results for the thirteen week period ended April 1, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending December 30, 2007.

Fiscal Periods

The Company s fiscal year to date for 2007 and 2006 consists of thirteen and fourteen weeks, respectively.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents as of April 1, 2007 or December 31, 2006.

Revenue Recognition

The Company s revenues are derived from providing staffing services to its customers. Substantially all revenue is billed on a direct cost plus markup basis. Revenue is recognized at the time the service is performed. In addition, the Company bills revenues under piecework contracts and permanent placement services. Piecework contracts are billed to the customer on a cost per unit basis versus an hourly basis. Revenue from piecework contracts is recognized at the time service is performed. Permanent placement services are fee-based services to recruit and fill regular staff positions for customers. Revenue from permanent placement services is recognized when a candidate begins full-time employment.

Allowance for Doubtful Accounts

The Company must make estimates of the collectibility of accounts receivables. Management analyzes historical bad debts, customer concentrations, customer credit-worthiness, current

ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

economic trends and changes in the customer s payment tendencies when evaluating the adequacy of the allowance for doubtful accounts. The Company maintains an allowance for probable losses based upon management s analysis of historical write-off levels, current economic trends, routine assessments of its clients financial strength and any other known factors impacting collectibility. Recoveries are recognized in the period in which they are received. The ultimate amount of accounts receivable that become uncollectible could differ from those estimated; however, such losses have been generally within management s expectations.

Self-Insurance Reserves

The Company is self-insured for the deductible amount of its general liability and workers compensation coverages. To derive an estimate of the Company s ultimate claims liability, established loss development factors are applied to current claims information. The Company maintains reserves for its workers compensation using actuarial methods to estimate the remaining undiscounted liability for the deductible portion of these claims, including those incurred but not reported. Annually, an independent actuary calculates an estimated ultimate liability and determines loss development factors for future periods. The calculated ultimate liability is then reduced by cumulative claims payments to determine the required reserve. Management evaluates the accrual on a quarterly basis and adjusts as needed to reflect the required reserve calculation. Whereas management believes the recorded liabilities are adequate, there are inherent limitations in the estimation process whereby future actual losses may differ from projected loss rates, which could materially affect the financial condition and results of operations of the Company. There can be no assurance that changes to management s estimates will not occur due to limitations inherent in the estimation process.

Goodwill and Other Intangible Assets

The Company has adopted Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets . Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment; while the second phase (if necessary), measures the impairment. No impairment losses were recognized by the Company during the periods ended April 1, 2007 or December 31, 2006.

At April 1, 2007, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives.

Impairment of Long-Lived Assets

The Company has adopted Financial Accounting Standards No. 144 (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and also requires a company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment losses were recognized by the Company during the periods ended April 1, 2007 or December 31, 2006.

Income Taxes

Income taxes are accounted for by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss and credit carryforwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, management considers, within each taxing jurisdiction, whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the years in which the deferred tax assets are deductible, management provided valuation allowances as needed for those deferred tax assets that were not expected to be realized.

In July 2006, the Financial Accounting Standards Board (FASB) issued interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for and disclosure of uncertainty in tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition associated with tax positions. The provisions on FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company has evaluated the effects of adoption on its financial statements and the impact is not material.

Income Per Common Share

Basic income per common share is computed by using the weighted average number of common shares outstanding. Diluted income per share is computed by using the weighted average number of common shares outstanding plus the dilutive effect, if any, of stock options.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Stock Option Plans

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (SFAS 123 (R)). SFAS 123 (R) replaces FASB Statement No. 123 Accounting for Stock-Based Compensation , and supersedes APB Opinion No 25 Accounting for Stock Issued to Employees . The statement establishes standards for accounting for share-based payment transactions. Share-based payment transactions are those in which an entity exchanges its equity instruments for goods or services, or in which an entity incurs liabilities in exchange for goods or services, which are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123(R) covers a wide range of share-based compensation arrangements including share

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Notes to Condensed Financial Statements
(Unaudited)

options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant date (with limited exceptions). That cost will be recognized in the entity s financial statements over the period during which the employee is required to provide services in exchange for the award.

The Company adopted SFAS 123(R) in the first quarter of fiscal 2006, however, as of November 3, 2005, the Board of Directors of the Company accelerated the vesting of all unvested stock options. By accelerating the vesting of these options, the Company has no obligations outstanding which would require compensation expense under SFAS 123(R) to be recorded.

Prior to the adoption of SFAS 123(R), the Company applied the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of the grant if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards No. 123 (SFAS No. 123) Accounting for Stock Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

Recent Accounting Pronouncements

In September 2006, FASB issued FAS 157 Fair Value Measurements (FAS 157). FAS 157 established a standard definition for fair value, establishes a framework under generally accepted accounting principles for measuring fair value and expands disclosure requirements for fair value measurements. The accounting provisions of FAS 157 will be effective for the Company beginning in fiscal year 2008. The Company has not yet completed its evaluation of the impact of adoption on the Company s financial position or results of operations but does not expect the provision to have a material impact.

