GREENMAN TECHNOLOGIES INC
Form 424B3
February 16, 2007

Prospectus Supplement
Filed Pursuant to
Rule 424(b)(3) of the
Securities Act of 1933
Registration No. 333-140225

Supplement to Prospectus
dated
February 6, 2007

GREENMAN TECHNOLOGIES, INC.

4,140,426 Shares of
Common Stock

This prospectus supplement relates to 4,140,426 shares of Common Stock, par value $.01 per share, of GreenMan Technologies, Inc. (the "Company").

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No dealer, salesman or any other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the company or by any other person. All information contained in this Prospectus is as of the date of this Prospectus. This Prospectus does not constitute any offer to sell or a solicitation of any offer to buy any security other than the securities covered by this Prospectus, nor does it constitute an offer to or solicitation of any person in any jurisdiction in which such offer or solicitation may not be lawfully made. Neither the delivery of this Prospectus nor any sale or distribution made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

February 16, 2007

CHANGE IN CERTIFYING ACCOUNTANT

On February 12, 2007, GreenMan Technologies, Inc.'s Board of Directors dismissed Wolf & Company, P.C. and selected the firm of Schechter, Dokken, Kanter, Andrews & Selcer, Ltd., independent certified public accountants, to serve as auditors for the fiscal year ending September 30, 2007. Schechter, Dokken, Kanter, Andrews & Selcer, Ltd., based in Minneapolis, Minnesota, has assisted our former auditor, Wolf & Company, P.C., in our annual audits during the past eight years. Given the relocation of corporate headquarters from Massachusetts to Minnesota during fiscal 2006, our Board deemed it appropriate to select a local firm to serve as our auditor commencing fiscal 2007.

The report of Wolf & Company, P.C. on our financial statements for the fiscal year ended September 30, 2005 (but not the fiscal year ended September 30, 2006) indicated a substantial doubt about our ability to continue as a going concern. Except for this "going concern" qualification, Wolf & Company, P.C.'s reports with respect to our last two fiscal years did not contain any adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the two most recent fiscal years and the subsequent interim period we had no disagreements with Wolf & Company, P.C. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Wolf & Company, P.C. would have caused Wolf & Company, P.C. to make reference to the matter in its report.

As indicated, Schechter, Dokken, Kanter, Andrews & Selcer, Ltd. has assisted Wolf & Company, P.C. in our annual audits during the past eight years. During the two most recent fiscal years, and any subsequent interim period prior to engaging Schechter, Dokken, Kanter, Andrews & Selcer, Ltd., however, neither we (nor anyone on our behalf) consulted Schechter, Dokken, Kanter, Andrews & Selcer, Ltd. regarding (i) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement or a reportable event.

Wolf & Company, P.C. has furnished us with a letter addressed to the Securities and Exchange Commission stating that it agrees with the above statements. A copy of such letter, dated February 16, 2007, is filed as Exhibit 16 to our Current Report on Form 8-K/A dated February 16, 2007 and filed with the Commission on February 16, 2007.

FINANCIAL RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2006

GREENMAN TECHNOLOGIES, INC.
Consolidated Balance Sheets

	December 31, 2006
ASSETS	
Current assets:	
Cash and cash equivalents	$ 267,659
Accounts receivable, trade, less allowance for doubtful accounts of $208,604 and $185,206 as of December 31, 2006 and September 30, 2006	1,954,979
Product inventory	406,834
Other current assets	694,457
Assets related to discontinued operations	--

Total current assets	3,323,929
Property, plant and equipment, net	5,700,987
Other assets:	
Customer relationship intangibles, net	77,697
Other	199,284
Total other assets	276,981
	$ 9,301,897

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Notes payable, current	$ 496,619
Notes payable, related party, current	10,000
Accounts payable	1,673,815
Accrued expenses, other	1,534,045
Obligations under capital leases, current	192,006
Obligations due under lease settlement, current	86,675
Liabilities related to discontinued operations	3,350,448
Total current liabilities	7,343,608
Notes payable, non-current portion	10,263,011
Notes payable, related parties, non-current portion	534,320
Obligations under capital leases, non-current portion	1,630,000
Deferred gain on sale leaseback transaction	334,077
Obligations due under lease settlement, non-current portion	562,383
Total liabilities	20,667,399
Stockholders' deficit:	
Preferred stock, $1.00 par value, 1,000,000 shares authorized, none outstanding	--
Common stock, $.01 par value, 40,000,000 shares authorized, 21,514,430 shares and 21,408,966 shares issued and outstanding at December 31, 2006 and September 30, 2006	215,144
Additional paid-in capital	35,866,388
Accumulated deficit	(47,447,034)
Total stockholders' deficit	(11,365,502)
	$ 9,301,897

See accompanying notes to unaudited consolidated financial statements.

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GREENMAN TECHNOLOGIES, INC.
Consolidated Statements of Operations

	Three Months Ended December 31,	
	2006	2005

Net sales	$ 4,886,730	$ 4,276,351
Cost of sales	3,403,370	2,971,493
Gross profit	1,483,360	1,304,858
Operating expenses:		
Selling, general and administrative	967,942	775,659
Operating income from continuing operations	515,418	529,199
Other income (expense):		
Interest and financing costs	(523,141)	(279,285)
Non-cash interest and financing costs	--	(656,271)
Other, net	(11,154)	(21,973)
Other (expense), net	(534,295)	(957,529)
Loss from continuing operations before income taxes	(18,877)	(428,330)
Provision for income taxes	--	--
Loss from continuing operations	(18,877)	(428,334)
Discontinued operations:		
Gain (loss) from discontinued operations	9,825	(977,995)
	9,825	(977,995)
Net loss	$ (9,052)	$ (1,406,325)
Loss from continuing operations per share -basic	$ --	$ (0.02)
Loss from discontinued operations per share -basic	--	(0.05)
Net loss per share -basic	$ --	$ (0.07)
Weighted average shares outstanding	21,466,625	19,225,352

See accompanying notes to unaudited consolidated financial statements.

GREENMAN TECHNOLOGIES, INC.
Unaudited Consolidated Statement of Changes in Stockholders' Deficit
Three Months Ended December 31, 2006

	Common Stock		Additional Paid
	Shares	Amount	In Capital
Balance, September 30, 2006	21,408,966	$214,089	$35,811,08
Common stock issued for fees and expenses due	26,828	269	10,52
Common stock issued for services rendered	13,636	136	4,36
Common stock issued in connection with lease settlement	65,000	650	31,85

Compensation expense associated with stock options	--	--	8,56
Net loss for the quarter ended December 31, 2006	--	--	-
Balance, December 31, 2006	21,514,430	$215,144	$35,866,38

See accompanying notes to unaudited consolidated financial statements.

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GREENMAN TECHNOLOGIES, INC.
Unaudited Consolidated Statements of Cash Flow

	Three Month 2006
Cash flows from operating activities:	
Net loss	$ (9,052
Adjustments to reconcile net loss to net cash (used) provided by operating activities:	
Loss on disposal of property, plant and equipment	3,988
Depreciation	373,618
Amortization of non-cash financing costs	--
Amortization of customer relationships	7,737
Amortization of stock option compensation expense	8,562
Amortization of deferred gain on sale leaseback transaction	(9,108
Decrease (increase) in assets:	
Accounts receivable	101,949
Product inventory	(293,498
Equipment held for sale	--
Other current assets	(33,743
Other assets	(52,302
Increase (decrease) in liabilities:	
Accounts payable	(168,684
Accrued expenses and other	43,810
Net cash (used) provided by operating activities	(26,723
Cash flows from investing activities:	
Purchase of property and equipment	(217,601
Proceeds from the sale of property and equipment	13,546
Net cash (used) provided by investing activities	(204,055
Cash flows from financing activities:	
Net payments under line of credit	--
Proceeds from notes payable	24,529
Repayment of notes payable	(98,061
Repayment of notes payable, related party	(20,000
Repayment of convertible notes payable	--
Net payments on convertible notes payable, line of credit	--
Principal payments on obligations under capital leases	(47,045
Net cash used by financing activities	(140,577

Net (decrease) in cash and cash equivalents	(371,355
Cash and cash equivalents at beginning of period including $31 and $0, respectively, of cash related to discontinued operations	639,014
Cash and cash equivalents at end of period, $0 cash related to discontinued operations	$ 267,659
Supplemental cash flow information:	
Machinery and equipment acquired under capital leases	$ 67,419
Shares issued in lieu of cash for fees, expenses and service rendered	15,295
Shares issued for lease settlement	32,500
Interest paid	371,297
Taxes paid	35,300

See accompanying notes to unaudited consolidated financial statements.

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2006 and 2005
(Unaudited)

1. Business

GreenMan Technologies, Inc. (together with its subsidiaries "we", "us" or "our") was originally founded in 1992 and has operated as a Delaware corporation since 1995. Today, we comprise two operating locations that collect, process and market scrap tires in whole, shredded or granular form. We are headquartered in Savage, Minnesota and currently have tire processing operations in Iowa and Minnesota.

Our tire processing operations are paid a fee to collect, transport and process scrap tires (i.e., collection/processing revenue) in whole or into two inch or smaller rubber chips which are then sold (i.e., product revenue).

