

Edgar Filing: ARTS WAY MANUFACTURING CO INC - Form 10-Q

ARTS WAY MANUFACTURING CO INC

Form 10-Q

October 16, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarter Ended August 31, 2003

Commission File No. 0-5131

ART'S-WAY MANUFACTURING CO., INC.  
(Exact name of registrant as specified in its charter)

DELAWARE 42-0920725  
State of Incorporation I.R.S. Employer Identification No.  
  
Hwy 9 West, Armstrong, Iowa 50514  
Address of principal executive offices Zip Code

Registrant's telephone number, including area code: (712) 864-3131

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, and (2) has been subject to such  
filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2). Yes ☐ No ☒

Number of common shares outstanding as of September 24, 2003: 1,938,176

ART'S-WAY MANUFACTURING CO., INC  
CONSOLIDATED STATEMENTS OF OPERATIONS  
CONDENSED  
(Unaudited)

|                               | Three Months Ended |                    | Year to Date       |                    |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
|                               | August 31,<br>2003 | August 31,<br>2002 | August 31,<br>2003 | August 31,<br>2002 |
| Net Sales                     | \$ 3,726,583       | \$ 3,226,991       | \$ 8,667,976       | \$ 8,121,504       |
| Cost of goods sold            | 2,706,793          | 2,379,773          | 6,211,881          | 6,062,166          |
| Gross Profit                  | 1,019,790          | 847,218            | 2,456,095          | 2,059,338          |
| Operating Expenses            |                    |                    |                    |                    |
| Engineering                   | 95,600             | 19,203             | 129,779            | 49,840             |
| Selling                       | 219,263            | 186,594            | 499,497            | 438,030            |
| General and<br>administrative | 325,301            | 306,899            | 1,005,131          | 1,114,262          |
| Total expenses                | 640,164            | 512,696            | 1,634,407          | 1,602,132          |
| Income from operations        | 379,626            | 334,522            | 821,688            | 457,206            |
| Other expenses                |                    |                    |                    |                    |
| Interest expense              | 39,889             | 44,060             | 88,862             | 138,874            |
| Other                         | 16,542             | 24,995             | 32,389             | 70,902             |
| Total other expenses          | 56,431             | 69,055             | 121,251            | 209,776            |

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|                                           |            |            |            |            |
|-------------------------------------------|------------|------------|------------|------------|
| Income before income taxes                | 323,195    | 265,467    | 700,437    | 247,430    |
| Income tax expense                        | -          | -          | 2,031      | -          |
| Net income                                | \$ 323,195 | \$ 265,467 | \$ 698,406 | \$ 247,430 |
| Net income per share                      |            |            |            |            |
| Basic                                     | \$ 0.17    | \$ 0.14    | \$ 0.36    | \$ 0.14    |
| Diluted                                   | \$ 0.17    | \$ 0.14    | \$ 0.36    | \$ 0.14    |
| Common shares and equivalent outstanding: |            |            |            |            |
| Basic                                     | 1,938,176  | 1,938,176  | 1,938,176  | 1,765,330  |
| Diluted                                   | 1,954,279  | 1,943,186  | 1,950,712  | 1,767,955  |

See accompanying notes to financial statements.

