SAMES CORP
Form 10-Q
May 15, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-Q

(Mark One)

/X/ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended March 31, 2001

/ / 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 001-01416

SAMES CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	36-0808480
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9201 WEST BELMONT AVENUE, FRANKLIN PARK, ILLINOIS 60131
(Address of principal executive offices)

Registrant's telephone number, including area code 847-737-5970

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 ____X____ No ___________

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of April 30, 2001
Capital Stock, $1.00 par value per share	2,934,602

SAMES CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Form 10-Q Index

Part I. Financial Information

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Company or group of companies for which report is filed:

SAMES CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2001 (Unaudited), and December 31, 2000

(in thousands, except share amounts)

		March 31, 2001
ASSETS		
Current assets:		
Cash	$	1,458
Receivables, net		29,733
Inventories		12,070
Other current assets		1,386
Total current assets		44,647
Other noncurrent assets		2,714
Property, plant and equipment, at cost		10,605
Less accumulated depreciation		6,065
Net property, plant and equipment		4,540
	$	51,901
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable, bank overdrafts and current maturities of long-term debt	$	8,081
Accounts payable		21,040
Other current liabilities		10,805
Total current liabilities		39,926
Deferred compensation		3,714
Note payable, net of discount of $606 and $673, respectively		1,591
Deferred income taxes		19
Long-term debt, less current maturities		1,192
Total liabilities		46,442
Stockholders' equity:		
Common stock, $1.00 par value. Authorized 12,000,000 shares; issued 2,966,837 shares at March 31, 2001 and December 31, 2000		2,967
Additional paid-in capital		19,660
Accumulated deficit		(13,243)
Accumulated other comprehensive loss --		

foreign currency translation adjustments	(3,416)
	5,968
Treasury stock, at cost, 32,235 and 32,369 shares at March 31, 2001 and December 31, 2000, respectively	(509)
Total stockholders' equity	5,459
	$ 51,901

SAMES CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited, in thousands, except share and per share amounts)

	For the three months ended	
	March 31, 2001	March 31, 2000
Net sales	$ 14,391	22,614
Cost of goods sold	9,396	14,814
Gross profit	4,995	7,800
Selling, general and administrative expenses	5,534	6,489
Research and development costs	596	642
Operating income (loss)	(1,135)	669
Other expense:		
Interest expense	270	263
Other expense	334	49
	604	312
Income (loss) from continuing operations before income taxes	(1,739)	357
Income tax expense (benefit)	(228)	114
Income (loss) from continuing operations, net of tax	(1,511)	243
Loss from discontinued operations, net of tax	(275)	(484)
Net loss	$ (1,786)	(241)
Income (loss) per share - basic		
Continuing operations	$ (.52)	.08
Discontinued operations	(.09)	(.16)

Net loss	$	(.61)	(.08)
Income (loss) per share - diluted			
Continuing operations	$	(.52)	.08
Discontinued operations		(.09)	(.16)
Net loss	$	(.61)	(.08)
Weighted average shares:			
Basic		2,934	2,932
Effect of stock options		-	5
Diluted		2,934	2,937

SAMES CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited, in thousands of dollars)

	For th month
	March 31, 2001
Cash flows from operating activities:	
Continuing operations:	
Income (loss) from continuing operations	$ (1,511)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:	
Depreciation and amortization	269
Payments of previously deferred compensation, net	(81)
Other, net	19
Cash provided (used) by changes in:	
Receivables	6,771
Inventories	(515)
Other current assets	(450)
Accounts payable	(3,935)
Accrued expenses	1,876
Income taxes	(13)
Net cash provided by continuing operations	2,430

Cash flows from investing activities:	
Purchases of property, plant and equipment	(43)
Other investments and assets	(138)
Net cash used by investing activities	(181)
Cash flows from financing activities:	
Net decrease in short term borrowings	(2,512)
Repurchase of capital stock, net	--
Proceeds from borrowings	--
Net cash used by financing activities	(2,512)
Net cash provided (used) by discontinued operations	(247)
Effect of exchange rate changes on cash	(52)
Net decrease in cash	(562)
Cash at beginning of period	2,020
Cash at end of period	$ 1,458

