COACH INDUSTRIES GROUP INC
Form 10QSB/A
August 13, 2004

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

FORM 10-QSB/A

AMENDMENT 1

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

For the Quarter ended March 31, 2004

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

For the transition period from _________to___________

Commission file number: 0-19471

COACH INDUSTRIES GROUP, INC.
(Exact name of registrant as specified in its charter)

NEVADA	91-1942841
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9600 W. Sample Road, Suite 505, Coral Springs, Florida 33065
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (305) 531-1174

Copies of all communications, including all communications sent to the agent for service, should be sent to:

Joseph I. Emas, Attorney at Law
1224 Washington Avenue
Miami Beach, Florida 33139
Telephone: 305.531.1174

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

TITLE	SHARES OUTSTANDING AS OF APRIL 30, 2004

Common Stock, $0.001 par value	9,785,531

COACH INDUSTRIES GROUP, INC.

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COACH INDUSTRIES GROUP, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

	MARCH 31, 2004 (UNAUDITED)	DECEMBER 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,226	$ 91,565
Accounts receivable, net	471,892	12,939
Supply inventory	1,847,417	1,310,483
Due from related party accounts receivable	171,517	31,593
Prepaid expenses and other current assets	81,380	57,680
Total current assets	2,576,432	1,504,260

PROPERTY AND EQUIPMENT, net	858,601	901,865
GOODWILL	2,186,595	2,186,595
	$ 5,621,628	$ 4,592,720
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,024,701	$ 367,669
Related party accounts payable	--	305,739
Deferred rent	108,000	115,200
Warranty reserve	31,189	20,535
Customer deposits	37,000	230,273
Accrued wages	136,709	32,921
Note payable - related parties	823,494	613,659
Line of credit	292,440	--
Total current liabilities	2,453,533	1,685,996
OTHER LIABILITIES:		
Related party payables - convertible	839,632	--
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock $0.001 par value; 50,000,000 shares authorized; 9,785,531 shares issued and outstanding, respectively	9,785	9,785
Additional paid in capital	5,360,228	5,360,228
Accumulated deficit	(2,321,550)	(1,743,290)
Treasury stock, 1.6 million shares at cost	(720,000)	(720,000)
Total shareholders' equity	2,328,463	2,906,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,621,628	$ 4,592,720

The accompanying notes are an integral part of these financial statements.

COACH INDUSTRIES GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2004 (UNAUDITED)

REVENUES	$ 4,183,964
COST OF GOODS SOLD	3,284,317
GROSS PROFIT	899,647
OPERATING EXPENSES:	
General and Administrative	425,185
Research and development	747,665
Sales and marketing	187,877
Rent	98,282
Interest expense	18,898

Total operating expenses	1,477,907
Loss before income taxes	(578,260)
Income taxes	--
NET (GAIN) LOSS	$ (578,260)
Basic and diluted net (loss) per share:	
Net loss per share	$ (0.07)
Basic and diluted weighted average common shares outstanding	8,185,531

The accompanying notes are an integral part of these financial statements.

COACH INDUSTRIES GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2004 (UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$(578,260)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortization	46,522
Warranty expense	14,111
Charges to warranty reserve	(3,457)
Changes in operating assets and liabilities:	
Accounts receivable	(458,953)
Accounts receivable - related parties	(139,924)
Inventory	(536,934)
Prepaid expenses and other	(23,701)
Accounts payable and accrued expenses	760,819
Customer deposits	(193,273)
Related party payable	209,835
Net cash used in operating Activities	(903,215)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of fixed assets	(10,457)
Net cash used in investing activities	(10,457)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from related party payables - convertible	533,893
Borrowings from line of credit	292,440
Net cash provided by financing Activities	826,333
NET DECREASE IN CASH AND CASH EQUIVALENTS	(87,339)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	91,565
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,226

The accompanying notes are an integral part of these financial statements.

COACH INDUSTRIES GROUP, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2004

1. BACKGROUND

OVERVIEW

Coach is a holding company which manufactures luxury limousines, specialty vehicles and limousine buses and sells financial services and products related to its business through its various operating subsidiaries. We currently have two subsidiaries. Commercial Transportation Manufacturing Corporation ("CTMC") focuses on manufacturing specialty vehicles and limousine buses. Springfield Coach Industries Corporation, Inc. ("SCB"), SCB focuses on manufacturing Lincoln Town Car limousines and Ford Excursion limousines.