## ART'S-WAY MANUFACTURING CO., INC. CONSOLIDATED BALANCE SHEET CONDENSED

|                                                                                                                                     | (Unaudited)<br>2003 | August 31,<br>2002 | November 30,<br>2002 |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|----------------------|
| <b>ASSETS</b>                                                                                                                       |                     |                    |                      |
| Current Assets                                                                                                                      |                     |                    |                      |
| Cash                                                                                                                                | \$ 402,913          |                    | \$ 75,358            |
| Accounts receivable-customers, net of allowance for doubtful accounts of \$63,700 and \$50,000 in August and November, respectively | 1,275,250           |                    | 592,945              |
| Other Receivables                                                                                                                   | 14,370              |                    | -                    |
| Inventories                                                                                                                         | 3,910,248           |                    | 3,576,707            |
| Other current assets                                                                                                                | 131,429             |                    | 95,385               |
| Total current assets                                                                                                                | 5,734,210           |                    | 4,340,395            |
| Property, plant and equipment, at cost                                                                                              | 10,944,845          |                    | 10,725,972           |
| Less accumulated depreciation                                                                                                       | 9,962,870           |                    | 9,751,260            |
| Net property, plant and equipment                                                                                                   | 981,975             |                    | 974,712              |
| Inventories, noncurrent                                                                                                             | 430,509             |                    | 430,509              |
| Real Estate Loan Receivable                                                                                                         | 165,725             |                    | -                    |
| Other Assets                                                                                                                        | 234,565             |                    | 175,849              |
| Total Assets                                                                                                                        | \$ 7,546,984        |                    | \$ 5,921,465         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                         |                     |                    |                      |
| Current Liabilities                                                                                                                 |                     |                    |                      |
| Notes payable to bank                                                                                                               | \$ -                |                    | \$ 319,222           |
| Current portion of long-term debt                                                                                                   | 114,023             |                    | 356,669              |
| Accounts payable                                                                                                                    | 429,698             |                    | 523,492              |
| Customer deposits                                                                                                                   | 49,112              |                    | 249,756              |
| Accrued expenses                                                                                                                    | 891,489             |                    | 630,972              |
| Total current liabilities                                                                                                           | 1,484,322           |                    | 2,080,111            |
| Long-term liabilities                                                                                                               | 159,777             |                    | 187,204              |
| Long-term debt, excluding current portion                                                                                           | 2,071,159           |                    | 520,830              |
| Total liabilities                                                                                                                   | 3,715,258           |                    | 2,788,145            |

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## Stockholders' Equity

Common stock - \$.01 par value. Authorized  
5,000,000 shares; issued 1,938,176 shares

|                            |           |           |
|----------------------------|-----------|-----------|
| in August and in November  | 19,382    | 19,382    |
| Additional paid-in capital | 1,634,954 | 1,634,954 |
| Retained earnings          | 2,177,390 | 1,478,984 |
| Total stockholders' equity | 3,831,726 | 3,133,320 |

|                                               |              |              |
|-----------------------------------------------|--------------|--------------|
| Total liabilities and<br>stockholders' equity | \$ 7,546,984 | \$ 5,921,465 |
|-----------------------------------------------|--------------|--------------|

See accompanying notes to financial statements.

## ART'S-WAY MANUFACTURING CO., INC. CONSOLIDATED STATEMENTS OF CASH FLOWS CONDENSED

|                                                                                        | (Unaudited)       |            |  |
|----------------------------------------------------------------------------------------|-------------------|------------|--|
|                                                                                        | Nine Months Ended |            |  |
|                                                                                        | August 31,        | August 31, |  |
|                                                                                        | 2003              | 2002       |  |
| CASH FLOW FROM OPERATIONS:                                                             |                   |            |  |
| Net income                                                                             | \$ 698,406        | \$ 247,430 |  |
| Adjustment to reconcile net income<br>to net cash provided by operating<br>activities: |                   |            |  |
| Depreciation and amortization                                                          | 211,610           | 182,862    |  |
| Changes in working capital components:                                                 |                   |            |  |
| (Increase) decrease in:                                                                |                   |            |  |
| Accounts receivable                                                                    | (682,305)         | (81,410)   |  |
| Other receivables                                                                      | (14,370)          | -          |  |
| Inventories                                                                            | (83,190)          | 581,448    |  |
| Other current assets                                                                   | (36,044)          | (121,994)  |  |
| Other                                                                                  | (58,716)          | -          |  |
| Increase (decrease) in:                                                                |                   |            |  |
| Accounts payable                                                                       | (93,794)          | (471,432)  |  |
| Customer deposits                                                                      | (200,644)         | (21,488)   |  |
| Accrued expenses                                                                       | 260,517           | 104,109    |  |
| Net cash provided by (used in)<br>operating activities                                 | 1,470             | 419,525    |  |
| CASH FLOW FROM INVESTING ACTIVITIES:                                                   |                   |            |  |
| Purchases of property, plant and equipment                                             | (113,226)         | (31,184)   |  |
| Purchases of assets of Obeco, Inc.                                                     | (521,723)         | -          |  |
| Net cash (used in) investing activities                                                | (634,949)         | (31,184)   |  |
| CASH FLOW FROM FINANCING ACTIVITIES:                                                   |                   |            |  |
| Proceeds from (payment of)<br>notes payable to bank                                    | 2,538,789         | (897,769)  |  |
| Principal payments on term debt<br>and long-term liabilities                           | (1,577,755)       | (267,633)  |  |
| Proceeds from issuance of common<br>stock from treasury                                | -                 | 53,253     |  |
| Proceeds from issuance of common<br>stock                                              | -                 | 746,747    |  |
| Net cash provided by (used in)<br>financing activities                                 | 961,034           | (365,402)  |  |
| Net increase in cash                                                                   | 327,555           | 22,939     |  |
| Cash at beginning of period                                                            | 75,358            | 4,375      |  |
| Cash at end of period                                                                  | \$ 402,913        | \$ 27,314  |  |