SAMES CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2001 (Unaudited) and December 31, 2000

NOTE 1

The accompanying consolidated financial statements are unaudited, but in the opinion of management include all adjustments, consisting only of normal recurring adjustments except where indicated, necessary for a fair presentation of the results of operations and financial position for the periods presented. Results of operations for any interim period are not necessarily indicative of results for any other period or for the full year. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE 2

On September 15, 1999 Sames Corporation ("the Company") announced a share repurchase program authorizing the Company to repurchase up to 150,000 shares of its outstanding capital stock. The shares can be repurchased from time to time in the open market as market conditions warrant. Under the terms of the repurchase program, the shares may be reissued to employees under the Company's stock option and employee stock purchase plans. Through March 31, 2001, the Company repurchased a total of 37,000 shares at a cost of $.6 million and a total of 4,765 shares were reissued to employees under the Company's employee stock purchase plan.

On April 25, 2000, the Sames stockholders approved the adoption of the Sames Employee Stock Purchase Plan, effective January 1, 2000, pursuant to which employees of the Company have the opportunity to acquire shares of the capital stock of the Company at a 15% discount. The purpose of the Plan is to advance the interests of the Company and its stockholders by providing employees of the Company and certain designated subsidiaries with an opportunity to acquire an ownership interest in the Company. With respect to employees who reside in the United States, the Plan is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code.

Effective April 1, 2001, the Sames Board of Directors, under rules of the Plan, suspended the offer and grant of options to purchase shares of common stock of the Company pursuant to the Plan to any participant in the Plan. This action was taken due to low employee involvement and the possibility that the Company will be sold.

SAMES CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2001 (Unaudited) and December 31, 2000

NOTE 3

As part of the original sale agreement with Illinois Tool Works (ITW), dated August 31, 1998, the Company assigned and transferred to ITW all of the accounts receivable related to the "Binks Business". The agreement required the Company to repurchase such accounts receivable which were not collected within 180 days. On September 23, 1999, the Company agreed to repurchase certain receivables for approximately $1.0 million, which was paid to ITW on September 28, 1999 and ITW transferred back to the Company accounts receivable in the aggregate amount of approximately $3.7 million. Through March 31, 2001, the Company had collected approximately $.7 million of the accounts receivable.

The receivables repurchased from ITW and transferred back to the Company include a receivable from Haden Drysys International Limited ("Haden"), a United Kingdom corporation, in the amount of Pounds 434,885. On March 10, 2000, Haden filed an arbitration claim in the International Court of Arbitration of the International Chamber of Commerce in Paris, which proceedings are being litigated in London, United Kingdom against Binks Limited ("Binks UK"), a former subsidiary of the Company that was sold to ITW as part of the sale of the Binks Business, in the amount of Pounds 3,300,000. The claim alleges that Binks UK breached its agreements with Haden relating to automotive paint shop equipment for an automobile plant. Pursuant to the original sale agreement with ITW, the Company has agreed to indemnify ITW with respect to the claim and to assume the defense of the claim on behalf of ITW. On April 13, 2000, the Company filed an answer denying the claim and making a counterclaim seeking to collect the receivable.

NOTE 3 (continued)

For additional information relating to legal matters involving the Company, reference is made to "Item 3 - Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and to "Part II, Item 1 - Legal Proceedings" in this report.

NOTE 4

Comprehensive loss for the three months ended March 31, 2001 and March 31, 2000 consisted of the following (in thousands):

	Three months ended March 31, 2001	Three months ended March 31, 2000
Net loss	$(1,786)	(241)
Other comprehensive loss -- foreign currency translation adjustments	(333)	(493)
Comprehensive loss	$(2,119)	(734)

SAMES CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2001 (Unaudited) and December 31, 2000

NOTE 5
The Company operates in one segment, the manufacture and distribution of electrostatic spray finishing and coating application equipment. The Company's products are sold to customers in North America, South America, Europe, Asia, Africa, and Australia.

