STANLEY WORKS
Form 10-K
February 26, 2009

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The Stanley Works

10-K FILING
FISCAL 2008

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

FORM 10-K

ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended January 3, 2009

OR

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

For the transition period from ___________ to ___________

COMMISSION FILE 1-5224

THE STANLEY WORKS
(Exact Name Of Registrant As Specified In Its Charter)

Connecticut	**06-0548860**
(State Or Other Jurisdiction Of Incorporation Or Organization)	(I.R.S. Employer Identification Number)
1000 Stanley Drive New Britain, Connecticut	**06053**
(Address Of Principal Executive Offices)	(Zip Code)

860-225-5111
(Registrant s Telephone Number)

Securities Registered Pursuant To Section 12(b) Of The Act:

Title Of Each Class	Name Of Each Exchange On Which Registered

Common Stock-$2.50 Par Value per Share	**New York Stock Exchange**

Securities Registered Pursuant To Section 12(g) Of The Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.

Yes X No _

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes _ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes _ No X

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

Large accelerated filer X Accelerated filer _ Non-accelerated filer _ Smaller reporting company _
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes _ No X

As of June 27, 2008, the aggregate market values of voting common equity held by non-affiliates of the registrant was $3,524,499,508 based on the New York Stock Exchange closing price for such shares on that date. On February 18, 2009, the registrant had 78,883,885 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the registrant s fiscal year are incorporated by reference in Part III of the Annual Report on Form 10-K.

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FORM 10-K

PART I

ITEM 1. BUSINESS

1(a) GENERAL DEVELOPMENT OF BUSINESS

(i) General. The Stanley Works (Stanley or the Company) was founded in 1843 by Frederick T. Stanley and incorporated in 1852. Stanley is a diversified worldwide supplier of tools and engineered solutions for professional, industrial and construction and do-it-yourself use, as well as engineered security solutions for industrial and commercial applications. Stanley® is a brand recognized around the world for quality and value.

Net sales from continuing operations have increased from $2.2 billion in 2002 to $4.4 billion in 2008 reflecting execution of the Company s profitable growth and diversification strategy. The growth in net sales from continuing operations predominantly relates to acquisitions, particularly in the Industrial and Security segments. The Company sold the CST/berger business in 2008, and the entry door and home décor businesses in 2004, along with several other small divestitures over the past few years. Results have been recast for these discontinued operations. Refer to Note F, Acquisitions, and Note U, Discontinued Operations, of the Notes to the Consolidated Financial Statements in Item 8 for a discussion of acquisitions and divestitures over the past three years. At January 3, 2009, Stanley employed approximately 18,225 people worldwide. The Company s principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.

(ii) Restructuring Activities. Information regarding the Company s restructuring activities is incorporated herein by reference to the material captioned Restructuring Activities in Item 7 and Note P, Restructuring and Asset Impairments, of the Notes to the Consolidated Financial Statements in Item 8.

1(b) FINANCIAL INFORMATION ABOUT SEGMENTS

Financial information regarding the Company s business segments is incorporated herein by reference to the material captioned Business Segment Results in Item 7 and Note Q, Business Segments and Geographic Areas, of the Notes to the Consolidated Financial Statements in Item 8.

1(c) NARRATIVE DESCRIPTION OF BUSINESS

The Company s operations are classified into three business segments: Security, Industrial, and Construction & Do-It-Yourself. All segments have significant international operations in developed countries, but do not have large investments that would be subject to expropriation risk in developing countries. Fluctuations in foreign currency exchange rates affect the U.S. dollar translation of international operations in each segment.

Security

The Security segment is a provider of access and security solutions primarily for retailers, educational, financial and healthcare institutions, as well as commercial, governmental and industrial customers. The Company provides an extensive suite of mechanical and electronic security products and systems, and a variety of security services. These include security integration systems, software, related installation, maintenance, monitoring services, automatic doors, door closers, exit devices, hardware (includes hinges, gate hardware, cabinet pulls, hooks, braces and shelf brackets) and locking mechanisms. Security products are sold primarily on a direct sales basis and in certain instances, through third party distributors.

Industrial

The Industrial segment manufactures and markets: professional industrial and automotive mechanics tools and storage systems; engineered healthcare storage systems; hydraulic tools and accessories; plumbing, heating and air conditioning tools; assembly tools and systems; and specialty tools. These products are sold to industrial customers and distributed primarily through third party distributors as well as through direct sales forces.