Supplemental disclosures of cash

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flow information:

Cash paid during the year for:

|              |           |            |
|--------------|-----------|------------|
| Interest     | \$ 88,862 | \$ 138,874 |
| Income taxes | 2,031     | 4,032      |

See accompanying notes to financial statements.

### ART'S-WAY MANUFACTURING CO., INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONDENSED

(Unaudited)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement Presentation

The financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended November 30, 2002. The results of operations for the third quarter and year to date ended August 31, 2003 are not necessarily indicative of the results for the fiscal year ending November 30, 2003.

##### Acquisition

On July 14, 2003 Art's-Way announced that it entered into an agreement to purchase from bankruptcy the assets of Obeco Incorporated, a manufacturer of steel truck bodies located in Cherokee, Iowa. The agreement includes the purchase of a real estate loan, all inventory, intellectual materials, machinery, tooling, fixtures and the company name. Art's-Way formed a new subsidiary called Cherokee Truck Bodies, Incorporated. The truck bodies will continue to be sold under the recognized name OBECO. The company will continue to be located in Cherokee, Iowa.

The United States Bankruptcy Court approved the sale and the closing date for the acquisition was July 28, 2003. Operations of Cherokee Truck Bodies are included in the results of operations since that date. Total cost of acquisition includes all inventory, \$250,351; machinery and equipment, \$105,647; real estate loan, \$165,725 for a total of \$521,723. Securing long term financing allowed for the acquisition of Obeco.

#### 2. INCOME PER SHARE

Basic net income per common share is computed on the basis of weighted average number of common shares outstanding. Diluted net income per share has been computed on the basis of weighted average number of common shares outstanding plus equivalent shares assuming exercise of stock options.

The difference in shares utilized in calculating basic and diluted net income per share represents the number of shares issued under the Company's stock option plans less shares assumed to be purchased with proceeds from the exercise of the stock options. The reconciling item between the shares used in the computation of basic and diluted earnings per share is 16,103; for the third quarter ended August 31, 2003; 5,010 for the third quarter ended August 31, 2002; 12,536 for the year to date period ended August 31, 2003; and 2,625 for year to date period ended August 31, 2002 equivalent shares for the

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effect of dilutive stock options.