The table below presents the Company's consolidated continuing operations by country: United States; Europe, primarily France; and Japan. Sales are presented by originating area. Interarea transfers comprise transactions among the Company and its subsidiaries in different geographic areas; these transfers are eliminated in consolidation.

		For the three months ended	
		March 31, 2001	March 31, 2000
Sales to unaffiliated customers (includes exports):			
United States	$	4,930	6,043
Europe, primarily France		8,676	14,939
Japan		785	1,632
Interarea transfers from:			
Europe, primarily France		2,962	2,899
Eliminations		(2,962)	(2,899)
Total	$	14,391	22,614

Operating income (loss):			
United States	$	(561)	(92)
Europe, primarily France		(503)	763
Japan		(71)	(2)
Total	$	(1,135)	669

Identifiable assets of continuing operations at:		March 31, 2001	March 31, 2000
United States	$	15,770	21,608
Europe, primarily France		33,711	40,276
Japan		2,343	5,086
Total	$	51,824	66,970

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

RECENT DEVELOPMENTS

In November 2000, Sames announced the proposed sale of the Company, citing global industry trends that appear to favor vertical integration in the automotive paint application market and integrators that are developing or acquiring spray application equipment and technology in order to offer "in-house" turnkey solutions. In addition, the Company noted that automotive customers are rapidly migrating toward robotic solutions over machines, a product that Sames has historically designed and installed. Although the Company produces applicators both for machines and robots, the Company's machine-related products resulted in significantly more revenue per installation. The Company has received indications of interest from two multi-national companies, and is currently in negotiations with one of these companies, which has made a proposal to acquire the Company at a price that is significantly below the current market price of the Company's stock. No assurances can be given that the current negotiations will continue or result in the ultimate sale of the Company, nor can the Company predict whether any other offers to purchase the Company will be made or if made, that such offers will be acceptable to the Company. Based on the Company's current financial condition, especially the recent severe cash flow and liquidity problems being experienced by the Company's French subsidiary, Sames, S.A., and as a result, by the Company on a consolidated basis, the downturn in the worldwide automotive business, and the difficulty in quantifying a number of "Binks business" liabilities which still remain, the Board believes that any offers received could be significantly below the current market price of the Company's stock.

Effective April 27, 2001, Mr. Arnold Dratt, the Company's Chairman, President and Chief Executive Officer, retired from the Company and returned to his consulting practice. He will remain as a consultant to the Company in connection with the completion of the sale process and certain other matters, including discontinued operations, until October 31, 2001. Directors Scott Flaig and Wayne Edwards, a former Chairman, have assumed the role of interim co-Chairmen. They will direct efforts to elect a new CEO and are working with senior management globally to refine the 2001 operating plan.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

RESULTS OF OPERATIONS

NET SALES

Net sales for the three months ended March 31, 2001 ("First Quarter 2001") were $14.4 million compared to $22.6 million for the three months ended March 31, 2000 ("First Quarter 2000") a decrease of $8.2 million or 36%. Lower sales for First Quarter 2001 as compared to the corresponding period in 2000 were primarily attributable to Sames S.A., the Company's French subsidiary, and were mainly the result of declining sales in large automotive engineered systems. Net sales of Sames, S.A. represented approximately 58% and 63% of First Quarter 2001 and First Quarter 2000 consolidated net sales, respectively. The impact of a declining French Franc from 2000 to 2001 reduced the U.S. dollar equivalent

First Quarter 2001 sales amounts, when compared to First Quarter 2000, by $1.0 million.