Professional mechanics tools and storage systems include wrenches, sockets, electronic diagnostic tools, tool boxes and high-density industrial storage and retrieval systems. Engineered healthcare storage systems are

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customized cabinetry and storage solutions used to store and track clinical supplies. Hydraulic tools and accessories include hand-held hydraulic tools and accessories used by contractors, utilities, railroads and public works as well as mounted demolition hammers and compactors designed to work on skid steer loaders, mini-excavators, backhoes and large excavators. Plumbing, heating and air conditioning tools include pipe wrenches, pliers, press fitting tools, and tubing cutters. Assembly tools and systems include electric and pneumatic assembly tools; these are high performance precision tools, controllers and systems for tightening threaded fasteners used chiefly by vehicle manufacturers. Specialty tools are used for assembling, repairing and testing electronic equipment.

Construction & DIY

The Construction & Do-It-Yourself (CDIY) segment manufactures and markets hand tools, consumer mechanics tools, storage systems, pneumatic tools and fasteners. These products are sold to professional end users as well as consumers, and are distributed through retailers (including home centers, mass merchants, hardware stores, and retail lumber yards). Hand tools include measuring and leveling tools, planes, hammers, demolition tools, knives and blades, screwdrivers, saws, chisels and consumer tackers. Consumer mechanics tools include wrenches and sockets. Storage systems include plastic tool boxes and storage units. Pneumatic tools and fasteners include nail guns, staplers, nails and staples that are used for construction, remodeling, furniture making, pallet manufacturing and other applications involving the attachment of wooden materials.

Competition

The Company competes on the basis of its reputation for product quality, its well-known brands, its commitment to customer service, strong customer relationships, the breadth of its product lines and its emphasis on product innovation.

The Company encounters active competition in all of its businesses from both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. The Company has a large number of competitors; however, aside from a small number of competitors in the consumer hand tool and consumer hardware businesses who produce a range of products somewhat comparable to the Company s, the majority of its competitors compete only with respect to one or more individual products or product lines in that segment. Certain large customers offer private label brands (house brands) that compete across a wider spectrum of the Company s CDIY segment product offerings. The Company is one of the largest manufacturers of hand tools in the world. The Company is a significant manufacturer of pneumatic fastening tools and related fasteners for the construction, furniture and pallet industries as well as a leading manufacturer of hydraulic tools used for heavy construction, railroad, utilities and public works. The Company also believes that it is among the largest direct providers of access security integration and alarm monitoring services in North America.

Customers

A substantial portion of the Company s products are sold to home centers and mass merchants in the U.S. and Europe. A consolidation of retailers both in North America and abroad has occurred over time. While this consolidation and the domestic and international expansion of these large retailers provide the Company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential volume loss. The loss of certain of the larger home centers or mass merchants as customers could have a material adverse effect on the Company until either such customers were replaced or the Company made the necessary adjustments to compensate for the loss of business. Despite the trend toward customer consolidation, the Company has been able to maintain a diversified customer base and has decreased customer concentration risk over the past years, as sales from continuing operations in markets outside of the home center and mass merchant distribution channels have grown at a greater rate through a combination of acquisitions and other efforts to broaden the customer base, primarily in the

Security and Industrial segments. In this regard, sales to the Company s largest customer as a percentage of total sales have decreased from 22% in 2002 to 6% in 2008.

Within the Security segment, a large portion of sales are generated in the retail sector. The Security segment also has significant sales to commercial, governmental and educational customers.

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Raw Materials

The Company s products are manufactured using both ferrous and non-ferrous metals including, but not limited to steel, aluminum, zinc, brass, copper and nickel, as well as resin. Additionally, the Company uses other commodity based materials for components and packaging including, but not limited to, plastics, wood, and other corrugated products. The raw materials required are procured globally and available from multiple sources at competitive prices. The Company does not anticipate difficulties in obtaining supplies for any raw materials or energy used in its production processes.

Backlog

Due to short order cycles and rapid inventory turnover in most of the Company s CDIY and Industrial segment businesses, backlog is generally not considered a significant indicator of future performance. At February 2, 2009, the Company had approximately $348 million in unfilled orders. All of these orders are reasonably expected to be filled within the current fiscal year. As of February 2, 2008, unfilled orders amounted to $368 million.

Patents and Trademarks

No business segment is dependent, to any significant degree, on patents, licenses, franchises or concessions and the loss of these patents, licenses, franchises or concessions would not have a material adverse effect on any of the business segments. The Company owns numerous patents, none of which individually is material to the Company s operations as a whole. These patents expire at various times over the next 20 years. The Company holds licenses, franchises and concessions, none of which individually or in the aggregate are material to the Company s operations as a whole. These licenses, franchises and concessions vary in duration, but generally run from one to 40 years.