### 3. INVENTORIES

|                                           |                 |                   |
|-------------------------------------------|-----------------|-------------------|
| Major classes of inventory are:           | August 31, 2003 | November 30, 2002 |
| Raw material                              | \$ 980,258      | \$ 1,065,166      |
| Work-in-process                           | 1,375,587       | 1,209,007         |
| Finished goods                            | 1,984,912       | 1,733,043         |
| Total                                     | \$ 4,340,757    | \$ 4,007,216      |
| Less inventories classified as noncurrent | 430,509         | 430,509           |
| Inventories, current                      | \$ 3,910,248    | \$ 3,576,707      |

### 4. ACCRUED EXPENSES

|                                           |                 |                   |
|-------------------------------------------|-----------------|-------------------|
| Major components of accrued expenses are: | August 31, 2003 | November 30, 2002 |
| Salaries, wages and commissions           | \$ 413,283      | \$ 294,220        |
| Accrued warranty expense                  | 97,111          | 60,232            |
| Other                                     | 381,095         | 276,520           |
| Total                                     | \$ 891,489      | \$ 630,972        |

### 5. LOAN AND CREDIT AGREEMENTS

On April 25, 2003 the Company obtained long-term financing through West Des Moines State Bank (West Bank), West Des Moines, Iowa. Credit facilities consist of two loan agreements totaling \$5,500,000.

Facility #1 is a revolving line of credit for \$2,500,000 with advances funding the working capital, letter of credit and corporate credit card needs. It renews annually with a maturity date of February 28, 2004. The interest rate will be West Bank's prime interest rate plus 1% adjusted daily. Monthly interest only payments will be required and the unpaid principal due on the maturity date. In addition an annual fee of \$12,500 will be paid for the use of this credit facility. Collateral consists of a first position on assets owned by the Company including, but not limited to inventories, accounts receivable, machinery and equipment.

Facility #2 is long-term financing for up to \$3,000,000 that is supported by a guarantee issued by the United States Department of Agriculture (USDA) for 75% of the loan amount outstanding. The loan refinanced existing debt to UPS Capital (approximately \$1,500,000), finance equipment (approximately \$250,000), provide permanent working capital (approximately \$500,000) and satisfy closing costs (approximately \$50,000). Approximately \$700,000 will be reserved for future acquisitions. Maturity date is March 31, 2023. The variable interest rate will be West Bank's prime interest rate plus 1.5% adjusted daily. Monthly principal and interest payments will be amortized over 20 years, at which time the loan will mature. A one-time origination fee of 1% was also required. Collateral for Facility #2 is primarily real estate with a second position on assets of Facility #1. The USDA subordinates collateral rights in all assets other than real estate in an amount equal to West Bank's other credit commitments.

J. Ward McConnell, Jr. was required to personally guarantee Facility #1 and Facility #2 on an unlimited and unconditional basis. The guarantee of Facility #2 shall then be reduced after the first three years to a percentage representing his ownership of the Company. Mr. McConnell's guarantee shall be removed from Facility #2 in the event that his ownership interest in the Company is reduced to a level less than 20% after the first three years of the loan. The Company will compensate Mr. McConnell for his personal guarantee at an annual percentage rate of 2% of the outstanding balance to be paid monthly. Other terms and conditions are providing monthly internally prepared financial reports including accounts receivable aging

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schedules and borrowing base certificates and year-end audited financial statements. The borrowing bases shall limit advances from Facility #1 to 60% of accounts receivable less than 90 days, 60% of finished goods inventory, 50% of raw material inventory and 50% of work-in-process inventory plus 40% of appraisal value of machinery and equipment. Covenants include debt service coverage ratio, debt/tangible net worth ratio, current ratio, limit capital expenditures, and maintain a minimum tangible net worth.

On April 25, 2003 the Company borrowed \$2,000,000 against Facility #2. \$1,528,775 was used to payoff UPS Capital with \$110,000 being held in reserve for a letter of credit (\$100,000) and any additional fees. The balance of \$471,225 was used as working capital. As of August 31, 2003, the Company has not borrowed against Facility #1.