GROSS PROFIT

Gross profit of $5.0 million for First Quarter 2001 decreased by $2.8 million, or 36% from the comparable 2000 period. Gross profit was 35% of net sales for First Quarter 2001 and 35% for First Quarter 2000. The decrease in gross profit between years was primarily due to the reduction in volume of large automotive installations in the First Quarter 2001 compared to the prior year period.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative ("SG&A") expense was $5.5 million for First Quarter 2001 compared to $6.5 million for First Quarter 2000, or a decrease of 15%. SG&A expense as a percentage of net sales was 39% for the First Quarter 2001 compared to 29% for First Quarter 2000.

The absolute amount of SG&A expense decreased from the prior period as a result of effective cost management efforts begun in 2000. However, as a percentage of sales, SG&A expense increased in the First Quarter 2001, compared to First Quarter 2000, primarily as a result of high support costs for the automobile engineered systems in relation to reduced sales.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

RESEARCH AND DEVELOPMENT

Research and development ("R&D") expense was $.6 million for First Quarter 2001 and for the First Quarter 2000. The costs were incurred primarily at Sames S.A.. The Company is continually engaged in experimental work on various paint and powder coating systems. The Company believes that a strong commitment to research and development is necessary to drive long-term growth, consistent with its objective to approve R&D projects that offer the most strategic value to the Company.

INTEREST EXPENSE

Interest expense was $.3 million for First Quarter 2001 and First Quarter 2000. Average borrowing levels in First Quarter 2001 remained approximately the same when compared to the prior year period.

OTHER EXPENSE

Other expense was $334 thousand for First Quarter 2001 compared with other expense of $49 thousand for First Quarter 2000. The First Quarter 2001 amount includes an increase in foreign currency transaction losses of $243,000 thousand, principally at Sames, S.A. and Sames Japan, that arose due to the weakening value of the French Franc versus the U.S. dollar.

INCOME TAXES

The Company recorded income tax benefit of $.2 million in First Quarter 2001 versus expense of $.1 million for First Quarter 2000. In First Quarter 2001, the Company recorded state tax refunds that totaled $.2 million. The relationship between consolidated income tax expense and pretax income or loss is a function of the Company's geographical mix of pretax profitability, and, generally, the utilization of available net operating loss carryforwards.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

LOSS FROM DISCONTINUED OPERATIONS - NET OF TAX

The Company's loss from discontinued operations, net of tax, was $.3 million for First Quarter 2001 versus $.5 million for the First Quarter 2000. The Company incurred less legal costs in First Quarter 2001 related to various litigation matters that were settled in 2000.

NET LOSS

As a result of all of the factors above, the Company recorded a net loss of $1.8 million ($.61 loss per diluted share) and $.2 million ($.08 loss per diluted share) for First Quarter 2001 and for First Quarter 2000, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations are the primary source of the Company's liquidity. In First Quarter 2001, operating activities provided $2.4 million primarily due to a significant reduction in accounts receivable, primarily collection of a large past due receivable in Europe, and increases in accrued liabilities that were recorded mostly in Europe. These were offset by payments of accounts payable and the loss from continuing operations. Working capital was $4.7 million at March 31, 2001 compared to $6.7 million at December 31, 2000, a reduction of 30%. In First Quarter 2000, the Company generated cash flow of $1.5 million from operating activities primarily due to significant reductions in accounts receivable and inventory offset by a reduction in accounts payable. Working capital was $20.7 million at March 31, 2000 compared to $22.0 million at December 31, 1999, a reduction of 5.5%.

Short-term funds are also provided for current operations through lines of credit and overdraft facilities. There were no long-term borrowings in First Quarter 2001 compared to $157 thousand of long-term borrowings in First Quarter 2000. At March 31, 2001, the Company had aggregate credit facilities of $13.5 million, borrowings under these facilities of $7.3 million, and amounts available under these facilities of $6.2 million. At March 31, 2000, the Company had aggregate credit facilities of approximately $17.8 million, borrowings under these facilities of $7.6 million, and amounts available under these facilities of $10.2 million.

During the First Quarter 2001 and First Quarter 2000 the Company decreased short-term borrowing levels by $2.5 million and $2.1 million, respectively.