HISTORY

On June 1, 2000, pursuant to an Agreement and Plan of Business Combination, dated as of April 14, 2000, PAN International Gaming, Inc., a Nevada corporation ("PAN"), purchased all of the issued and outstanding capital stock of SearchHound.com 2000, Ltd., a Nevada corporation, from their 22 record holders for an aggregate of 50,373 shares of its common stock, which was approximately 71% of the issued and outstanding shares of PAN International Gaming, Inc. The amount of consideration paid and received was negotiated by the parties to the Plan of Business Combination. On June 6, 2000, after the merger, PAN changed its name to SearchHound.com, Inc. ("Searchhound")

Pursuant to a Stock Purchase Agreement, dated as of May 4, 2000, effective July 11, 2000, Searchhound purchased all of the issued and outstanding capital stock of SoloSearch.com, Inc., a Missouri corporation ("SoloSearch"), from Cohen Capital Technologies, L.L.C., a Missouri limited liability company, Kirk C. Reivich, an individual, and October Capital, L.L.C., a Missouri limited liability company, for an aggregate of 18,097 shares of common stock and an aggregate of $300,000 in cash. The foregoing transaction resulted in the issuance of 20.3% of the issued and outstanding shares of PAN. The amount of consideration paid and received was negotiated by the parties to the Stock Purchase Agreement.

Prior to June 1, 2000, SearchHound was not engaged in substantial operating activities and there were no revenues or business operations. In 2002, Searchound's Board of Directors changed its strategy due to poor operating conditions and operating results in its primary businesses coupled with difficulties in raising capital through debt and equity sources. The Board of Directors adopted the new strategy during 2002, which committed to the disposal of all of its current assets and businesses and to seek a merger or acquisition candidate with better financial resources. By early 2003, the Board of Directors of Searchhound had successfully disposed of all of the assets and all of the liabilities of the company.

On August 22, 2003, the Company held its Annual Meeting of Shareholders, whereby the shareholders voted to amend the Articles of Incorporation to change the name of the company from Searchound.com to Coach Industries Group, Inc.

GENERAL

Through our subsidiaries, we manufacture luxury limousines, specialty vehicles and limousine buses. Coach's principal executive offices are located in Coral Springs, Florida. We are one of seven limousine manufacturers in the limousine manufacturing industry operating under agreements with Ford Motor Company and General Motors Corporation. The Company's long-term strategy is to offer and expand our array of specialty vehicles and limousines and to offer and expand financial services to existing customers, other limousine operators and others outside of the limousine business. The Company will actively pursue acquisition candidates that can support the expansion of these products and financial services.

On September 1, 2003, we acquired CTMC through a reverse merger. Coach issued 3 million shares of common stock to CTMC in a stock for stock exchange. CTMC's principal executive offices are located in Bohemia, New York. CTMC's operation consists of manufacturing, selling and servicing specialty vehicles, limousine buses and to a lesser extent, Lincoln Town Cars. The operation is housed in a 30,000 square foot manufacturing facility with approximately 27 employees involved in the direct manufacture of the various modified chassis. CTMC manufactures its vehicles pursuant to a Quality Vehicle Modifier Agreement with Ford Motor Company. CTMC's New York presence allows the Company to support the lucrative Northeastern market.

On December 31, 2003, Coach, through SCB, newly formed wholly owned subsidiary, acquired certain assets and liabilities from Springfield Coach Builders, Inc. ("Springfield"). The acquisition was valued at $2.66 million based on 2 million shares of common stock, at $1.33 per share, the closing market price on November 6, 2003. SCB's principal executive offices are located in Springfield, Missouri.

After our acquisition of Springfield, we determined that the production of the various vehicles previously manufactured by Springfield and CTMC needed to be segregated to eliminate any duplication of production processes at the CTMC and SCB facilities. CTMC personnel have extensive depth of knowledge in prototype development, modification and engineering of specialty vehicles, such as the Chrysler Sprinter and the General Motors' Hummer H2. Accordingly, since January 2004, SCB manufactures the Lincoln Town Car limousines, which represent approximately ninety percent (90%) of the limousine market and the Ford Excursion limousines. CTMC manufactures our specialty vehicles and limousine buses.

SCB manufactures its vehicles pursuant to a Quality Vehicle Modifier Agreement with Ford Motor Company and a Cadillac Master CoachBuilder Agreement with General Motors Corporation. SCB, because of its Midwest location, provides us with the opportunity to economically support customers located in the Midwestern, Southeastern and Western region of the United States. SCB's Midwestern location also provides the Company significant operating expense advantages due to lower labor and occupancy costs. SCB's operations consists of manufacturing, selling and servicing Lincoln Town Cars and Ford Excursions Limousines The operations is housed in a 45,000 square foot manufacturing facility with 38 employees involved in the direct manufacture of the modified chassis.