A summary of the Company's term debt is as follows:

|                                                                                                                                                                             | August 31,<br>2003 | November 30,<br>2002 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|
| West Bank real estate loan payable in monthly<br>Installments of \$17,776 including interest at<br>Bank's prime rate plus 1.5% (5.50%)                                      | \$ 1,967,590       | \$ -                 |
| Installment term debt payable in monthly<br>Installments of \$23,700, plus interest at four<br>Percent over the bank's national money market rate<br>due on demand, secured | \$ -               | \$ 605,371           |
| State of Iowa Community Development Block Grant<br>promissory notes at zero percent interest, maturity<br>2006, with quarterly principal payments of \$11,111               | \$ 133,333         | \$ 166,667           |
| State of Iowa Community Development Block Grant<br>local participation promissory notes at 4% interest,<br>Maturity 2006, with quarterly payments of \$7,007                | \$ 84,259          | \$ 105,461           |
| Total term debt                                                                                                                                                             | \$ 2,185,182       | \$ 877,499           |
| Less current portion of term debt                                                                                                                                           | \$ 114,023         | \$ 356,669           |
| Term debt, excluding current portion                                                                                                                                        | \$ 2,071,159       | \$ 520,830           |

### 6. RELATED PARTY TRANSACTION

In February 2002, the Company sold common stock to an existing shareholder, Mr. J. Ward McConnell, Jr., at estimated fair value. Proceeds from the sale of the stock were \$800,000. Mr. McConnell has agreed that without prior approval of the Board of Directors, excluding himself and his son, he will not acquire as much as fifty percent (50%) of the Company's common stock and will not take the Company private. Immediately after the transaction, Mr. McConnell was elected as Chairman of the Board of Directors of the Company. His son, Marc McConnell, is also a Board Member.

## Item 2

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### (a) Liquidity and Capital Resources

On July 14, 2003 Art's-Way announced that it entered into an agreement to purchase from bankruptcy the assets of Obeco Incorporated, a

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manufacturer of steel truck bodies located in Cherokee, Iowa. The agreement includes the purchase of a real estate loan, all inventory, intellectual materials, machinery, tooling, fixtures and the company name. Art's-Way formed a new subsidiary called Cherokee Truck Bodies, Incorporated. The truck bodies will continue to be sold under the recognized name OBECO. The company will continue to be located in Cherokee, Iowa.

The United States Bankruptcy Court approved the sale and the closing date for the acquisition was July 28, 2003. Operations of Cherokee Truck Bodies are included in the results of operations since that date. Total cost of acquisition includes all inventory, \$250,351; machinery and equipment, \$105,647; real estate loan, \$165,725 for a total of \$521,723. Securing long term financing allowed for the acquisition of Obeco.

The Company's main source of funds for the nine months ended August 31, 2003 came by securing long-term financing (see footnote 5 of the notes to the consolidated financial statements) and net income.

These sources were offset by increases of the accounts receivable, other receivables, inventories and other assets. The increase in accounts receivable results from the sales of truck bodies, sugar beet equipment, potato harvesters, and parts stock orders prior to the quarter end and within the normal terms of the Company. Other offsets include the reduction of accounts payable and customer deposits. The Company's capital expenditures are the acquisition of Obeco assets listed above and equipment overhauls during the quarter.

### (b) Results of Operations

Fiscal year 2003 third quarter and year to date net sales were 15% and 7%, respectively, higher than for the comparable periods one-year ago. The increase in net sales for the third quarter and year to date resulted from the increase in sales of potato harvesters and Cherokee Truck Bodies sales of \$153,646 in the third quarter.

Gross profit, as a percent of sales, was 27% for the quarter ended August 31, 2003, as compared to 26% for the same period in 2002. Year to date through August 31, 2003, gross profit was 28% compared to 25% for the prior year. Increased labor efficiency and continued cost reduction programs throughout the year have resulted in the increase.

As a percent of sales, operating expenses were 17% and 16%, respectively, for the three months ended August 31, 2003 and 2002. For the year to date period ended August 31, 2003 and 2002, operating expenses were 19% and 20%, respectively. Operating expenses for the quarter and year to date periods ended August 31, 2003 includes approximately \$70,000 in research and development expenditures related to the development of a new sugar beet harvester. This machine is projected to increase productivity substantially as compared to current machines on the market. The Company anticipates that the prototype will have additional research and development expenditures in the fourth quarter and it will be ready in the fall of 2003 with production scheduled in 2004.