2. Basis of Presentation

The consolidated financial statements include the accounts of GreenMan Technologies, Inc. and our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In September 2005, due to the magnitude of continued operating losses, our Board of Directors approved separate plans to divest the operations of our Georgia and Tennessee subsidiaries and dispose of their respective assets. In addition, due to continuing operating losses, in July 2006 we sold our California subsidiary. Accordingly, we have classified all three respective entities' assets, liabilities and results of operations as discontinued operations for all periods presented in the accompanying consolidated financial statements.

The accompanying interim financial statements are unaudited and should be read in conjunction with the financial statements and notes thereto for the year ended September 30, 2006 included in our Annual Report on Form 10-KSB. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations, although we believe the disclosures which have been made herein are adequate to ensure that the information presented is not misleading. The results of operations for the interim periods reported are not necessarily indicative of those that maybe reported for a full year. In our opinion, all adjustments which are necessary for a fair statement of operating results for the interim periods presented have been made. Certain reclassifications have been made to the 2006 interim consolidated financial statements to conform to the current period presentation.

Nature of Operations, Risks, and Uncertainties

As of December 31, 2006, we had $267,659 in cash and cash equivalents and a working capital deficiency of $4,019,679 of which $3,350,448 or 83% of the total is associated with our discontinued Georgia subsidiary. We understand our continued existence is dependent on our ability to generate positive operating cash flow, achieve profitable status on a sustained basis and settle existing obligations. We believe our efforts to achieve these goals, as evidenced by the significant reduction in our quarterly losses have been positively impacted by the June 30, 2006 restructuring of our Laurus Credit facility (see Note 6) and our divestiture of historically unprofitable operations during fiscal 2006 and 2005 (see Note 4). However, in the fourth quarter of fiscal 2008, our principal payments due Laurus are scheduled to increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly. We believe the June 15, 2006 delisting of our stock by the American Stock Exchange as a result of our non compliance with their minimum stockholders' equity requirement of $4 million (for companies incurring losses in three of their most recent fiscal years) could substantially limit our stock's future liquidity and impair our ability to raise capital.

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2006 and 2005
(Unaudited)

2. Basis of Presentation - (Continued)

We have invested substantial amounts of capital during the past several years, including approximately $950,000 in Iowa during our fourth quarter of fiscal 2006 in new equipment to increase processing capacity at our Iowa and Minnesota locations, as well as consolidating our Wisconsin location into our Minnesota operations to substantially reduce operating costs and maximize our return on assets. Our future operating plan focuses on maximizing the performance of these two operations through our continuing efforts to increase overall quality of revenue (revenue per passenger tire equivalent) while remaining diligent with our ongoing cost reduction initiatives. In addition, we continue to identify, and are currently selling product into several new, higher-value markets as evidenced by a 16% increase in end product revenue during the quarter ended December 31, 2006 as compared to the prior year. We continue to experience strong demand for our end products.

3. Net Loss Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if potentially dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. Potential common shares that may be issued by us relate to outstanding stock options and warrants (determined using the treasury stock method) and convertible debt. Basic and diluted net loss per share are the same for the three months ended December 31, 2006 and 2005, since the effect of the inclusion of all outstanding options, warrants and convertible debt would be anti-dilutive.

4. Discontinued Operations

Due to the magnitude of the continuing operating losses incurred by our Georgia ($3.4 million) and Tennessee ($1.8 million) subsidiaries during fiscal 2005 and our California ($3.2 million since inception) subsidiary in fiscal 2006 our Board of Directors determined it to be in the best interest of our company to discontinue all Southeastern and West coast operations and dispose of their respective operating assets. A majority of the Tennessee operating losses were due to rapid market share growth within the state necessitating us to transport an increasing number of Tennessee scrap tires to our Georgia facility for processing at significant transportation and processing costs. A majority of the Georgia operating losses were due to (1) the negative impact of processing a significant number of Tennessee sourced tires; (2) a change in the specifications of our primary end market customers requiring a smaller product resulting in reduced processing capacity and significantly higher operating costs and (3) equipment reliability issues resulting from aging equipment processing an increasing number of scrap tires. A majority of the California operating losses were due to significantly higher operating costs resulting from rapid market share growth and equipment reliability issues resulting from aging equipment.

In September 2005 we assigned all Tennessee scrap tire collection contracts and certain other contracts with suppliers of waste tires and contracts to supply whole tires to certain cement kilns in the southeastern region of the United States to a company owned by a former employee. We received no cash consideration for these assignments and recorded a $1,334,849 loss (including a non-cash loss of $918,450 associated with goodwill written off) on disposal of the operations at September 30, 2005. The aggregate net losses including the loss on disposal associated with the discontinued operations of our Tennessee subsidiary included in the results for year ended September 30, 2005 were approximately $3.1 million. We accrued $165,000 of estimated costs associated with the Tennessee closure at September 30, 2000. During fiscal 2006 we incurred and charged against the accrual approximately $109,000. In addition, $56,000 was reversed into income as a result of a reduction in certain plant closure accruals and an agreement with our former Tennessee landlord. Additionally, we recognized $70,000 associated with insurance credits. In aggregate, we recognized approximately $126,000 of income from discontinued Tennessee operations during the year ended September 30, 2006.

4. Discontinued Operations - (Continued)

In September 2005, we adopted a plan to dispose of all Georgia operations and during the quarter ended December 31, 2005, we substantially curtailed operations at our Georgia subsidiary. As a result, we wrote down all Georgia operating assets to their estimated fair market value at September 30, 2005 and recorded a loss on disposal of $4,631,102 (including a non-cash loss of

$1,253,748 associated with goodwill written off) net of a gain on settlement of our Georgia facility lease of $586,137. We completed the divestiture of all Georgia operating assets as of March 1, 2006. During the quarter ended December 31, 2006 several vendors issued credits relating to past due amounts, we recovered some bad debts and reduced certain accrued expenses which offset a $19,058 increase in our lease settlement reserve (see discussion of our Georgia lease below) resulting in approximately $9,800 of income from discontinued Georgia operations. The aggregate net losses incurred during the quarter ended December 31, 2005 associated with our discontinued Georgia operation was approximately $746,000.

In February 2006, we sold and assigned to Tires Into Recycled Energy and Supplies, Inc. ("TIRES"), a leading crumb rubber processor in the United States, certain assets, including (a) certain truck tire processing equipment located at our Georgia facility; (b) certain rights and interests in our contracts with suppliers of scrap truck tires; and (c) certain intangible assets. TIRES assumed all of our rights and obligations under these contracts. As additional consideration, TIRES terminated several material supply agreements and a December 2005 letter of intent containing an exclusive option to acquire certain operating assets of TIRES. In addition, TIRES entered into a sublease agreement with us with respect to part of the premises located in Georgia. Pursuant to the terms of the sublease agreement, TIRES received an initial six months of free rent after which they are required to pay $4,650 per month. The lease can be terminated anytime with six months' notice. In December 2006, we received notice that TIRES would be terminating their lease effective June 5, 2007. We are currently working to indentify a new sublessee.

In March 2006, we sold and assigned to MTR of Georgia, Inc. ("MTR"), a company co-owned by a former employee, certain assets, including (a) certain passenger tire processing equipment located at our Georgia facility; (b) certain rights and interests in our contracts with suppliers of scrap passenger tires; and (c) certain intangible assets. MTR assumed all of our rights and obligations under these contracts. We received $250,000 from MTR for these assets. As additional consideration, MTR assumed financial responsibility for disposing of all scrap tires and scrap tire processing residual at the Georgia facility as of the closing of this sale. In addition, MTR entered into a sublease agreement with us with respect to part of the premises located in Georgia. Pursuant to the terms of the sublease agreement, MTR received an initial six months of free rent after which they are required to pay $6,570 on a triple net basis per month. The initial term of the lease is three years but can be terminated anytime with six months' notice.

We agreed with TIRES and MTR not to compete in the business of providing whole tire waste disposal services or selling crumb rubber material (except to our existing customers) within certain Southeastern states for a period of three years.

In February 2006, we amended our Georgia lease agreement to obtain the right to terminate the original lease which had a remaining term of approximately 15 years, by providing the landlord with six months notice. In the event of termination, we will be obligated to continue to pay rent until the earlier to occur of (1) the sale by the landlord of the premises; (2) the date on which a new tenant takes over; or (3) three years from the date on which we vacate the property. As a result of the amendment and our decision to dispose of our Georgia operations, we wrote off the unamortized balance of $1,427,053 associated with the leased land and buildings and improvements as a cost of disposal of discontinued operations at September 30, 2005. This loss was partially offset by a $586,137 gain on settlement of the remaining capital lease obligations due and is included in the loss on disposal of discontinued operations at September 30, 2005. In addition, on August 28, 2006 we received notice from the Georgia landlord indicating that the Georgia subsidiary was in default under the lease due to its insolvent financial condition. The landlord agreed to waive the default in return for a $75,000 fee to be paid upon termination of the lease and required that all current and future rights and obligations under the lease be assigned to GreenMan Technologies, Inc. pursuant

4. Discontinued Operations - (Continued)

to a March 29, 2001 guaranty agreement. The $75,000 is included in loss from discontinued operations for the fiscal year ended September 30, 2006 and is included in Obligations due under lease settlement at December 31, 2006. The net present value of the lease settlement obligation increased by $19,058 during the quarter ended December 31, 2006 and is included in discontinued operations. The increase is primarily result of the additional liability assumed by us due to the TIRES lease termination notice.