The Company has numerous trademarks that are used in its businesses worldwide. The STANLEY® and STANLEY in a notched rectangle design trademarks are material to all three business segments. These well-known trademarks enjoy a reputation for quality and value and are among the world s most trusted brand names. The Company s tagline, Make Something Great™ is the centerpiece of the brand strategy for all segments. The BEST®, HSM®, National®, Sonitrol®, GdP™, and Xmark® trademarks are material to the Security segment. LaBounty®, MAC®, Mac Tools®, Proto®, Vidmar®, Facom®, Virax® and USAG® trademarks are material to the Industrial segment. In the CDIY segment, the Bostitch®, Powerlock®, Tape Rule Case Design (Powerlock), and FatMax® family of trademarks are material. The terms of these trademarks vary, typically, from 10 to 20 years, with most trademarks being renewable indefinitely for like terms.

Environmental Regulations

The Company is subject to various environmental laws and regulations in the U.S. and foreign countries where it has operations. Future laws and regulations are expected to be increasingly stringent and will likely increase the Company s expenditures related to environmental matters.

The Company is a party to a number of proceedings before federal and state regulatory agencies relating to environmental remediation. Additionally, the Company, along with many other companies, has been named as a potentially responsible party (PRP) in a number of administrative proceedings for the remediation of various waste sites, including fifteen active Superfund sites. Current laws potentially impose joint and several liabilities upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the Company s volumetric contribution at these sites.

The Company s policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal

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information that becomes available. As of January 3, 2009, the Company had reserves of $29 million for remediation activities associated with Company-owned properties, as well as for Superfund sites, for losses that are probable and estimable.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded will have a materially adverse effect on its consolidated financial position, results of operations or liquidity.

Employees

At January 3, 2009, the Company had approximately 18,225 employees, nearly 8,900 of whom were employed in the U.S. Approximately 750 U.S. employees are covered by collective bargaining agreements negotiated with 18 different local labor unions who are, in turn, affiliated with approximately 6 different international labor unions. The majority of the Company s hourly-paid and weekly-paid employees outside the U.S. are not covered by collective bargaining agreements. The Company s labor agreements in the U.S. expire in 2009, 2010 and 2011. There have been no significant interruptions or curtailments of the Company s operations in recent years due to labor disputes. The Company believes that its relationship with its employees is good.

1(d) FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Financial information regarding the Company s geographic areas is incorporated herein by reference to Note Q, Business Segments and Geographic Areas, of the Notes to the Consolidated Financial Statements in Item 8.

1(e) AVAILABLE INFORMATION

The Company s website is located at http://www.Stanleyworks.com. This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website is not, and is not intended to be, part of this Form 10-K and is not incorporated into this report by reference. Stanley makes its Forms 10-K, 10-Q, 8-K and amendments to each available free of charge on its website as soon as reasonably practicable after filing them with, or furnishing them to the U.S. Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The Company s business, operations and financial condition are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including those risks set forth under the heading entitled Cautionary Statements Under the Private Securities Litigation Reform Act of 1995 , and in other documents that the Company files with the U.S. Securities and Exchange Commission, before making any investment decision with respect to its securities. If any of the risks or uncertainties actually occur or develop, the Company s business, financial condition, results of operations and future growth prospects could change. Under these circumstances, the trading prices of the Company s securities could decline, and you could lose all or part of your investment in the Company s securities.

If the current weakness continues in the housing and construction markets in the Americas, Europe or Asia, or general recessionary conditions worsen, it could have a material adverse effect on the Company s business.

Approximately 37% of 2008 sales were in the Construction and Do-It-Yourself segment, and 29% in the Industrial segment. The Company experienced 10% sales unit volume declines in existing businesses, i.e. excluding acquisitions, in the fourth quarter of 2008, and 7% in the third quarter, primarily in these segments, as the recession spread worldwide. The Company s business has been adversely affected by the decline in the U.S. and international economies, particularly with respect to housing and general construction markets. It is

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possible this softness will be prolonged and to the extent it persists there is likely to be an unfavorable impact on sales, earnings and cash flows. It is possible the Security segment, which thus far has not experienced significant recession-related volume declines, may become more affected if the recessionary impacts permeate other market sectors, particularly construction within the retail sector. Further deterioration of these housing and construction markets, and general economic conditions, could reduce demand for Company products and therefore have a material adverse effect on sales, earnings and cash flows. In addition, due to current economic conditions, it is possible certain customers credit-worthiness may erode resulting in increased write-offs of customer receivables.