In September 2006, FASB issued SAB 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides interpretative guidance on how the effects of the carryover of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 will be effective for the Company beginning in fiscal year 2007. The Company has evaluated the impact of adoption of SAB 108 on the Company s financial position or results of operations and has determined that the impact is not material.

In order to maintain consistency and comparability between periods presented, certain amounts may have been reclassified from the previously reported financial statements to conform to the financial statement presentation of the current period.

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3. SHORT-TERM BORROWINGS

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the $7,500,000 Committed Revolving Credit Facility (Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank s prime rate or the thirty, sixty or ninety day LIBOR (as defined in the agreement) plus 125 basis points. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter s EBITDA, as defined in the agreement. During the first quarter of 2007, the Company had no borrowings against the Facility and was in compliance with all covenants. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

4. STOCKHOLDERS EQUITY

The changes in stockholders equity for the thirteen week period ended April 1, 2007 are summarized as follows. Amounts are presented in thousands.

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders equity
Balance at December 31, 2006	$169	$5,636	$17,411	$(2,110)	$21,106
Net (Loss)			(290)		(290)
Restricted Stock Plan		(47)			(47)
Balance at April 1, 2007	$169	$5,589	$17,121	$(2,110)	$20,769

5. SUBSEQUENT EVENT

On April 4, 2007, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Koosharem Corporation (Parent) and Select Acquisition, Inc. (Merger Sub). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into the Company, with the Company as the surviving corporation of the merger (the Merger). In the Merger, each share of common stock (including shares of restricted stock) of the Company, other than those held by the Company, Parent or Merger Sub, or any of their respective subsidiaries, and other than those shares with respect to which appraisal rights are properly exercised, will be converted into the right to receive $11.00 per share in cash (the Merger Consideration). In addition, all outstanding options to acquire shares of Company common stock will vest at the effective time of the Merger and holders of such options will receive an amount in cash equal to the excess, if any, of the Merger Consideration over the exercise price per share subject to the option for each share subject to the option. Completion of the Merger is subject to customary closing conditions, including approval by the Company s shareholders. Pursuant, and subject to, the terms of a voting agreement entered into with Parent and Merger Sub, members of the Heist family (including Charles H. Heist, III, the Company s Chairman of the Board) have agreed to vote the approximately 50.4% of the Company s outstanding common stock beneficially owned thereby in favor of the Merger. The parties currently expect that the Merger will be completed by June 30, 2007. If the Merger is completed, there will be a change in control of the Company.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Statements made in this Quarterly Report on Form 10-Q, other than those concerning historical information, should be considered forward-looking and are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. This notice is intended to take advantage of the safe harbor provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. These forward-looking statements (such as when we describe what will , may or should occur, what we plan , intend , estimate , belie or anticipate will occur, and other similar statements) include, but are not limited to, statements regarding future revenues and operating results; future prospects; anticipated benefits of proposed (or future) new branches, products or services; growth; the capabilities and capacities of our business operations and information systems; financing needs or plans; any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including, but not limited to, statements about our business plans. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements: business conditions and competitive factors in our customers industries, our ability to successfully expand into new markets and offer new service lines, the availability of qualified personnel, the non-exclusive, short-term nature of our customers commitments, economic and political conditions and unemployment levels in the United States and other countries, increases in payroll related costs, including state unemployment insurance and workers compensation insurance, obsolescence or impairment of our information systems, our ability to successfully invest in and implement information systems, the cost of and our ability to comply with Section 404 of the Sarbanes-Oxley Act of 2002**,** liabilities under our self-insurance program, and other factors that we may not have currently identified or quantified.

All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur or which we hereafter become aware of. You should read this document and the documents that we incorporate by reference into this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Critical Accounting Policies

The preparation of the Company s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the amounts and disclosures reported within those financial statements. These estimates are evaluated on an ongoing basis by management and generally affect revenue recognition, collectibility of accounts receivable, workers compensation costs, income taxes and goodwill. Management s estimates and assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. However, actual results under circumstances and conditions different than those assumed could result in differences from the estimated amounts in the financial statements.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Company s critical accounting policies are described in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and in the notes to the consolidated financial statements in the Company s previously filed Annual Report on Form 10-K for the fiscal year ended December 31, 2006. There were no changes to these policies during the thirteen week period ended April 1, 2007.

Recent Development

On April 4, 2007, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Koosharem Corporation (Parent) and Select Acquisition, Inc. (Merger Sub). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into the Company, with the Company as the surviving corporation of the merger (the Merger). In the Merger, each share of common stock (including shares of restricted stock) of the Company, other than those held by the Company, Parent or Merger Sub, or any of their respective subsidiaries, and other than those shares with respect to which appraisal rights are properly exercised, will be converted into the right to receive $11.00 per share in cash (the Merger Consideration). In addition, all outstanding options to acquire shares of Company common stock will vest at the effective time of the Merger and holders of such options will receive an amount in cash equal to the excess, if any, of the Merger Consideration over the exercise price per share subject to the option for each share subject to the option. Completion of the Merger is subject to customary closing conditions, including approval by the Company s shareholders. Pursuant, and subject to, the terms of a voting agreement entered into with Parent and Merger Sub, members of the Heist family (including Charles H. Heist, III, the Company s Chairman of the Board) have agreed to vote the approximately 50.4% of the Company s outstanding common stock beneficially owned thereby in favor of the Merger. The parties currently expect that the Merger will be completed by June 30, 2007. If the Merger is completed, there will be a change in control of the Company.