In July 2006 we sold our California subsidiary, which had lost approximately $3.2 million since inception to a third party for $1,000 in a stock purchase agreement. GreenMan Technologies of California was formed in 2002 to acquire all of the outstanding common stock of Unlimited Tire Technologies, Inc. an Azusa, California scrap tire recycling company of which the third party was the majority owner. The aggregate net losses associated with our California subsidiary included in the results for the three months ended December 31, 2005 was approximately $232,000. The aggregate net losses including the loss on disposal associated with the discontinued operations of our California subsidiary included in the results of operations for year ended September 30, 2006 were approximately $1,005,000.

The major classes of assets and liabilities associated with discontinued operations were:

	December 31, 2006	September 30 2006
Assets related to discontinued operations:		
Cash	$ --	$ 31
Other current assets	--	7,260
Total assets related to discontinued operations	$ --	$ 7,291
Liabilities related to discontinued operations:		
Accounts payable	$2,518,762	$2,575,133
Notes payable, current	394,887	394,887
Accrued expenses, other	110,004	118,019
Capital leases, current	326,795	326,795
Total liabilities related to discontinued operations	$3,350,448	$3,414,834

Net sales and (loss) from discontinued operations were as follows:

	December 31, 2006	December 31 2005
Net sales from discontinued operations	$ --	$ 1,164,865
Gain (loss) from discontinued operations	9,825	(977,995

5. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31, 2006	September 30, 2006	Estimated Useful Lives
Buildings and improvements	$ 1,741,943	$ 1,741,943	10-20 years
Machinery and equipment	7,294,512	7,188,119	5-10 years
Furniture and fixtures	123,118	164,025	3-5 years
Motor vehicles	3,547,196	3,586,457	3-10 years
	12,706,769	12,680,544	
Less accumulated deprecation and	(7,005,782)	(6,873,425)	
amortization			
Property, plant and equipment, net	$ 5,700,987	$ 5,807,119	

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GREENMAN TECHNOLOGIES, INC.
Notes to Interim Consolidated Financial Statements
Quarter Ended December 31, 2006 and 2005
(Unaudited)

6. Notes Payable/Credit Facilities

Republic Services of Georgia

On May 6, 2002 we issued Republic Services of Georgia, LP ("RSLP") a $743,750 10% promissory note due in March 2007. On July 31, 2005, RSLP agreed to defer all interest and principal payments due, including nine existing past-due payments totaling $76,042 through June 2006 at which time all past due interest and principal payments under the May 6, 2002 promissory note was to be incorporated into an a new 10% promissory note, payable in 48 monthly installments commencing July 2006.

On June 30, 2006 we reached an agreement with RSLP in which in return for a payment of $250,000 and the issuance of a $150,000 unsecured promissory note, RSLP agreed to forgo all remaining amounts due under the revised May 6, 2002 promissory note totaling $766,355 at June 30, 2006. The settlement was characterized as a troubled debt restructuring and as a result, we realized a gain on restructuring of $353,476 during the quarter ended June 30, 2006. The note bears interest at 10% and is payable in 11 monthly installments of $5,000 with the remaining balance due June 30, 2007. The balance due RSLP at December 31, 2006 was $132,879.

June 2004 Laurus Credit Facility

On June 30, 2004, we entered into a $9 million credit facility with Laurus Master Fund, Ltd. ("Laurus"), consisting of a $5 million convertible, revolving working capital line of credit and a $4 million convertible term note. At closing, we borrowed $2 million under the line of credit and $4 million under the term loan. We used the proceeds to repay certain existing debt obligations, financing costs relating to this transaction, and general working capital. On March 22, 2005, the credit facility was amended to (1) permit us to maintain overradvances of up to $2,000,000 under the line of credit through December 31, 2005 (subsequently extended to May 31, 2006); (2) defer certain principal payments on the term note as described below; and (3) reduce the conversion price on the minimum borrowing note and term note as described below.

The line of credit had a three-year term and required us to maintain a minimum borrowing of $1,000,000. Advances generally bore interest at the prime rate plus 1.0% and were convertible into shares of our common stock at the option of Laurus. Except for downward adjustments provided in the credit facility terms described below, the interest rate would not be below 5%. Amounts advanced under the line were limited to 90% of accounts receivable and 50% of finished goods inventory as defined, subject to certain limitations. We were permitted to maintain overadvances of up to $2,000,000 under the line of credit until June 30, 2006.

Subject to certain limitations, Laurus had the option to convert the first $1,000,000 of borrowings under the line of credit into our common stock at a revised price of $0.79 (85% of the average closing price of our common stock for the five days immediately preceding March 22, 2005). Each subsequent $1,000,000 of borrowings would be convertible at the higher of $.93 or a 10% premium over the 22-day trailing average closing price computed on each $1,000,000 increment. As a result of the reduction in conversion price pursuant to the terms of the March 22, 2005 amendment, we recorded a beneficial conversion feature of $598,717. The discount was recorded as additional paid-in-capital and was entirely amortized to interest expense by December 31, 2005.

The term note also had a three-year term and bore interest at the greater of prime rate plus 1% or 5%, payable monthly. Monthly principal payments of $125,000 over the term of the loan commenced on November 1, 2004; however, the terms of the March 22, 2005 amendment deferred the principal payments otherwise due from December 1, 2004 through June 30, 2005, until the maturity date of the term note, at which time the deferred payments and all other outstanding amounts were due. In addition, Laurus agreed to defer principal payments otherwise due from November 1, 2005 through June 1, 2006, which were to be payable in full at maturity.

Laurus had the option to convert some or all of the note's principal and interest payments into common stock at a revised fixed conversion price of $.79 on the first $1,000,000 of borrowings, and $.93 on the remaining amounts. Subject to certain limitations, regular payments of principal and interest were automatically payable in common stock if the 5-day average closing price of the common stock immediately preceding a payment date was greater than or equal to 110% of such fixed conversion price. As a result of the change in conversion

Quarter Ended December 31, 2006 and 2005
(Unaudited)

6. Credit Facility/Notes Payable - (Continued

price pursuant to the terms of the March 22, 2005 amendment, we recorded an additional beneficial conversion feature of $1,485,594 on the term note. The additional discount amount was recorded as paid-in-capital with the portion attributed to the first $1,000,000 of borrowings, $567,429 which was entirely amortized to interest expense by December 31, 2005. The remaining balance of $918,165 was to be amortized over the remaining term of the note or ratably upon any partial conversion.

On July 20, 2005, we issued an additional $1 million convertible term note to Laurus. The note was to mature on June 30, 2007 and bore interest at the prime rate plus 1.75%, payable monthly commencing August 1, 2005. Monthly principal payments of $58,823.53 over the term of the loan were to commence on February 1, 2006. Laurus subsequently agreed to defer the principal payments otherwise due from February 1, 2006 through May 1, 2006, until the maturity date of the term note, at which time the deferred payments and all other outstanding amounts are due. Laurus had the option to convert some or all of the principal and interest payments into common stock at a price of $.33 (the average closing price of our common stock on the American Stock Exchange for the 3-day period ending July 18, 2005).

In connection with this term note, we issued Laurus an option to purchase up to an aggregate of 2,413,571 shares of our common stock at an exercise price equal to $0.01 per share. This option, valued at $401,738, was immediately exercisable, has a term of ten years, allows for cashless exercise at the option of Laurus, and does not contain any "put" provisions. Net proceeds received from issuance of the term note amounted to $955,000 and were allocated to the term note and the option based on their relative fair values. The note contained a beneficial conversion feature of $393,939 at issuance based on the intrinsic value of the shares into which the note is convertible, and a debt issue discount amounting to $446,738. The beneficial conversion amount was recorded as paid in capital and was to be amortized to interest expense along with the debt conversion discount over the two year term of the note or ratably upon any partial conversion. The terms of the note were substantially similar to our June 2004 credit facility, including similar negative and restrictive covenants, as well as reporting requirements and default provisions.

The conversion price applicable to each of the notes and the exercise price of each of the warrants was previously subject to downward adjustment on a "full ratchet" basis, if with certain exceptions, we issued shares of our common stock (or common stock equivalents) at a price per share less than the applicable conversion or exercise price. These rights have never been enforced and on April 8, 2006, Laurus agreed to retroactively eliminate their rights to enforce these provisions.

June 2006 Laurus Credit Facility

On June 30, 2006, we entered into a $16 million amended and restated credit facility with Laurus (the "New Credit Facility"). The New Credit Facility consists of a $5 million non-convertible secured revolving note and an $11 million secured non-convertible term note. Unlike the terms of our prior credit facility with Laurus, the New Credit Facility is not convertible into shares of our common stock.