Management believes that the acquisition of Springfield enabled the Company's to use its existing sales force, engineering expertise and management to enter the

Midwestern and Western United States limousine markets. Coach was able to assume the existing lease for the manufacturing facility in Springfield, Missouri, which increased its manufacturing capacity and reduced the cost of distribution in those markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Effective September 1, 2003, the Company has restated its consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows in conjunction with the reverse merger with CTMC. The accompanying financial statements include the accounts of the Company from September 1, 2003, and its wholly owned subsidiaries CTMC from January 8, 2003 (inception) and SCB, effective December 31, 2003. CTMC was formed on January 8, 2003 (inception), however they did not commence operations until April 1, 2003, thus, no activity has been presented for the three months ended March 31, 2003.
All significant inter-company balances and transactions have been eliminated.

RESTATEMENT OF FINANCIAL STATEMENTS

The Company, after careful consideration and review, has elected to change the accounting treatment of the transaction between the Company and CTMC. (the "Transaction") and accordingly restate the financial statements. Originally, the Transaction was accounted for as a business combination that resulted in recording goodwill, an intangible asset, of approximately $490,000. After further investigation and consideration, the Company has concluded that the accounting treatment of this Transaction as a reverse merger more accurately reflects the nature of this transaction. The primary factor influencing the accounting treatment change for this Transaction is that the Company, Coach Industries Group, Inc. had no operations prior to the Transaction. The accounting impact of treating this Transaction as a reverse merger instead of a business combination is an elimination of approximately $490,000 of goodwill and a reduction of Additional Paid - in Capital by the same amount.

INTERIM FINANCIAL STATEMENTS

The interim financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). 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 such rules and regulations. The interim financial statements should be read in conjunction with the Company's annual financial statements, notes and accounting policies included in the Company's annual report on Form 10-KSB for the year ended December 31, 2003 as filed with the SEC. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of financial position as of March 31, 2004 and the related operating results and cash flows for the interim period presented have been made. The results of operations, for the period presented are not necessarily indicative of the results to be expected for the year.

RESEARCH AND DEVELOPMENT COSTS

Generally accepted accounting principles state that costs that provide no discernible future benefits, or allocating costs on the basis of association with revenues or among several accounting periods that serve no useful purpose, should be charged to expense in the period occurred. SFAS No. 2 "Accounting for

Research and Development Costs" requires that certain costs be charged to current operations including, but not limited to: salaries and benefits; contract labor; consulting and professional fees; depreciation; repairs and maintenance on operational assets used in the production of prototypes; testing and modifying product and service capabilities and design; and, other similar costs. The Company expensed $747,665 of research and development costs for the three months ended March 31, 2004.

3. RELATED PARTY TRANSACTIONS

The Company is a party to a non-cancelable operating lease pertaining to the office and plant facilities. The lease term, as amended, expires in December 2007 with payments commencing in July 2003. The lease is to a related party.

Rental expense under all operating leases totaled approximately $98,282 for the three months ended March 31, 2004, respectively, that includes amortization of approximately $7,200 for the three months ended March 31, 2004 of deferred rental expense.

As of March 31, 2004 and December 31, 2003 the Company had receivable balances for approximately $171,517 and $31,593 due from related parties, respectively.

At March 31, 2004 and December 31, 2003, the Company had a note payable to a related party outstanding for $823,494 and $613,659. This balance relates directly to chassis purchases that are outstanding on the related party floor plan with an unaffiliated third party. Interest on the note payable is due when paid by the related party. The unaffiliated line of credit does not charge interest to the line of credit for 90 days, thus no interest is incurred by the Company unless the chassis is outstanding longer than 90 days.

The Company has related party payables at December 31, 2003 to a related party of $305,739. This balance, as well as additional cash funding during the period were reclassified to related party payable - convertible as of March 31, 2004.

The Company has related party payables - convertible at March 31, 2004 and December 31, 2003 to a related party of $839,632 and zero, respectively. These balances outstanding were for funding operating shortfalls as well as expenses associated with Coach. In an effort to conserve cash resources the outstanding balances were transferred to related party payable - convertible as of March 31, 2004. The related party payable will be converted for warrants and common stock based on the lowest stock price during the second quarter. These balances are anticipated to be converted in the second and third quarter of 2004.