The Company's capital expenditures were $43 thousand and $305 thousand in the First Quarter 2001 and First Quarter 2000, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES (continued)

Overall, cash and cash equivalents decreased in the First Quarter 2001 by $.6 million compared to $.3 million in First Quarter 2000.

The Company's wholly-owned French subsidiary, Sames, S.A., is currently experiencing severe cash flow problems due primarily to an unexpected delay in the shipment of certain equipment to one of its customers at the customer's request, and the corresponding delay on the customer's part in making payments due of approximately $4.0 million. The payments were expected in early May 2001. Additional past due amounts of approximately $1.3 million were due from this same customer prior to May 2001 and have not yet been received. In addition, subsequent to March 31, 2001, Sames, S.A. has borrowed the maximum amount available under its credit facilities. Neither the Company nor any of its operating subsidiaries currently have sufficient liquidity or borrowing capacity to remedy these cash flow problems being experienced at Sames, S.A. As a result, the Company's cash resources on a consolidated basis are presently not adequate for the Company to continue operating in the near short-term. Unless Sames, S.A. receives these customer payments or the Company is successful in negotiating a sale of the Company in the immediate future or raises additional cash from outside sources, the Company will not be able to satisfy its current operating obligations. These current cash flow problems as well as the Company's recurring losses raise substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

As discussed above under "Recent Developments," the Company is currently in negotiations with one potential purchaser of the Company. However, no assurances can be given that the Company will be successful in negotiating a sale of the Company on a timely basis, or at all, or in raising additional funds necessary for the Company to continue operating. The Company will continue to pursue on behalf of Sames, S.A. various sources and alternatives of financial support, including seeking short-term funds from potential purchasers of the Company, strategic investors, lenders and/or industry partners. However, the outcome of any such financing is uncertain, and if the Company is unable to resolve these problems in a timely manner, the Company will no longer be able to operate in the ordinary course of business.

QUARTERLY FLUCTUATIONS

The Company has experienced significant quarterly fluctuations in operating results and anticipates that those fluctuations will continue. The fluctuations have been primarily caused by periodic changes in the components of the Company's sales mix. In particular, the Company's sales of large automotive installations can fluctuate substantially and generally result in relatively lower gross profit margins. Sales of standard products and spare parts typically generate relatively higher gross profit margins. The Company therefore believes that quarter-to-quarter comparisons of its results are not necessarily meaningful and should not be relied upon as indications of future performance.

CONVERSION TO THE EURO

On January 1, 1999, eleven European Union member states adopted the Euro as their common national currency. From that date until January 1, 2002, either the Euro or a participating country's present currency will be accepted as legal tender. Beginning on January 1, 2002, Euro-denominated bills and coins will be issued, and by July 1, 2002, only Euro currency will be used.

The Company is evaluating the strategic, financial, legal, and systems issues related to the various phases of transition to the Euro currency. While the Company does not believe the ultimate costs of conversion will be material to its results of operations, cash flow, or financial position, efforts will be made to address customer and business needs on a timely basis and anticipate and prevent any complications during the transition period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

CONVERSION TO THE EURO (continued)

There can be no assurance, however, that all problems will be foreseen and corrected, or that no material disruption of the Company's business will occur, nor can the Company anticipate the competitive implications on its future pricing and marketing strategies. Any conversion costs will expensed as incurred.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A substantial portion of the Company's non-U.S. transactions is denominated in French Francs. Although Sames, S.A. is not typically subject to significant foreign exchange transaction gains or losses, its financial statements are translated into U.S. dollars as part of the Company's consolidated financial reporting. Fluctuations in the French Franc/U.S. dollar exchange rate therefore will affect the Company's consolidated balance sheets and statements of operations. At March 31, 2001, the value of the French Franc versus the U.S. dollar had depreciated by approximately 7.3% compared to its value at December 31, 2000. The average French Franc/U.S. dollar exchange rate remained approximately the same in the First Quarter 2001 compared to the First Quarter 2000 period. The Company also has operations in Japan and Sweden, where transactions are denominated in Japanese yen and Swedish krona. The fluctuations in the yen and krona have a minimal impact on consolidated operations of the Company.