The revolving note has a three-year term from the closing, bears interest on any outstanding amounts at the prime rate plus 2% (10.25% at December 31, 2006), with a minimum rate of 8%. Amounts advanced under the line are limited to 90% of eligible accounts receivable and 50% of finished goods inventory, as defined up to a maximum of $5 million, subject to certain limitations. There were no amounts outstanding under the revolving note at December 31, 2006.

The term loan has a maturity date of June 30, 2009 and bears interest at the prime rate plus 2% (10.25% at December 31, 2006), with a minimum rate of 8%. Interest on the term loan is payable monthly commencing August 1, 2006. Principal will be amortized over the term of the loan, commencing on July 2, 2007, with minimum monthly payments of principal as follows: (i) for the period

6. Credit Facility/Notes Payable - (Continued)

commencing on July 2, 2007 through June 2008, minimum principal payments of $150,000; (ii) for the period from July 2008 through June 2009, minimum principal payments of $400,000; and (iii) the balance of the principal will be payable on the maturity date. In addition, we have agreed to make an excess cash flow repayment as follows: no later than ninety-five days following the end of each fiscal year beginning with the fiscal year ending on September 30, 2007, we have agreed to make a payment equal to 50% of (a) the aggregate net operating cash flow generated for such fiscal year less (b) aggregate capital expenditures made in such fiscal year (up to a maximum of 25% of the net operating cash flow calculated in accordance with clause (a). The term loan may be prepaid at any time without penalty. We used approximately $8,503,000 of the term note proceeds to repay our outstanding indebtedness under our existing credit facility with Laurus, approximately $1,219,000 to repay in full the indebtedness due our Iowa subsidiary's lender First American Bank; $250,000 to RSLP as part of a settlement agreement (as described above) and paid approximately $888,000 of costs and fees associated with this transaction which were expensed at June 30, 2006.

In connection with the New Credit Facility, we issued Laurus a warrant to purchase up to an aggregate of 3,586,429 shares of our common stock at an exercise price equal to $0.01 per share. This warrant, valued at $1,116,927, is immediately exercisable, has a term of ten years, allows for cashless exercise at the option of Laurus, and does not contain any "put" provisions. Previously issued warrants to purchase an aggregate of 1,380,000 shares of our common stock, which were issued in connection with the original notes on June 30, 2004, were canceled as part of this transaction. The amount of our common stock Laurus may hold at any given time is limited to no more than 4.99% of our outstanding common stock. This limitation maybe waived by Laurus upon 61 days notice to us and does not apply if an event of default occurs, and is continuing under the New Credit Facility. The fair value of these terminated warrants was determined to be $31,774 and offset the value of the new warrant issued. In addition, the fair value associated with the foregone convertibility feature of all previous convertible amounts was determined to be $740,998 and also offset the value of the new warrant issued. As a result of the foregoing, the net value assigned to the new warrant of $344,155 was recorded as paid in capital and recorded as a reduction to the carrying value of the refinanced note as described below. The terms of the term note are substantially similar to our June 2004 credit facility, including similar negative and restrictive covenants, as well as reporting requirements and default provisions.

Laurus Funds has agreed that it will not, on any trading day, be permitted to sell any common stock acquired upon exercise of this warrant in excess of 10%

of the aggregate numbers of shares of the common stock traded on such trading day. We have agreed to register for resale under the Securities Act of 1933 the shares of common stock issuable to Laurus Funds upon exercise of the aforementioned warrant. On January 25, 2007 we filed a registration statement relating to the 3,586,429 shares underlying the June 30, 2006 warrant.

Pursuant to Statement of Financial Accounting Standards No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructuring" ("SFAS 15") the New Credit Facility has been accounted for as a troubled debt restructuring. It was determined that, because the effective interest rate of the New Credit Facility was lower than that of the previous credit facility therefore indicating a concession was granted by Laurus, we are viewed as a passive beneficiary of the restructuring, and no new transaction has occurred. Under SFAS 15, a modification of terms "is neither an event that results in a new asset or liability for accounting purposes nor an event that requires a new measurement of an existing asset or liability." Thus, from a debtor's standpoint, SFAS 15 calls for a modification of the terms of a loan to be accounted for prospectively. As a result, unamortized balances of $258,900 of deferred financing fees and $972,836 of debt discount and beneficial conversion features associated with the previous Laurus credit facility were netted along with the value of the new warrants issued of $344,155 against the new term debt related to the portion of the new debt that refinanced the Laurus debt and related accrued interest totaling $8,503,416 to provide a net carrying amount for that portion of the debt of $6,927,525. The carrying amount of the loan will be amortized over the term of the loan at a constant effective interest rate of 20% applied to the future cash payments specified by the new loan.

6. Credit Facility/Notes Payable - (Continued)

The carrying value of the Laurus debt under the New Credit Facility at December 31, 2006 was $9,424,109 and does not equate to the total cash payments due under the debt as a result of accounting for a troubled debt restructure. The following is a summary of the cash maturities of the Laurus debt:

Twelve Months Ending December 31,	
2007	$ 900,000
2008	3,300,000
2009...............................	6,800,000
	$11,000,000

7. Notes Payable - Related Party

Note Payable-Related Party

In November 2000, we borrowed $200,000 from a director under an unsecured promissory note which bears interest at 12% per annum with interest due monthly and the principal originally due in November 2001. In June 2001 and again in September 2002, the director agreed to extend the maturity date of note until November 2004. The director agreed to extend the maturity date several times and on August 24, 2006, agreed to convert the $200,000 of principal and $76,445 of accrued interest into 953,259 of unregistered shares of common stock at a price of $.29 per share which was the closing price of our stock on the date of conversion.

Between June and August 2003, two immediate family members of an officer loaned us a total of $400,000 under the terms of two-year, unsecured promissory notes which bear interest at 12% per annum with interest due quarterly and the principal due upon maturity. In March 2004, these same individuals loaned us an additional $200,000 in aggregate, under similar terms with the principal due upon maturity March 2006. These individuals each agreed to invest the entire $100,000 principal balance of their June 2003 notes ($200,000 in aggregate) into our April 2004 private placement of investment units and each received 113,636 units in these transactions. In addition, the two individuals agreed to extend the maturity of the remaining balance of these notes, $400,000 at December 31, 2006 until the earlier of when all amounts due under the Laurus credit facility have been repaid or June 30, 2009.

In September 2003, a former officer loaned us $400,000 under a September 30, 2003 unsecured promissory note which bore interest at 12% per annum with interest due quarterly and the principal due March 31, 2004 (subsequently extended to September 30, 2004). In 2004, the former officer offset approximately $163,000 of amounts due the Company under a 1998 note against the balance due him and applied approximately $114,000 of the balance due him plus $21,000 of accrued interest to exercise options to purchase 185,000 shares of unregistered common stock. In addition, he agreed to extend the maturity of the remaining balance of this note until the earlier of when all amounts due under the Laurus credit facility have been repaid or June 30, 2009. In July 2006, the balance due the former officer was $99,320 of which he assigned $79,060 of the balance to one of an officer's immediate family members noted above and the remaining balance of $20,260 plus accrued interest of $13,500 to the officer.

Between January and June 2006, a director loaned us $155,000 under three unsecured promissory notes which bear interest at 10% per annum with interest and principal due during periods ranging from June 30, 2006 through September 30, 2006. On April 12, 2006, the director agreed in lieu of being repaid in cash at maturity to convert $76,450 (including interest of $1,450) into 273,035 shares of unregistered common stock at a price of $.28 which was the closing price of our stock on the date of conversion. In addition, on June 5, 2006 the director agreed to convert $15,226 (including interest of $226) into 42,295 shares of unregistered common stock at a price of $.36 which was the closing price of our stock on the date of conversion. The director has agreed be paid $10,000 per month during the quarter ended December 31, 2006 and extend the remaining $35,000 until the earlier of when all amounts due under the restructured Laurus credit facility have been repaid or June 30, 2009. As of December 31, 2006 there was $45,000 due the director as he agreed to extend the final $10,000 repayment until February 2007. For the three months ended December 31, 2006 and 2005, interest expense on notes payable to related parties amounted to $14,982 and $20,980 respectively. Accrued interest payable amounted to $94,085 at December 31, 2006.

7. Litigation

As of December 31, 2006, approximately fourteen vendors of our GreenMan

Technologies of Georgia, Inc. and GreenMan Technologies of Tennessee, Inc. subsidiaries had commenced legal action, primarily in the state courts of Georgia, in attempts to collect approximately $1.4 million of past due amounts, plus accruing interest, attorneys' fees, and costs, all relating to various services rendered to these subsidiaries. The largest individual claim is for approximately $650,000. As of December 31, 2006, five vendors had secured judgments in their favor against GreenMan Technologies of Georgia, Inc. for an aggregate of approximately $237,000. As previously noted, all of GreenMan Technologies of Tennessee, Inc.'s assets were sold in September 2005 and substantially all of GreenMan Technologies of Georgia, Inc.'s assets were sold as of March 1, 2006. All proceeds from these sales were retained by our secured lender and these subsidiaries have no substantial assets. We are therefore currently evaluating the alternatives available to these subsidiaries.