4. LINE OF CREDIT

The Company has established a $1.6 million floor plan line of credit with a local dealership in New York. The dealership funds the purchase of chassis inventory, interest free for 90 days. The balance outstanding at March 31, 2004 was $292,440. Currently all chassis outstanding on the line of credit are under 90 days, thus no interest has been accrued for these chassis.

5. SUBSEQUENT EVENT

As of August 26, 2003, the Company reserved 1.6 million shares, valued at $0.45 cents per share, for the purpose of using as agreed consideration for a potential transaction. The shares shall vest on the effective date of the aforementioned potential transaction. The shares are issued and classified as treasury stock as of March 31, 2004 and December 31, 2003. On May 7, 2004, the Company signed a letter of intent to acquire all the common stock of Go Commercial Leasing Corporation. The deal is valued at $720,000. Effective July 9, 2004, the Company consummated this transaction and issued 423,529 common shares valued at $1.70, the stated market value on the date of close.

On July 8, 2004, the Company announced the formation of CFS which is intended to provide financial services to the luxury limousine industry and the high-end automobile industry at that time. Go Commercial was merged into CFS through a reverse merger, in a stock for stock exchange.

On May 19, 2004, the Company entered into a Purchase Agreement, with Fusion Capital pursuant to which Fusion Capital has agreed to purchase, subject to Coach's rights to reduce or suspend these purchases and terminate the agreement with Fusion Capital at any time, on each trading day, $12,500 of our common stock up to an aggregate purchase amount up to $6.0 million. The $6.0 million of common stock is to be purchased over a twenty four (24) month period, subject to a three (3) month extension or earlier termination at the discretion of the Company.

On June 1, 2004, the Company signed an agreement with Ford Motor Company, whereby, pending certain additional authorizations, the Company would receive a $2.0 million floor plan line of credit, solely for the purchase of chassis inventory.

On August 6, 2004, the company signed a letter of intent to acquire Corporate Development Services, Inc., and its affiliated companies, whereby the company will issue a combination of stock and cash . The final terms of the agreement are contingent upon various factors, including completion of due diligence. The acquisition is anticipated to close during the third quarter.

On August 7, 2004, the Company signed an agreement with GE Commercial Distribution Finance Corporation, whereby pending certain additional authorizations, the Company would receive a $2.0 million floor plan line of credit, solely for the purchase of chassis inventory.

FORWARD-LOOKING STATEMENTS

The following discussion contains, in addition to historical information, forward-looking statements regarding Coach Industries, Group, Inc. (the "Company", "CIGI" or "Coach"), that involve risks and uncertainties. The Company's actual results could differ materially. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. Factors that could cause or contribute to such difference include, but not limited to, history of operating losses and accumulated deficit; possible need for additional financing; competition; dependence on management; risks related to proprietary rights; government regulation; and other factors discussed in this report and the Company's other filings with the Securities and Exchange Commission.

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

ACCOUNTING TREATMENT CHANGE:

After careful review and consideration, the Company has elected to treat the original transaction between Coach Industries Group, Inc., and CTMC as a reverse merger and not as a business combination from an accounting standpoint. The purpose for this filing is to restate the financial statements to reflect the accounting treatment change for recording this transaction.

At the time of the transaction, the Company adopted the business combination accounting treatment to record this transaction, whereby the market value of the common stock exchanged for the assets plus the book value of the assets acquired were used to determine the valuation of the transaction. Employing this accounting treatment, the Company recorded approximately $490,000 of goodwill, an intangible asset. After considering that the Company, Coach Industries Group, Inc., had no operations prior to the Transaction, the Company concluded that the reverse merger accounting treatment more appropriately reflects the nature of this transaction. Under the reverse merger accounting treatment, historical asset values (book value of the assets) are utilized to determine the valuation of the transaction. Accordingly, no goodwill is generated with this transaction.

Pursuant to the Company's decision to change the accounting treatment, the financial statements have been restated and are presented within this filing, to reflect the new treatment.

THREE MONTHS ENDED MARCH 31, 2004
COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

Effective September 1, 2003, the Company has restated its consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows in conjunction with the reverse merger with CTMC. The accompanying financial statements include the accounts of the Company from September 1, 2003, and its wholly owned subsidiaries CTMC from January 8, 2003 (inception) and Springfield, effective December 31, 2003. CTMC was formed on January 8, 2003 (inception), however they did not commence operations until April 1, 2003, thus, no activity has been presented for the three months ended March 31, 2003.