In the three months ended March 31, 2001 the Company recognized an unrealized loss of $.3 million as a result of the net change in the cumulative foreign currency translation adjustment account, which is a component of stockholders' equity. An unrealized foreign currency translation loss of $.5 million was recorded in the three months ended March 31, 2000.

Foreign currency exchange transactions have not typically resulted in significant periodic gains or losses, although the Company recorded a loss of approximately $.2 million during the three months ended March 31, 2001 and a gain of approximately $36 thousand during the three months ended March 31, 2000. The losses in First Quarter 2001 were recorded mainly due to the depreciation of the French Franc relative to the U.S. dollar during the periods. The Company generally does not use derivative financial instruments to manage currency exchange risks and no such instruments were outstanding at March 31, 2001.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain statements regarding the Company's future operating performance, product development and strategic alternatives, which constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company's expectations include, without limitation, adverse changes in the economy or the overall market generally, increased competition relating to the Company's products and services both within the United States and globally, lower than expected sales of the Company's products and services, the Company's inability to successfully implement manufacturing and cost-reduction programs, adverse results of the testing of the Company's products and validation programs or the failure of such products or programs to gain wide market acceptance, the inability of the Company to successfully negotiate or to complete the previously announced potential sale of the Company on a timely basis, if at all, the inability of the Company to use any potential tax benefits, the inability of the Company to secure additional sources of financial support sufficient to satisfy its current operating obligations, the failure of the Company to implement its revised 2001 operating plan, including its shift in focus away from large automotive systems and toward its standard products and component parts business, continuing losses resulting from discontinued operations relating to the resolution and conclusion of the matters relating to the sale of the Binks business, fluctuation in sales revenues caused in part by currency fluctuations and translations, uncertainty relating to economic and political conditions in the countries and international markets in which the Company operates and competes, and changes in accounting principles, policies and guidelines.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies should not materially affect the financial position or results of operations of the Company. However, if adverse judgments are entered against the Company, the payment of such judgments could have a material adverse effect on the Company's liquidity.

On February 24, 1997, Chester Baranowski, the former President of Binks Canada, brought suit against the Company seeking $4.55 million claiming wrongful dismissal, breach of contract and non-payment of certain salary and employee benefits. The Company has denied all substantive allegations and filed a counterclaim on November 28, 1997 against Baranowski for breach of fiduciary duty and conspiracy with Burke B. Roche to injure the Company. The case went to trial in the Superior Court of Justice at Toronto, Canada and reasons for judgement were issued January 12, 2000, on which date Mr. Baranowski's claims against the Company were dismissed. His claim against Binks Canada was allowed and he was awarded damages equal to 36 months' salary which Binks Canada estimated to be CND $410,844. He was also required to repay to Binks Canada a loan less certain amounts that had been forgiven under arrangements between him and the Company. The details of the judgment have not yet been settled, and both parties are proceeding with appeals. The judgment is stayed without security pending the disposition of the appeals by the Ontario Court of Appeal.

As part of the original sale agreement with Illinois Tool Works (ITW), dated August 31, 1998, the Company assigned and transferred to ITW all of the accounts receivable related to the "Binks Business". The agreement required the Company to repurchase such accounts receivable that were not collected within 180 days. On September 23, 1999, the Company agreed to repurchase certain receivables for approximately $1.0 million, which was paid to ITW on September 28, 1999 and ITW transferred back to the Company accounts receivable in the aggregate amount of approximately $3.7 million. Through March 31, 2001, the Company had collected approximately $.7 million of the accounts receivable. An allowance for estimated uncollected amount of $.2 million was charged to loss from discontinued operations in fiscal 2000.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings (continued)