Although GreenMan Technologies, Inc. was not a party to any of these vendor relationships, three of the plaintiffs have named GreenMan Technologies, Inc. as a defendant along with our subsidiaries. We believe that GreenMan Technologies, Inc. has valid defenses to these claims, as well as against any similar or related claims that may be made against us in the future, and we intend to defend against any such claims vigorously.

In addition to the foregoing, we are subject to routine claims from time to time in the ordinary course of our business. We do not believe that the resolution of any of the claims that are currently known to us will have a material adverse effect on our company or on our financial statements.

8. Stockholders' Equity

Common Stock Transactions

On October 19, 2006, we issued 13,636 shares of our unregistered common stock valued at $4,500 (at a price of $.33 which was the closing price of our stock on the date of issuance) to a third party for consulting services rendered during fiscal 2006.

In conjunction with the relocation of corporate headquarters from Massachusetts to Minnesota we terminated our lease for our former headquarters effective November 1, 2006. In return for the termination, we gave our landlord $50,000 and issued 65,000 shares of our unregistered common stock valued at $32,500 at a price of $.50 which was the closing price of our stock on the date of issuance). We were allowed to remain in the existing space through December 31, 2006 as part of the settlement agreement (valued at $13,140), the landlord agreed to provide us with approximately 1,100 square feet of office space for 12 months commencing January 1, 2007 at no cost (valued at $15,000). As a result of settlement, we recorded a lease settlement expense of $54,360 at September 30, 2006.

During the quarter ended December 31, 2006, several directors agreed to accept 26,828 shares of unregistered common stock valued at $10,795 (all shares were issued at a price equal to the closing price of our common stock on date of issuance) in lieu of cash for certain director's fees and expenses due the directors.

Stock Options

We maintain stock-based compensation plans, which are described more fully in Note 11 to the consolidated financial statements in the 2006 Annual Report filed on Form 10-KSB. As permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", we previously had elected to continue with the accounting methodology prescribed by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." On October 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R) "Share-based Payment" using the prospective method and have applied the required fair value methodology to all stock option and equity award plans. Therefore, we continue to account for nonvested awards outstanding at the date of adoption in the same manner we accounted for them prior to adoption. We use the Balack- Scholes option valuation to determine the fair value of share based payments granted after October 1, 2006. During the three months ended December 31, 2006, we recorded $8,562 of stock based compensation expense as a result of the adoption of SFAS 123(R).

8. Stockholders' Equity - (Continued)

The following table provides the pro forma disclosures of net loss and earnings per share as if the fair value recognition provisions of SFAS No. 123, had been applied to prior periods:

	Three Months Ended December 31, 2005
Net loss as reported	$(1,406,325)
Add: Compensation recognized under APB No.25	--
Less: Compensation recognized under SFAS No. 123	(8,149)
Pro forma net loss	$(1,414,474)
Net loss per share:	
Basic and diluted - as reported	$ (0.07)
Basic and diluted - pro forma	$ (0.07)

The fair value of the options at the date of grant and assumptions utilized to determine such values are indicated in the following table for the three months ended December 31, 2006 as no options were granted during the three months ended December 31, 2005.

	Three Months Ended December 31, 2006
Risk-free interest rate	4.63%
Expected dividend yield	--
Expected life	7.5 years
Expected volatility	76.9%
Weighted Average fair value of options granted	$ .17

In projecting expected stock price volatility we considered historical data for a twenty week period prior to date of grant. We estimated the expected life of stock options using the shortcut method, and estimated stock option forfeitures based on historical experience.

On December 29, 2006, we granted our Chief Executive Officer an option to purchase 25,000 shares of our common stock at an exercise price of $.36 per share, which represented the closing price of our stock on the date of grant. The grant was made pursuant to the terms of his employment agreement as it related to additional incentive compensation due for the fiscal year ended September 30, 2006. The option was granted under the 2005 Stock Option Plan, has a ten-year term and vests equally over a five-year period from date of grant. The option had a fair value on date of grant of $.14 per share.

During the quarter ended December 31, 2006, we granted options to one officer and two directors to purchase an aggregate of 260,000 shares of the our common stock at exercise prices ranging from $.35 to $.55 per share, which represented the closing price of our stock on the date of each respective grant. The options were granted under the 2005 Stock Option Plan, have a ten-year term and vest equally over a five-year period from date of grant. The options had a fair value on date of grant ranging from $.13 to $.21 per share.

Item 2. Management's Discussion and Analysis or Plan of Operation

In September 2005, due to the magnitude of continued operating losses, our Board of Directors approved separate plans to divest the operations of our Georgia and Tennessee subsidiaries and dispose of their respective assets. In addition, due to continuing operating losses, in July 2006 we sold our California subsidiary. Accordingly, we have classified all three respective entity's results of operations as discontinued operations for all periods presented in the accompanying consolidated financial statements.

The following information should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Item 1 of the Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Form 10-KSB filed for the year ended September 30, 2006.

Results of Operations

Three Months ended December 31, 2006 Compared to the Three Months ended December 31, 2005

Net sales from continuing operations for the three months ended December 31, 2006 increased $610,379 or 14% to $4,886,730 as compared to the first quarter of last year's net sales from continuing operations of $4,276,351. Our continuing operations processed approximately 3.65 million passenger tire equivalents during the quarter ended December 31, 2006, compared to approximately 3.10 million passenger tire equivalents during the same period last year. In addition to the 18% increase in overall inbound tire volume, the overall fee we are paid to collect and dispose of a scrap tire ("tipping fee") increased 2% compared to last year.

Gross profit for the three months ended December 31, 2006 was $1,483,360 or 30.4% of net sales, compared to $1,304,858 or 30.5% of net sales for the three months ended December 31, 2005. Our cost of sales increased $431,877 or 15% primarily due to increased collection and processing costs associated with higher inbound volume. In addition, due to the completion of several large civil engineering projects (which use more of the scrap tire including waste wire) during fiscal 2006, our processing residual waste costs increased approximately $58,000 during the three months ended December 31, 2006 as compared to the prior year.

Selling, general and administrative expenses for the three months ended December 31, 2006 increased $192,283 to $967,942 or 20% of net sales, compared to $775,659 or 18% of net sales for the three months ended December 31, 2005. The increase was primarily attributable to an increase of approximately $116,000 in salaries and wages, sales commissions and the re-allocation of approximately $52,000 of net corporate operating expenses which were absorbed by discontinued operations during the three months ended December 31, 2005.

As a result of the foregoing, we had operating income from continuing operations of $515,418 during the three months ended December 31, 2006 as compared to operating income of $529,199 for the three months ended December 31, 2005.

Interest and financing expense for the three months ended December 31, 2006 increased $243,856 to $523,141, compared to $279,285 during the three months ended December 31, 2005. The increase is attributable to the inclusion of approximately $137,940 of deferred interest associated with the June 2006 Laurus credit facility restructuring, increased rates and the allocation of all Laurus related cash interest to continuing operations during the fiscal year ended September 30, 2006 (approximately $25,000 was allocated to discontinued operations during the three months ended December 31, 2005). Non-cash financing fees and interest were zero during the three months ended December 31, 2006 as compared to $656,271 for the same period last year from the amortization of deferred financing fees in conjunction with the June 2006 Laurus refinancing.

As a result of the foregoing, our net loss after income taxes from continuing operations for the three months ended December 31, 2006 decreased $409,457 or 96% to $18,877 or $.00 per basic share, compared to a net loss of $428,330 or $.02 per basic share for the three months ended December 31, 2005.

During the three months ended December 31, 2006, several vendors issued credits relating to past due amounts, we recovered some bad debts and reduced certain accrued expenses which offset a $19,058 increase in our Georgia lease settlement reserve resulting in $9,825 ($.00 per basic share) of income from discontinued operations. The $977,995 net loss ($.05 per basic share) from discontinued operations for the three months ended December 31, 2005 includes approximately $746,000 associated with our Georgia operations and approximately $232,000 associated with our California operations.

Our net loss for the three months ended December 31, 2006 decreased $1,397,273 or 99% to $9,052 or $.00 per basic share as compared to a net loss of $1,406,325 or $.07 per basic share for the three months ended December 31, 2005.

Liquidity and Capital Resources

As of December 31, 2006, we had $267,659 in cash and cash equivalents and a working capital deficiency of $4,019,679 of which $3,350,448 or 83% of the total is associated with our discontinued Georgia subsidiary. We understand our continued existence is dependent on our ability to generate positive operating cash flow and achieve profitable status on a sustained basis. We believe our efforts to achieve these goals are being realized as evidenced by the significant reduction in our quarterly losses and have been positively impacted by the June 30, 2006 restructuring of our Laurus Credit facility as well as our divestiture of historically unprofitable operations.

The Consolidated Statements of Cash Flows reflect events in the three months ended December 31, 2006 and 2005 as they affect our liquidity. During the three months ended December 31, 2006, net cash used by operating activities was $26,723. While our net loss was $9,052 our overall cash flow was positively impacted by the following non-cash expenses and changes to our working capital: $380,809 of depreciation and amortization and a decrease in accounts receivable of $101,949. These changes were offset by a $293,498 increase in product inventory which is not unusual during this seasonally slower quarter and a net decrease in accounts payable and accrued expenses of $124,874. During the three months ended December 31, 2005, net cash provided by operating activities was $1,044,373 which reflects a net loss of $1,406,325 which was partially offset by the following non-cash expenses and changes to our working capital: $1,055,253 of depreciation and amortization, an increase in accounts receivable and product inventory of $1,434,362 in aggregate.