Summary Overview and Overall Business Strategy

COACH INDUSTRIES GROUP, INC. OVERVIEW AND BUSINESS STRATEGY

Coach is a holding company which, through its subsidiaries, manufactures luxury limousines, specialty vehicles and limousine buses and sells financial services and products related to its business through its various operating subsidiaries. The Company's long-term strategy is to offer and expand our array of specialty vehicles and limousines and to offer financial services to existing customers as well as other limousine operators. The Company will actively pursue acquisition candidates that can support the expansion of these products and financial services. We currently have two subsidiaries.

In September 2003, Coach acquired Commercial Transportation Manufacturing Corporation ("CTMC") through a reverse merger. CTMC is a New York corporation. Its principal executive offices are located in Bohemia, New York. CTMC focuses on manufacturing specialty vehicles and limousine buses.

In December 2003, the Company formed Springfield Coach Industries Corporation, Inc. ("SCB"), by acquiring certain assets and assuming certain liabilities from Springfield Coach Builders, Inc. ("Springfield"). SCB is a Missouri corporation. Its principal executive offices are located in Springfield, Missouri. SCB focuses on manufacturing Lincoln Town Car limousines and Ford Excursion limousines.

Annually, the limousine manufacturing industry generates approximately $400 million in revenues through the sale of luxury limousines, specialty vehicles and limousine buses to approximately 14,000 limousine operators located throughout the United States. These limousine operators are located in the following regions of the United States: 59% in the Northeast, 16% in the Southeast, 11% in the Midwest and 14% in the West. The Company's facilities are strategically located to economically service the limousine market. SCB, because of its Midwest location, provides the Company with the opportunity to economically support customers located in the Midwestern, Southeastern and Western region of the United States. SCB's Midwestern location also provides the Company significant operating expense advantages due to lower labor and occupancy costs. CTMC's New York presence allows the Company to support the lucrative Northeastern market. CTMC personnel have extensive depth of knowledge in prototype development, modification and engineering of specialty vehicles, such as the Chrysler Sprinter and the General Motors Hummer H2. In January 2004, the Company made a strategic decision to focus SCB on manufacturing the Lincoln Town Car limousines, which represent approximately ninety percent (90%) of the market, and the Ford Excursion limousines and for CTMC to focus on specialty vehicles and limousine buses.

After our acquisition of Springfield in December 2003, we determined that the production of the various vehicles needed to be segregated as to eliminate any duplication of production processes at the CTMC and SCB facilities. CTMC personnel have extensive depth of knowledge in prototype development, modification and engineering of specialty vehicles, such as the Chrysler Sprinter and the General Motors' Hummer H2. As a result, in January 2004, the Company made a strategic decision for CTMC to focus on manufacturing specialty vehicles and limousine buses and for SCB to focus on manufacturing the Lincoln Town Car limousines and the Ford Excursion limousines. Based on these manufacturing changes and focus on specialty vehicles, the Company plans on expending $1.25 million on research and development during the next twelve months, in addition to the $747,665 already incurred for the three months ended March 31, 2004.

The business strategy of the Company is to further diversify product lines and develop innovative design, engineering and manufacturing expertise in order to be the premiere luxury limousine manufacturer in the marketplace. The Company sells its custom limousine chassis to limousine operators throughout the United States. The Company markets its limousines through tradeshows, print advertising and direct marketing to limousine operators. The Company is focusing on certain custom niches within its geographical markets and believes that opportunities for growth remain strong for modified limousine chassis. The Company's two major suppliers are Ford Motor Company and General Motors Corporation, which provide the chassis for the Lincoln Town Car and the Cadillac products that the Company then manufactures into a modified vehicle under the QVM and CMC agreements. The Company believes that their relationship with these major suppliers is in good standing at this time and that the supply of chassis inventory is adequate to meet our operating needs.

The Company believes that it can best carry out its long-term business plan and obtain optimal financial flexibility by using a combination of borrowings under the Company's credit facilities, as well as internally and externally generated equity capital, as sources of expansion capital. We believe this gives us a competitive advantage from other manufacturers in our industry who do not have access to these capital markets.