The receivables repurchased from ITW and transferred back to the Company include a receivable from Haden Drysys International Limited ("Haden"), a United Kingdom corporation, in the amount of Pounds 434,885. On March 10, 2000, Haden filed an arbitration claim in the International Court of Arbitration of the International Chamber of Commerce in Paris, which proceedings are being litigated in London, United Kingdom, against Binks Limited ("Binks UK"), a former subsidiary of the Company that was sold to ITW as part of the sale of the Binks Business, in the amount of approximately Pounds 3,300,000. The claim alleges that Binks UK breached its agreements with Haden relating to automotive paint shop equipment for an automobile plant. Pursuant to the original sale agreement with ITW, the Company has agreed to indemnify ITW with respect to the claim and to assume the defense of the claim on behalf of ITW. On April 13, 2000, the Company filed an answer denying the claim and making a counterclaim seeking to collect the receivable.

On June 21, 2000, ten former executive employees of the Company filed suit against the Company and ITW claiming breach of certain retirement contracts by the Company, which include provisions for the payment of certain medical insurance expenses by the Company on behalf of the retirees pursuant to the terms of the contracts. The action alleges that the Company improperly amended the terms of the contracts to provide for the payment of 10% of such retirees' medical insurance expense versus the 90% reimbursement that the plaintiffs claim the Company originally contracted to pay. The plaintiffs filed a declaratory judgement action in the Circuit Court of Cook County, Illinois asking the court to make a determination as to whether the Company properly amended the contracts, and asking the court to reinstate the contracts as originally executed. The plaintiffs are seeking unspecified damages. The Company removed the action to the United States District Court for the Northern District of Illinois since plaintiffs action is governed by the Employee Retirement Income Security Act of 1974 ("Erisa"). Subsequent to the removal of the action, plaintiffs filed an amended complaint. Plaintiff's amended complaint asserts claims for violations of ERISA, breach of fiduciary duty and breach of federal common law. The plaintiffs seek injunctive relief, damages and request the court to clarify plaintiffs' future rights, if any, to benefits under the contracts. The Company and ITW have filed an answer and affirmative defenses to the amended complaint. The parties have exchanged written discovery responses and are currently scheduling oral discovery.

PART II - OTHER INFORMATION (CONTINUED)

Items 2. and 3.
4. and 5. Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

3.1 Restated Certificate of Incorporation (filed as an Exhibit to the Company's Form 10-K for its fiscal year ended November 30, 1993 and incorporated herein by reference).

3.2 Certificate of Amendment of Restated Certificate of Incorporation (filed as an exhibit to the Company's registration statement on Form S-8 (File No. 333-30191) and incorporated herein by reference).

3.3 Certificate of Amendment of Restated Certificate of Incorporation (filed as an exhibit to the Company's registration statement on Form S-8 (File No. 333-92993) and incorporated herein by reference).

3.4 By-laws of Sames Corporation, as amended and restated through February 28, 2001 (filed as an exhibit to the Company's Form 10-K for its fiscal year end December 31, 2000 and incorporated herein by reference).

4.1 Amended and Restated Rights Agreement, dated as of February 2, 1990 and amended and restated as of January 21, 1991, between the Company and Harris Trust and Savings Bank, as successor rights agent (filed as an exhibit to the Company's Form 10-K for its fiscal year ended November 30, 1993 and incorporated herein by reference).

4.2 Second Amendment to Rights Agreement, dated as of August 28, 1998, by and between the Company and Harris Trust and Savings Bank (filed as an exhibit to the Company's current report on Form 8-K dated September 2, 1998 and incorporated herein by reference).

(b) Reports on Form 8-K -

- Current report on Form 8-K dated March 29, 2001, filed with the Securities and Exchange Commission on March 29, 2001.

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.

SAMES CORPORATION

/s/ Dr. Wayne F. Edwards

Dr. Wayne F. Edwards - Interim Co-Chairman

/s/ Llewellyn Scott Flaig

Llewellyn Scott Flaig - Interim Co-Chairman

/s/ Ronald A. Koltz

Vice President - Controller Corporate Accounting
Principal Accounting and Financial Officer

Date May 15, 2001