Net cash used by investing activities was $204,055 for the three months ended December 31, 2006 reflecting the purchase of equipment offset by proceeds of $13,546. The net cash provided by investing activities for the three months ended December 31, 2005 was $13,246 reflecting the purchase of $46,754 of equipment and the receipt of $60,000 of proceeds from the sale of equipment.

Net cash used by financing activities was $140,577 during the three months ended December 31, 2006 reflecting normal debt and capital lease repayments. Net cash provided used by financing activities was $1,293,393 during the three months ended December 31, 2005 reflecting the repayment of notes payable and our working capital lines of $1,239,373 and capital leases of $54,020.

In order to reduce our operating costs, address our liquidity needs and return to profitable status, we have implemented and/or are in the processing of implementing the following actions:

Divestiture of Unprofitable Operations

Due to the magnitude of the continuing operating losses incurred by our Georgia ($3.4 million) and Tennessee ($1.8 million) subsidiaries during fiscal 2005 and our California ($3.2 million since inception) subsidiary in fiscal 2006 our Board of Directors determined it to be in the best interest of our company to discontinue all Southeastern and West coast operations and dispose of their respective operating assets. A majority of the Tennessee operating losses were due to rapid market share growth within the state necessitating us to transport an increasing number of Tennessee scrap tires to our Georgia facility for processing at significant transportation and processing costs. A majority of the Georgia operating losses were due to (1) the negative impact of processing a significant number of Tennessee sourced tires; (2) a change in the specifications of our primary end market customers requiring a smaller product resulting in reduced processing capacity and significantly higher operating costs and (3) equipment reliability issues resulting from aging equipment processing an increasing number of scrap tires. A majority of the California operating losses were due to significantly higher operating costs and equipment reliability issues resulting from aging equipment.

In September 2005 we assigned all Tennessee scrap tire collection contracts and certain other contracts with suppliers of waste tires and contracts to supply whole tires to certain cement kilns in the southeastern region of the United States to a company owned by a former employee. We received no cash consideration for these assignments and recorded a $1,334,849 loss (including a non-cash loss of $918,450 associated with goodwill written off) on disposal of the operations at September 30, 2005. The aggregate net losses including the loss on disposal associated with the discontinued operations of our Tennessee subsidiary included in the results for year ended September 30, 2005 were approximately $3.1 million. We accrued $165,000 of estimated costs associated with the Tennessee closure at September 30, 2005. During fiscal 2006 we incurred and charged against the accrual approximately $109,000. In addition, $56,000 was reversed into income as a result of a reduction in certain plant closure accruals and an agreement with our former Tennessee landlord regarding past due amounts. Additionally, we recognized $70,000 of income associated with insurance credits. In aggregate, we recognized approximately $126,000 of income from discontinued Tennessee operations during the year ended September 30, 2006.

In September 2005, we adopted a plan to dispose of all Georgia operations and during the quarter ended December 31, 2005, we substantially curtailed operations at our Georgia subsidiary. As a result, we wrote down all Georgia operating assets to their estimated fair market value at September 30, 2005 and recorded a loss on disposal of $4,631,102 (including a non-cash loss of $1,253,748 associated with goodwill written off) net of a gain on settlement of our Georgia facility lease of $586,137. We completed the divestiture of all Georgia operating assets as of March 1, 2006. The aggregate net losses incurred during fiscal 2006 associated with our discontinued Georgia operation was approximately $582,000. The aggregate net losses including the loss on disposal associated with the discontinued operations of our Georgia subsidiary included in the results for the fiscal year ended September 30, 2005 were approximately $8.0 million.

In February 2006, we sold and assigned to Tires Into Recycled Energy and Supplies, Inc. ("TIRES"), a leading crumb rubber processor in the United States, certain assets, including (a) certain truck tire processing equipment located at our Georgia facility; (b) certain rights and interests in our contracts with suppliers of scrap truck tires; and (c) certain intangible assets. TIRES assumed all of our rights and obligations under these contracts. In addition, TIRES entered into a sublease agreement with us with respect to part of the premises located in Georgia. Pursuant to the terms of the sublease agreement, TIRES received an initial six months of free rent after which they are required to pay $4,650 per month. The lease can be terminated anytime with six months notice. In December 2006, we received notice that TIRES would be terminating their lease effective June 5, 2007. We are currently working to indentify a new sublessee. As additional consideration, TIRES terminated several material supply agreements and a December 2005 letter of intent containing an exclusive option to acquire certain operating assets of TIRES.

In March 2006, we sold and assigned to MTR of Georgia, Inc. ("MTR"), a company co-owned by a former employee, certain assets, including (a) certain passenger tire processing equipment located at our Georgia facility; (b) certain rights and interests in our contracts with suppliers of scrap passenger tires; and (c) certain intangible assets. MTR assumed all of our rights and obligations under these contracts. We received $250,000 from MTR for these assets. As additional consideration, MTR assumed financial responsibility for disposing of all scrap tires and scrap tire processing residual at the Georgia facility as of the closing of this sale. In addition, MTR entered into a sublease agreement with us with respect to part of the premises located in Georgia. Pursuant to the terms of the sublease agreement, MTR received an initial six months of free rent after which they are required to pay $6,570 on a triple net basis per month. The initial term of the lease is three years but can be terminated anytime with six months' notice.

We agreed with TIRES and MTR not to compete in the business of providing whole tire waste disposal services or selling crumb rubber material (except to our existing customers) within certain Southeastern states for a period of three years.

In February 2006, we amended our Georgia lease agreement to obtain the right to terminate the original lease, which had a remaining term of approximately 15 years, by providing the landlord with six months notice. In the event of termination, we will be obligated to continue to pay rent until the earlier to occur of (1) the sale by the landlord of the premises; (2) the date on which a new tenant takes over; or (3) three years from the date on which we vacate the property. As a result of the amendment and our decision to dispose of our Georgia operations, we wrote off the unamortized balance of $1,427,053 associated with the leased land and buildings and improvements as a cost of disposal of discontinued operations at September 30, 2005. This loss was partially offset by a $586,137 gain on settlement of the remaining capital lease obligations due and is included in the loss on disposal of discontinued operations at September 30, 2005. In addition, on August 28, 2006 we received notice from the Georgia landlord indicating that the Georgia subsidiary was in default under the lease due to its insolvent financial condition. The landlord agreed to waive the default in return for $75,000 fee to be paid upon termination of the lease and required that all current and future rights and obligations under the lease be assigned to GreenMan Technologies, Inc. pursuant

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to a March 29, 2001 guaranty agreement. The $75,000 is included in loss from discontinued operations for the fiscal year ended September 30, 2006 and is included in Obligations due under lease settlement at December 31, 2006. The net present value of the lease settlement obligation increased by $19,058 during the quarter ended December 31, 2006 and is included in discontinued operations for the three month period then ended. The increase is primarily the result of the additional liability assumed by us due to the TIRES lease termination notice.

In July 2006 we sold our California subsidiary to a third party for $1,000 in a stock purchase agreement. The aggregate net losses associated with our California subsidiary included in the results for the three months ended December 31, 2005 was approximately $232,000. The aggregate net losses including the loss on disposal associated with the discontinued operations of our California subsidiary included in the results of operations for year ended September 30, 2006 were approximately $1,005,000 and $3.2 million since inception.

Credit Facility Refinancing

On June 30, 2006, we entered into a $16 million amended and restated credit facility with Laurus (the "New Credit Facility"). The New Credit Facility consists of a $5 million non-convertible secured revolving note and an $11 million secured non-convertible term note. Unlike our previous credit facility with Laurus, the New Credit Facility is not convertible into shares of common stock.

The revolving note has a term of three years from the closing, bears interest on any outstanding amounts at the prime rate published in The Wall Street Journal from time to time plus 2%, with a minimum rate of 8%. The amount we may borrow at any time under the revolving note is based on our eligible accounts receivable and our eligible inventory with an advance rate equal to 90% of our eligible accounts receivable (90 days or less) and 50% of finished goods inventory up to a maximum of $5 million minus such reserves as Laurus may reasonably in its good faith judgment deem necessary and proper from time to time. There were no amounts outstanding under the line at December 31, 2006.

The term note has a maturity date of June 30, 2009 and bears interest at the prime rate published in The Wall Street Journal from time to time plus 2% with a minimum rate of 8%. Interest on the loan is payable monthly commencing August 1, 2006. Principal will be amortized over the term of the loan, commencing on July 2, 2007, with minimum monthly payments of principal as follows: (i) for the period commencing on July 2, 2007 through June 2008, minimum payments of $150,000; (ii) for the period from July 2008 through June 2009, minimum payments of $400,000; and (iii) the balance of the principal shall be payable on the maturity date. In addition, we have agreed to make an excess cash flow repayment as follows: no later than 95 days following the end of each fiscal year beginning with the fiscal year ending on September 30, 2007, we have agreed to make a payment equal to 50% of (a) our aggregate net operating cash flow generated in such fiscal year less (b) our aggregate capital expenditures in such fiscal year (up to a maximum of 25% of the net operating cash flow calculated in accordance with clause (a) of this sentence. The term loan maybe prepaid at any time without penalty. We used approximately $9,972,000 of the term loan proceeds to repay certain existing debt (including approximately $8.5 million due to Laurus) and to pay approximately $888,000 of transaction fees associated with the New Credit Facility.