Other expenses continue to decrease for the quarter and for the year to date when compared to the same periods of the previous year.

Third quarter and nine months ended August 31, 2003 net income as a percent increased 22% and 182%, respectively, when compared to the same periods of the previous year.

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The order backlog at August 31, 2003 was \$955,000 compared to \$1,354,000 one year ago. August 31, 2002 backlog included an OEM plow order that was shipped in the fourth quarter. This year the shipment was in the third quarter that was the primary reason for the decrease.

The Company reached a new exclusive licensing agreement with Case Corporation to produce and market moldboard plows and service parts. This will allow the Company to sell direct to dealers and should generate higher revenues in 2004. The previous arrangement generated \$1,009,000 of OEM revenue in 2003.

### (c) Critical Accounting Policies

The Company's critical accounting policies involving the more significant judgments and assumptions used in the preparation of the financial statements as of August 31, 2003 have remained unchanged from November 30, 2002. These policies involve revenue recognition, inventory valuation and income taxes. Disclosure of these critical accounting policies is incorporated by reference under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" in the Company's Annual report on Form 10-K for the year ended November 30, 2002.

### Item 3

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company does not have any additional market risk exposure other than what was outlined in the November 30, 2002, 10-K filing.

### Item 4

#### DISCLOSURE CONTROLS AND PROCEDURES

Within 90 days of the filing date of this quarterly report, the Company's Chief Executive Officer and Finance Manager have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15(d)-14(c)) and, based on their evaluation, have concluded that the disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

### Part II - Other Information

#### ITEM 1. LITIGATION AND CONTINGENCIES

Various legal actions and claims are pending against the Company. In the opinion of management, adequate provisions have been made in the accompanying financial statements for all pending legal actions and other claims.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits:

10.8 Agreement to purchase assets of Obeco, Inc. by Cherokee Truck Bodies, Inc., a wholly owned subsidiary of Art's-Way Manufacturing Co., Inc. effective July 28, 2003.

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31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 made by John C. Breitung, Chief Executive Officer

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 made by Seth F. LaBore, Finance Manager

32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by John C. Breitung, Chief Executive Officer

32.2 Certification pursuant to 18 U.S. C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by Seth F. LaBore, Finance Manager

(b) Reports on Form 8-K:

Form 8-K filed 7/18/03, Item # 5, announcing OBECO agreement.

### SIGNATURES

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.

ART'S-WAY MANUFACTURING CO., INC.

Date: October 15, 2003

By: /s/ John C. Breitung

John C. Breitung  
President and Chief Executive Officer

Date: October 15, 2003

By: /s/ Seth F. LaBore

Seth F. LaBore  
Finance Manager

Exhibit 31.1

### CERTIFICATIONS

I, John C. Breitung, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Art's-Way Manufacturing Co., Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

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a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 15, 2003

/s/ John C. Breitung

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Seth F. LaBore, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Art's-Way Manufacturing Co., Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the

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registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 15, 2003

/s/ Seth F. LaBore  
Finance Manager

### Exhibit 32.1

#### CERTIFICATION OF FINANCIAL STATEMENTS

Pursuant to 18 U.S.C. 63 1350, the President/Chief Executive Officer of Art's-Way Manufacturing Co., Inc. (the "Company"), hereby certify that this Form 10-Q and the financial statements thereto fully comply with the requirements of Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q and the financial statements thereto fairly present, in all material respects, the financial condition and results of operations of the Company.

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By: /s/ John C. Breitung

Name: John C. Breitung  
President and Chief Executive Officer  
October 15, 2003

### Exhibit 32.2

#### CERTIFICATION OF FINANCIAL STATEMENTS

Pursuant to 18 U.S.C. 63 1350, the Finance Manager of Art's-Way Manufacturing Co., Inc. (the "Company"), hereby certify that this Form 10-Q and the financial statements thereto fully comply with the requirements of Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q and the financial statements thereto fairly present, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Seth F. LaBore

Name: Seth F. LaBore  
Finance Manager  
October 15, 2003