The Company has signed agreements with Ford Motor Company and GE Commercial Distribution Finance Corporation, both to provide, $2.0 million lines of credit for the purchase of chassis inventory. These agreements have not been put in place at this time however, so the purchase of chassis inventory has been and will continue to be made through related party funding arrangements. We believe that the line of credit with the supplier will be adequate to meet the funding requirements for the manufacturing facilities. In addition, the Company is negotiating with various lenders to provide floor plan financing for non-conforming chassis purchases and for vehicles that are built as showroom models. This will enable the sales force to present completed vehicles to their prospects in locations outside of the factory. In addition, Company has established a $1.6 million floor plan line of credit with a local dealership in New York. The dealership funds the purchase of chassis inventory, interest free for 90 days. The balance outstanding at March 31, 2004 was $292,440. Currently all chassis outstanding on the line of credit are under 90 days, thus no interest has been accrued for these chassis.

THREE MONTHS ENDED MARCH 31, 2004 COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

LIQUIDITY AND CAPITAL RESOURCES. The Company has historically satisfied its operating cash requirements primarily through private placements of restricted stock, the issuance of debt securities, issuance of common stock to satisfy balances currently outstanding, operating cash flow and cash funding from related parties, as required.

The Company has incurred losses from operations for the period from January 8, 2003 (inception) through December 31, 2003 of $1.7 million and a net loss of $578,262 for the three months ended March 31, 2004. The Company has acquired certain assets and liabilities of Springfield effective December 31, 2003. The Company anticipates that its cash requirements will continue to increase as it continues to expend substantial resources to build its infrastructure, develop its business plan and establish its sales and marketing network operations, customer support and administrative organizations. The Company currently anticipates that its available cash resources and cash generated from operations will be sufficient to meet its presently anticipated working capital and capital expenditure requirements for the next twelve months. If the Company is unable to maintain profitability, or seeks further expansion, additional funding will become necessary. There can be no assurances that the Company can realize sufficient revenues to satisfy its business plan and further, there can be no assurance that alternative sources of financing can be procured on behalf of the Company.

The Company acquired certain assets and liabilities of Springfield effective December 31, 2003 and at that time determined that the production of the various vehicles needed to be segregated to eliminate any duplication of production processes at both facilities. CTMC personnel have extensive depth of knowledge in prototype development, modification and engineering of specialty vehicles, such as the Chrysler Sprinter and the General Motors' Hummer H2. In January 2004, the Company made a strategic decision to focus SCB on manufacturing the Lincoln Town Car limousines and the Ford Excursion limousines and for CTMC to focus on specialty vehicles and limousine buses. Based on these manufacturing changes and focus CTMC on specialty vehicles, the Company, intends to expend $2.0 million on research and development during the next twelve months, of which $747,665 has been incurred for the three months ended March 31, 2004.

In addition, the Company may incur expenses during the next twelve months due to the conversion of payables into common stock, funded by related parties to assist the Company's working capital requirements. The related party payable will be converted for warrants and common stock based on the lowest stock price during the second quarter. These balances are anticipated to be converted in the second and third quarter of 2004. At March 31, 2004, the balance of the related party payable was $839,632.

Effective December 31, 2003, the Company, through its wholly owned subsidiary, SCB, a Missouri corporation, consummated the acquisition of certain assets and liabilities of Springfield.

As of August 26, 2003, the Company reserved 1.6 million shares, valued at $0.45

cents per share, for the purpose of using as agreed consideration for a potential transaction. The shares shall vest on the effective date of the aforementioned potential transaction. The shares are issued and classified as treasury stock as of March 31, 2004 and December 31, 2003. On May 7, 2004, the Company signed a letter of intent to acquire all the common stock of Go Commercial Leasing Corporation. The deal is valued at $720,000. Effective July 9, 2004, the Company consummated this transaction and issued 423,529 common shares valued at $1.70, the stated market value on the date of close.

On July 8, 2004, the Company announced the formation of CFS which is intended to provide financial services to the luxury limousine industry and the high-end automobile industry at that time. Go Commercial was merged into CFS through a reverse merger, in a stock for stock exchange.

On May 19, 2004, the Company entered into a Purchase Agreement, with Fusion Capital pursuant to which Fusion Capital has agreed to purchase, subject to Coach's rights to reduce or suspend these purchases and terminate the agreement with Fusion Capital at any time, on each trading day, $12,500 of our common stock up to an aggregate purchase amount up to $6.0 million. The $6.0 million of common stock is to be purchased over a twenty four (24) month period, subject to a three (3) month extension or earlier termination at the discretion of the Company.

On August 6, 2004, the company signed a letter of intent to acquire Corporate Development Services, Inc., and its affiliated companies, whereby the company will issue a combination of stock and cash. The final terms of the agreement are contingent upon various factors, including completion of due diligence. The acquisition is anticipated to close during the third quarter.