In connection with the New Credit Facility, we also issued to Laurus a warrant to purchase up to an aggregate of 3,586,429 shares of our common stock at an exercise price equal to $.01 per share. Laurus has agreed that it will not, on any trading day, be permitted to sell any common stock acquired upon exercise of this warrant in excess of 10% of the aggregate number of shares of the common stock traded on such trading day. Previously issued warrants to purchase an aggregate of 1,380,000 shares of our common stock were canceled as part of these transactions. The amount of our common stock Laurus may hold at any given time is limited to no more than 4.99% of our outstanding capital stock. This limitation may be waived by Laurus upon 61 days notice to us and does not apply if an event of default occurs and is continuing under the New Credit Facility.

We have agreed to register for resale under the Securities Act of 1933 the shares of common stock issuable to Laurus Funds upon exercise of the aforementioned warrant. On January 25, 2007 we filed the registration statement relating to the 3,586,429 shares underlying the June 30, 2006 warrant.

Subject to applicable cure periods, amounts borrowed under the New Credit Facility are subject to acceleration upon certain events of default, including: (i) any failure to pay when due any amount we owe under the New Credit Facility; (ii) any material breach by us of any other covenant made to Laurus; (iii) any misrepresentation, in any material respect, made by us to Laurus in the documents governing the New Credit Facility; (iv) the institution of certain bankruptcy and insolvency proceedings by or against us; (v) the entry of certain

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monetary judgments against us that are not paid or vacated for a period of 30 business days; (vi) suspensions of trading of our common stock; (vii) any failure to deliver shares of common stock upon exercise of the warrant; (viii) certain defaults under agreements related to any of our other indebtedness; and (ix) changes of control of our company. Substantial fees and penalties are payable to Laurus in the event of a default.

Our obligations under the New Credit Facility are secured by first priority security interests in all of the assets of our company and all of the assets of our GreenMan Technologies of Minnesota, Inc. and GreenMan Technologies of Iowa, Inc. subsidiaries, as well as by pledges of the capital stock of those subsidiaries.

Additional Steps to Increase Liquidity

Over the last several years, we have funded portions of our operating cash flow from sales of equity securities, loans from officers and related parties, increased borrowings and extending payments to our vendors.

In November 2000, a director loaned us $200,000 under an unsecured promissory note which bore interest at 12% per annum with interest due monthly and the principal due in November 2001. In June 2001 and again in June 2004, the director agreed to extend the maturity of this note until the earlier of when all amounts due under the Laurus credit facility have been repaid or June 30, 2007. On August 24, 2006, the director converted the $200,000 of principal and $76,445 of accrued interest into 953,259 unregistered shares of common stock at a price of $.29 which was the closing price of our stock on the date of conversion.

In addition, during the period of January to June 2006, another director loaned us $155,000 under the terms of three unsecured promissory notes which bear interest at 10% per annum with interest with principal due during periods ranging from June 30, 2006 through September 30, 2006. On April 12, 2006, the director agreed in lieu of being repaid in cash at maturity to convert $76,450 (including interest of $1,450) into 273,035 shares of unregistered common stock at a price of $.28 which was the closing price of our stock on the date of conversion. In addition, on June 5, 2006 the director agreed to convert $15,226 (including interest of $226) into 42,295 shares of unregistered common stock at a price of $.36 which was the closing price of our stock on the date of conversion. The director has agreed be paid $10,000 per month during the quarter ended December 31, 2006 and extend the remaining $35,000 until the earlier of when all amounts due under the restructured Laurus credit facility have been repaid or June 30, 2009. As of December 31, 2006 there was $45,000 due the director as he agreed to extend the final $10,000 repayment until February 2007.

Operating Performance Enhancements

Historically, our tire shredding operations were able to recover and sell approximately 60% of a processed tire with the balance disposed of as waste wire residual (cross-contaminated rubber and steel) at a significant cost. During the past several years we have purchased secondary equipment for our Iowa and Minnesota facilities to further process the waste wire residual into saleable components of rubber and steel that not only provide new sources of revenue but also significantly reduced our residual disposal costs.

During the third quarter of fiscal 2006, we initiated a $950,000 equipment upgrade to our Des Moines, Iowa processing facility installing new fine grind crumb rubber processing equipment. The equipment became operational during September 2006. This new equipment is expected to increase overall production capacity by over 8 million pounds per year to over 20 million pounds of crumb rubber capacity. Approximately $450,000 of the initiative was funded by a long term loan from the Iowa Department of Natural Resources with the balance of the project funded through internally generated cash flow and Iowa's line of credit. The Iowa line of credit was subsequently paid off in conjunction with our June 2006 Laurus refinancing.

Effects of Inflation and Changing Prices

Generally, we are exposed to the effects of inflation and changing prices. Primarily because the largest component of our collection and disposal costs is transportation, we have been adversely affected by the significant increases in the cost of fuel. Additionally, because we rely on floating-rate debt for certain financing arrangements, rising interest rates have had a negative effect on our performance.

Based on our fiscal 2007 operating plan, available working capital, revenues from operations and anticipated availability under our working capital line of credit with Laurus, we believe we will be able to satisfy our cash requirements through the third quarter of fiscal 2008 at which time our Laurus principal payments increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly.

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Off-Balance Sheet Arrangements

We lease various facilities and equipment under cancelable and non-cancelable short and long term operating leases which are described in Footnote 8 to the Audited Consolidated Financial Statements contained in our annual report on Form 10-KSB.

Cautionary Statement

Information contained or incorporated by reference in this document contains contains forward-looking statements regarding future events and the future results of GreenMan Technologies, Inc. within the meaning of the Private Securities Litigation Reform Act of 1995, and are based on current expectations, estimates, forecasts, and projections and the beliefs and assumptions of our management. Words such as "expect," "anticipate," "target," "goal," "project," "intend," "plan," "believe," "seek," "estimate," "will," "likely," "may," "designed," "would," "future," "can," "could" and other similar expressions that are predictions of or indicate future events and trends or which do not relate to historical matters are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and involve a number of risks, uncertainties, and assumptions that are difficult to predict; consequently actual results may differ materially from those projected, anticipated, or implied.

Factors That May Affect Future Results

Risks Related to our Business

We have lost money in the last seventeen consecutive quarters and may need additional working capital if we do not return to sustained profitability, which if not received, may force us to curtail operations.

We have incurred losses from operations in the last 17 consecutive quarters. As of December 31, 2006, we had $267,659 in cash and cash equivalents and a working capital deficiency of $4,019,679 of which $3,350,448 or 83% of the total is associated with our discontinued Georgia operations. We understand our continued existence is dependent on our ability to generate positive operating cash flow and achieve profitable status on a sustained basis. We believe our efforts to achieve these goals, as evidenced by the significant reduction in our quarterly losses have been positively impacted by the June 30, 2006 restructuring of our Laurus Credit facility and our divestiture of historically unprofitable operations during fiscal 2006 and 2005. However, in the fourth quarter of fiscal 2008, our principal payments due Laurus are scheduled to increase substantially. If we are unable to obtain additional financing or restructure our remaining principal payments with Laurus, our ability to maintain our current level of operations could be materially and adversely affected and we may be required to adjust our operating plans accordingly.

The delisting of our common stock by the American Stock Exchange could substantially limit our stock's liquidity and impair our ability to raise capital.

Our common stock ceased trading on the American Stock Exchange on June 15, 2006 and was delisted by the Exchange on July 6, 2006 as result of our failure to maintain Stockholders' equity in excess of $4 million as required by the Exchange's Company Guide when a company has incurred losses in three of the four most recent fiscal years. During the period of June 15 through June 20, 2006 we were traded on the Pink Sheet until June 21, 2006 when we began trading on the Over-The-Counter-Bulletin-Board under the symbol "GMTI". We believe the delisting could substantially limit our stock's liquidity and impair our ability to raise capital.

We have substantial indebtedness to Laurus Master Fund secured by substantially all of our assets. If an event of default occurs under the secured notes issued to Laurus, Laurus may foreclose on our assets and we may be forced to curtail or cease our operations or sell some or all of our assets to repay the notes. On January 25, 2007 we filed the registration statement relating to the 3,586,429 shares underlying the June 30, 2006 warrant.

On June 30, 2006, we entered into a $16 million amended and restated credit facility with Laurus (the "New Credit Facility"). The New Credit Facility consists of a $5 million non-convertible secured revolving note and an $11 million secured non-convertible term note. Unlike the terms of the June 2004 credit facility with Laurus, the New Credit Facility is not convertible into shares of our common stock.