Results of Operations:

The following discussion compares the quarter ended April 1, 2007 to the quarter ended April 2, 2006, and should be read in conjunction with the Condensed Financial Statements, including the related notes thereto, appearing elsewhere in this Report.

Three Months Quarter Ended April 1, 2007 Compared with April 2, 2006

Revenues decreased to $31.5 million for the thirteen week quarter period ended April 1, 2007 as compared to $35.9 million for the fourteen week quarter period ended April 2, 2006. The decrease was caused by one less week quarter over quarter, and lower billable hours notwithstanding an increase in average billing rate. We are continuing to experience reduced demand for labor in certain industries including home building, furniture manufacturing and consumer products. We also discontinued service to certain customers that were not meeting our margin and volume targets and at the same time have increased our focus on improved pricing both with existing and new customers.

Gross profit was $5.7 million for the thirteen week first quarter period of 2007 compared to $6.1 million for the fourteen week first quarter period in 2006, a decrease of $0.4 million or 7.0% for the quarter. Gross profit as a percentage of revenue was 18.1% for the quarter period as compared to 17.0% prior year s quarter period, respectively. The improvement in quarterly gross margin is attributable to increased hourly billing rates and lower state unemployment insurance rates. In addition, gross margin also increased as a result of additional permanent placement fees.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Selling, general and administrative expenses increased by $749,000 or 13.5% for the quarter period ended April 1, 2007, as compared to the quarter period ended April 2, 2006. The quarter period increase is primarily attributable to $626,000 thousand in professional fees expense associated with the Special Committee of the Board of Directors evaluation of buyout proposals and other strategic alternatives. Additional costs relating to establishing and staffing new office locations also contributed to the increase. Over the last twelve months, six new offices were opened. In addition, an increase in depreciation expenses from new software installations and the hiring of additional sales and business development staff at our headquarters office contributed to the increase.

Other income, net increased due to cash equivalent earnings and other miscellaneous income.

An income tax benefit of $323,000 thousand was recorded for the quarter ended April 1, 2007, as compared to $213,000 thousand in expense for the quarter ended April 2, 2006. The effective tax rates were 52.7% and 37.9%, respectively. The change in tax rate is due to deferred timing differences.

Liquidity and Capital Resources:

The quick ratio was 3.5 to 1 and 3.3 to 1 at April 1, 2007 and December 31, 2006, respectively, and the current ratio was 3.8 to 1 and 3.6 to 1, for the same respective periods. The primary source of funding is generated from results of operations. Net working capital decreased by $0.7 million to $15.5 million for the current year to date period as a result of operations. Reference should be made to the Condensed Statements of Cash Flows, which details the sources and uses of cash.

Capital expenditures year-to-date were approximately $290,000 thousand.

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the $7,500,000 Committed Revolving Credit Facility (Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank s prime rate or the thirty, sixty or ninety day LIBOR plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter s EBITDA, as defined in the agreement. The Company had no borrowings during the period ended April 1, 2007. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

Outlook

We will continue to focus on improving our gross margin and growing revenue through implementing more favorable pricing and discontinuing certain customer relationships not meeting our profitability targets. We also intend to continue our focus on expanding further into new and existing commercial and professional staffing markets during the remainder of 2007 and 2008.

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Material Commitments

The Company s contractual cash obligations as of April 1, 2007 are summarized in the table below:

	(Amounts in thousands)				
	Payable during 2007	Payable 2008 - 2010	Payable 2011 - 2013	Payable after 2014	Total
Operating leases (1)	$1,116	$2,815	$1,042	$	$4,973
Total	$1,116	$2,815	$1,042	$	$4,973

(1) Includes minimum lease payment obligations for equipment and real property leases in effect as of April 1, 2007.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company does not believe that its exposure to fluctuations in interest rates is material.

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective for the period covered by this quarterly report filed under the Securities Exchange Act within the time periods specified by the Securities and Exchange Commission s rules and forms.

During the first fiscal quarter, there have not been any changes in the Company s internal controls over financial reporting or in other factors to the Company s knowledge that could materially affect, or is reasonably likely to materially affect the internal control over financial reporting, including any corrective action with regard to significant deficiencies and material weaknesses. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events.

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PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

Exhibits

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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

ABLEST INC.

By: */s/ John Horan*
John Horan
Vice President and Chief Financial Officer
(On behalf of the Registrant and as Principal
Financial Officer)

Date: May 11, 2007

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