Related party payable - convertible increased from zero at December 31, 2003 to $839,632 at March 31, 2004. The increase relates to the reclassification of the $305,739 outstanding at December 31, 2003 from related party payable to convertible debt. The additional increase in the balance relates to cash funding requirements at CTMC and SCB as well as expenses funded by the related party for

operating expenses at the parent level. The related party payable will be converted for warrants and common stock based on the lowest stock price during the second quarter. These balances are anticipated to be converted during the second and third quarters of 2004.

FINANCIAL CONDITION - MARCH 31, 2004 COMPARED TO DECEMBER 31, 2003

CURRENT ASSETS

CASH AND CASH EQUIVALENTS. Cash and cash equivalents decreased from $91,565 at December 31, 2003 to $4,226 at March 31, 2004, a decrease of $87,339, primarily due to the operations of CTMC and SCB utilizing cash resources to fund operations.

TOTAL CURRENT ASSETS. Total current assets increased from $1.5 million at December 31, 2003 to $2.6 million at March 31, 2004, an increase of $1.1 million, primarily as a result of the Company acquiring CTMC through a reverse merger and the acquisition of certain assets and liabilities of Springfield. The Company has increased operations during the three months ended March 31, 2004, thus increasing accounts receivable, net to $471,892, accounts receivable - related parties to $171,517 and supply inventory to $1.8 million compared to December 31, 2003 of $12,939, $31,593 and $1.3 million, respectively. Revenues for the three months ended March 31, 2004 were $4.2 million compared to $1.1 million for the year ended December 31, 2003, thus increasing the receivable and inventory balances.

GOODWILL. At December 31, 2003 and March 31, 2004, goodwill was $2.2 million, specifically related to the acquisition of certain assets and liabilities of Springfield, effective December 31, 2003. The acquisition was valued at $2.66 million based on 2 million shares of common stock, at $1.33 per share, the closing market price on November 6, 2003. Management believes that the acquisition of certain assets and liabilities of Springfield enabled the Company's entree into the Midwestern and Western United States Markets through the Company's existing sales force, engineering expertise and management. The Company was able to assume the existing lease for the manufacturing facility in Springfield, MO which increased our manufacturing capacity and reduced the cost of distribution in those markets.

LIABILITIES

ACCRUED WAGES. Accrued wages increased from $32,921 at December 31, 2003 to $136,709 at March 31, 2004, an increase of $103,788, primarily due to the accrued wages relating to the operations of CTMC and SCB.

ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES. Accounts payable increased from $367,669 at December 31, 2003 to $1.0 million at March 31, 2004, an increase of $657,032, primarily relating to the operations of CTMC and SCB. Both of these companies were fully operational for the three months ended March 31, 2004.

CUSTOMER DEPOSITS. Customer deposits decreased from $230,273 at December 31, 2003 to $37,000 at March 31, 2004. The customer deposits reflected the full costs of those cars that were not delivered until January 2004, primarily at CTMC.

RELATED PARTY PAYABLE. Related party payable decreased from $305,739 at December 31, 2003 to zero at March 31, 2004, a decrease of $305,739. The decrease related to the reclassification of this balance to related party payable - convertible.

NOTES PAYABLE-RELATED PARTIES. Notes payable-related parties increased from $613,659 at December 31, 2003, to $823,494 at March 31, 2004, an increase of $209,835, primarily relating to the acquisition of certain assets and liabilities of Springfield. The notes payable - related parties is funding the purchase of chassis for the business.

LINE OF CREDIT. The line of credit increased from zero at December 31, 2003 to $292,440 at March 31, 2004, primarily related to a line of credit established by CTMC with a local dealership for the purchase of chassis for production.

TOTAL CURRENT LIABILITIES. Total current liabilities increased from $1.7 million at December 31, 2003 to $2.5 million at March 31, 2004, an increase of $0.8 million. The increase is primarily attributed to operations of both CTMC and SCB, offset by the reclassification of related party payables to a convertible status.

RELATED PARTY PAYABLE - CONVERTIBLE. Related party payable - convertible increased from zero at December 31, 2003 to $839,632 at March 31, 2004. The increase relates to the reclassification of the $305,739 outstanding at December 31, 2003 from related party payable to convertible debt. The additional increase in the balance relates to cash funding needs at CTMC and SCB as well as expenses funded by the related party for operating expenses of Coach. See discussion above, regarding conversion of these shares.