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Subject to certain grace periods, the notes and agreements provide for the following events of default (among others):

- failure to pay interest and principal when due;
- an uncured breach by us of any material covenant, term or condition in any of the notes or related agreements;
- a breach by us of any material representation or warranty made in any of the notes or in any related agreement;
- any money judgment or similar final process is filed against us for more than $50,000 that remains unvacated, unbonded or unstayed for a period of 30 business days;
- any form of bankruptcy or insolvency proceeding is instituted by or against us;
- suspension of our common stock from our principal trading market for five consecutive days or five days during any ten consecutive days; and
- the occurrence of a change in control of our ownership.

In the event of a future default under our agreements with Laurus, Laurus may enforce its rights as a secured party and we may lose all or a portion of our assets, be forced to materially reduce our business activities or cease operations.

We will require additional funding to grow our business, which funding may not be available to us on favorable terms or at all. If we do not obtain funding when we need it, our business will be adversely affected. In addition, if we have to sell securities in order to obtain financing, the rights of our current holders may be adversely affected.

We will have to seek additional outside funding sources to satisfy our future financing demands if our operations do not produce the level of revenue we require to maintain and grow our business. We cannot assure you that outside funding will be available to us at the time that we need it and in the amount necessary to satisfy our needs, or, that if such funds are available, they will be available on terms that are favorable to us. If we are unable to secure financing when we need it, our business will be adversely affected and we may need to discontinue some or all of our operations. If we have to issue additional shares of common stock or securities convertible into common stock in order to secure additional funding, our current stockholders will experience dilution of their ownership of our shares. In the event that we issue securities or instruments other than common stock, we may be required to issue such instruments with greater rights than those currently possessed by holders of our common stock.

Improvement in our business depends on our ability to increase demand for our products and services.

Adverse events or economic or other conditions affecting markets for our products and services, potential delays in product development, product and service flaws, changes in technology, changes in the regulatory environment and the availability of competitive products and services are among a number of factors that could limit demand for our products and services.

Our business is subject to extensive and rigorous government regulation; failure to comply with applicable regulatory requirements could substantially harm our business.

Our tire recycling activities are subject to extensive and rigorous government regulation designed to protect the environment. The establishment and operation of plants for tire recycling are subject to obtaining numerous permits and compliance with environmental and other government regulations. The process of obtaining required regulatory approvals can be lengthy and expensive. The Environmental Protection Agency and comparable state and local regulatory agencies actively enforce environmental regulations and conduct periodic inspections to determine compliance with government regulations. Failure to comply with applicable regulatory requirements can result in, among other things, fines, suspensions of approvals, seizure or recall of products, operating restrictions, and criminal prosecutions. Furthermore, changes in existing regulations or adoption of new regulations could impose costly new procedures for compliance, or prevent us from obtaining, or affect the timing of, regulatory approvals.

The market in which we operate is highly competitive, fragmented and decentralized and our competitors may have greater technical and financial resources.

The market for our services is highly competitive, fragmented and decentralized. Many of our competitors are small regional or local businesses. Some of our larger competitors may have greater financial and technical resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the promotion and sale of their services. Competition could increase if new companies enter the markets in which we operate or our existing competitors expand their service lines. These factors may limit or prevent any further development of our business.

Our success depends on the retention of our senior management and other key personnel.

Our success depends largely on the skills, experience and performance of our senior management. The loss of any key member of senior management could have a material adverse effect on our business, financial condition and results of operations.

Seasonal factors may affect our quarterly operating results.

Seasonality may cause our total revenues to fluctuate. We typically process fewer tires during the winter and experience a more pronounced volume reduction in severe weather conditions. In addition, a majority of our crumb rubber is used for playground and athletic surfaces, running tracks and landscaping/groundcover applications which are typically installed during the warmer portions of the year. Similar seasonal or other patterns may develop in our business.

Inflation and changing prices may hurt our business.

Generally, we are exposed to the effects of inflation and changing prices. Primarily because the largest component of our collection and disposal costs is transportation, we have been adversely affected by significant increases in the cost of fuel. Additionally, because we rely on floating-rate debt for certain financing arrangements, rising interest rates have had a negative effect on our financial performance.

If we acquire other companies or businesses, we will be subject to risks that could hurt our business.

A significant part of our business strategy entails future acquisitions, or significant investments in, businesses that offer complementary products and services. Promising acquisitions are difficult to identify and complete for a number of reasons. Any acquisitions completed by our company may be made at a premium over the fair value of the net assets of the acquired companies, and competition may cause us to pay more for an acquired business than its long-term fair market value. There can be no assurance that we will be able to complete future acquisitions on terms favorable to us or at all. In addition, we may not be able to integrate future acquired businesses, at all or without significant distraction of management from our ongoing business. In order to finance acquisitions, it may be necessary for us to issue shares of our capital stock to the sellers of the acquired businesses and/or to seek additional funds through public or private financings. Any equity or debt financing, if available at all, may be on terms which are not favorable to us and, in the case of an equity financing or the use of our stock to pay for an acquisition, may result in dilution to our existing stockholders.

As we grow, we are subject to growth related risks.

We are subject to growth-related risks, including capacity constraints and pressure on our internal systems and personnel. In order to manage current operations and any future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain employees. We may be unable to manage such growth effectively. Our management, personnel or systems may be inadequate to support our operations, and we may be unable to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth. Any such failure could have a material adverse impact on our business, operations and prospects. In addition, the cost of opening new facilities and the hiring of new personnel for those facilities could significantly decrease our profitability, if the new facilities do not generate sufficient additional revenue.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively minimize the possibility of fraud and its impact on our company. If we cannot continue to provide financial reports or effectively minimize the possibility of fraud, our business reputation and operating results could be harmed.

In addition, we will be required as currently proposed to include the management and auditor reports on internal controls as part of our annual report for the fiscal year ending September 30, 2008, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, which requires, among other things, that we maintain effective internal controls over financial reporting and procedures. In particular, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal controls over financial reporting, as required by Section 404. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts.

We cannot be certain as to the timing of the completion of our evaluation and testing, the timing of any remediation actions that may be required or the impact these may have on our operations. Furthermore, there is no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements relating to internal controls and all other provisions of Section 404 in a timely fashion or achieve adequate compliance with these requirements or other requirements of the Sarbanes-Oxley Act, we might become subject to sanctions or investigation by regulatory authorities such as the Securities and Exchange Commission or any securities exchange on which we may be trading at that time, which action may be injurious to our reputation and affect our financial condition and decrease the value and liquidity of our common stock.

Risks Related to the Securities Market

Our stock price may be volatile, which could result in substantial losses for our shareholders.

Our common stock is thinly traded and an active public market for our stock may not develop. Consequently, the market price of our common stock may be highly volatile. Additionally, the market price of our common stock could fluctuate significantly in response to the following factors, some of which are beyond our control:

o we are now traded on the OTC Bulletin Board;

o changes in market valuations of similar companies;

o announcements by us or by our competitors of new or enhanced products, technologies or services or significant contracts, acquisitions, strategic relationships, joint ventures or capital commitments;

- o regulatory developments;
- o additions or departures of senior management and other key personnel;
- o deviations in our results of operations from the estimates of securities analysts; and
- o future issuances of our common stock or other securities.

We have options and warrants currently outstanding. Exercise of these options and warrants, and conversions of these promissory notes will cause dilution to existing and new shareholders. Future sales of common stock by Laurus and our existing stockholders could result in a decline in the market price of our stock.

As of December 31, 2006, we have options and warrants to purchase approximately 11,197,959 shares of common stock outstanding. The exercise of our options and warrants will cause additional shares of common stock to be issued, resulting in dilution to investors and our existing stockholders. As of December 31, 2006, approximately 13.6 million shares of our common stock were eligible for sale in the public market. This represents approximately 63 percent of our outstanding shares of common stock. We are required to register additional shares of common stock owned by certain stockholders. After the effective date of the registration statement for those shares, approximately 17.8 million shares of our common stock will be eligible for resale in the public market. Sales of a significant number of shares of our common stock in the public market could result in a decline in the market price of our common stock, particularly in light of the illiquidity and low trading volume in our common stock

Our directors, executive officers and principal stockholders own a significant percentage of our shares, which will limit your ability to influence corporate matters.

Our directors, executive officers and other principal stockholders owned approximately 35 percent of our outstanding common stock as of December 31, 2006. Accordingly, these stockholders could have a significant influence over the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and also could prevent or cause a change in control. The interests of these stockholders may differ from the interests of our other stockholders. In addition, limited number of shares held in public float effect the liquidity of our common stock. Third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our businesses. In addition, our agreements with Laurus prohibit the payment of cash dividends. As a result, capital appreciation, if any, of our common stock will be shareholders' sole source of gain for the foreseeable future.

Anti-takeover provisions in our charter documents and Delaware law could discourage potential acquisition proposals and could prevent, deter or delay a change in control of our company.

Certain provisions of our Restated Certificate of Incorporation and By-Laws could have the effect, either alone or in combination with each other, of preventing, deterring or delaying a change in control of our company, even if a change in control would be beneficial to our stockholders. Delaware law may also discourage, delay or prevent someone from acquiring or merging with us.

Environmental Liability

There are no known material environmental violations or assessments.