RESULTS OF OPERATION MARCH 31, 2004 COMPARED TO MARCH 31, 2003

Effective September 1, 2003, the Company has restated its consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows in conjunction with the reverse merger with CTMC. The accompanying financial statements include the accounts of the Company from September 1, 2003, and its wholly owned subsidiaries CTMC from January 8, 2003 (inception) and SCB, effective December 31, 2003. CTMC was formed on January 8, 2003 (inception), however they did not commence operations until April 1, 2003, thus, no activity has been presented for the three months ended March 31, 2003.

GROSS REVENUES. Gross revenues were $4.2 million for the three month period ended March 31, 2004 relating to the Company's acquisition of CTMC through a reverse merger effective September 1, 2003 and the Company acquiring certain assets and liabilities of Springfield effective December 31, 2003. Gross revenues for the period reflect revenues for both CTMC and SCB for the three months ended March 31, 2004.

COSTS OF GOODS SOLD. Costs of goods sold were $3.3 million for the three months ended March 31, 2004, primarily as a result of the Company acquiring CTMC through a reverse merger effective September 1, 2003 and acquiring certain assets and liabilities of Springfield effective December 31, 2003. The costs of goods sold for the three months ended March 31, 2004 reflect costs for both CTMC and SCB.

OPERATING EXPENSES. Operating expenses were $1.5 million for the three months ended March 31, 2004 specifically related to the operations of CTMC, SCB and Coach as described below.

General and administrative expenses were $425,185 for the three months ended March 31, 2004, primarily due to the operations of CTMC, Coach and SCB during 2004.

Research and development expenses for the three months ended March 31, 2004 were $747,665. After the acquisition of certain assets and liabilities of Springfield on December 31, 2003, we determined that the production of the various vehicles needed to be segregated to eliminate any duplication of production processes at the SCB and CTMC facilities. CTMC personnel have extensive depth of knowledge in prototype development, modification and engineering of specialty vehicles, such as the Chrysler Sprinter and the General Motors' Hummer H2. Accordingly, in January 2004, the Company made a strategic decision for SCB to manufacture the Lincoln Town Car limousines and the Ford Excursion limousines and for CTMC to manufacture specialty vehicles and limousine buses.

Sales and marketing expenses for the three months ended March 31, 2004 were $187,877. Both CTMC and SCB attend an annual trade show for limousine manufactures and operators. The sales and marketing expenses attributed to the trade show were approximately $100,000 and the remaining expenses were attributed to commissions paid on limousine sales.

Rent expense for the three months ended March 31, 2004 was $92,282. Rent expense is specifically attributed to the plant facilities in Springfield, Missouri and Bohemia, New York.

Interest expense for the three months ended March 31, 2004 was $18,898. Interest expense is directly attributed to the line of credit and floor plan facilities due a related party. The interest represents interest paid on these facilities for limousine chassis, held over 90 days.

NET LOSS. Net loss was $578,260 for the three months ended March 31, 2004, primarily due to research and development expenses incurred for the three months ended March 31, 2004. In January 2004, the Company made a strategic decision to focus SCB on manufacturing the Lincoln Town Car limousines and the Ford Excursion limousines and for CTMC to focus on specialty vehicles and limousine buses, the result was a charge for the three months ended March 31, 2004 of

$747,665.

ACCOUNTING POLICIES SUBJECT TO ESTIMATION AND JUDGMENT

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. When preparing our financial statements, we make estimates and judgments that affect the reported amounts on our balance sheets and income statements, and our related disclosure about contingent assets and liabilities. We continually evaluate our estimates, including those related to revenue, allowance for doubtful accounts, reserves for income taxes, and litigation. We base our estimates on historical experience and on various other assumptions, which we believe to be reasonable in order to form the basis for making judgments about the carrying values of assets and liabilities that are not readily ascertained from other sources. Actual results may deviate from these estimates if alternative assumptions or condition are used.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits:

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.

B. Reports on Form 8-K

No other reports on Form 8-K were filed during the quarter ended March 31, 2004, for which this report is filed.

SIGNATURES

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

Coach Industries Group, Inc.

August 13, 2004 /s/ Francis O'Donnell
Francis O'Donnell,
Chief Executive Officer
(PRINCIPAL EXECUTIVE OFFICER)

August 13, 2004 /s/ Susan Weisman
Susan Weisman,
Chief Accounting Officer
(PRINCIPAL ACCOUNTING OFFICER)