The Company s growth and repositioning strategies include acquisitions. The Company s recent acquisitions may not further its strategies and the Company may not be able to identify suitable future acquisition candidates.

In 2002, the Company embarked on a growth strategy to shift its business portfolio toward favored growth markets through acquisitions and divestitures, and thereby reduce the risk associated with large customer concentrations. The strategy has been advanced over the last several years with the sales of the Company s CST/berger laser measuring, residential entry door and home décor businesses, and the acquisition of a number of companies, including General de Protection (GdP), Xmark Corporation (Xmark), Sonitrol Corporation (Sonitrol), HSM Electronic Protection Services, Inc. (HSM), Facom S.A. (Facom), National Manufacturing Co. (National), Besco Pneumatic Corporation (Besco), Blick plc (Blick), Frisco Bay Industries Ltd (Frisco Bay), ISR Solutions, Inc. (ISR), Security Group, Inc. (Security Group) and Best Lock Corporation and its affiliates (Best Access).

Although the Company has extensive experience with acquisitions, there can be no assurance that recently acquired companies will be successfully integrated or that anticipated synergies will be realized. If the Company successfully integrates the acquired companies and effectively implements its repositioning strategy, there can be no assurance that its resulting business segments will enjoy continued market acceptance or profitability.

In addition, there can be no assurance that the Company will be able to successfully identify suitable future acquisition candidates, negotiate appropriate terms, obtain the necessary financing, complete the transactions or successfully integrate the new companies as necessary to continue its growth and repositioning strategies.

The Company s acquisitions may result in certain risks for its business and operations.

The Company has made a number of acquisitions in the past three years, including, but not limited to: GdP in October 2008, Sonitrol and Xmark in July 2008, InnerSpace in July 2007, HSM in January 2007, Besco in July 2006, and Facom in January 2006. The Company may make additional acquisitions in the future. Acquisitions involve a number of risks, including:

- the diversion of Company management s attention and other resources,
- the incurrence of unexpected liabilities, and
- the loss of key personnel and clients or customers of acquired companies.

Any intangible assets that the Company acquires may have a negative effect on its earnings and return on capital employed. In addition, the success of the Company s future acquisitions will depend in part on its ability to:

- combine operations,
- integrate departments, systems and procedures, and

obtain cost savings and other efficiencies from the acquisitions.

Failure to effectively consummate or manage future acquisitions may adversely affect the Company s existing businesses and harm its operational results. The Company is still in the process of integrating the businesses and operations of GdP, Xmark, Sonitrol, InnerSpace and other acquisitions with its existing businesses and operations. The Company cannot ensure that such integrations will be successfully completed, or that all of the planned synergies will be realized.

The Company may incur significant additional indebtedness, or issue additional equity securities, in connection with future acquisitions which may restrict the manner in which it conducts business. The potential issuance of such securities may limit the Company s ability to implement elements of its growth strategy and may have a dilutive effect on earnings.

As more fully described in Item 7 and Note I, Long-Term Debt and Financing Arrangements, of the Notes to the Consolidated Financial Statements in Item 8, the Company issued $450 million of Enhanced Trust Preferred Securities through its Trust subsidiary in 2005, the net proceeds of which were used to finance a portion of the acquisitions of Facom and National. In March 2007, the Company completed concurrent offerings of Floating Rate Equity Units and 5% Senior Notes due 2010, the net proceeds of which were used to finance a portion of the acquisition of HSM. In addition, the Company has a revolving credit agreement, expiring in February 2013, enabling borrowings up to $800 million. This agreement includes provisions that allow designated subsidiaries to borrow up to $250 million in Euros and Pounds Sterling, which may be available to, among other things, fund acquisitions.

The instruments and agreements governing certain of the Company s current indebtedness contain requirements or restrictive covenants that include, among other things:

- a limitation on creating liens on certain property of the Company and its subsidiaries;
- maintenance of specified financial ratios. Failure to maintain such ratios could adversely affect further access to liquidity and require the Company to pay all interest coupons on certain debt securities through the issuance of common stock before making further dividend payments on its common shares outstanding;
- a restriction on entering into certain sale-leaseback transactions; and
- customary events of default. If an event of default occurs and is continuing, the Company might be required to repay all amounts outstanding under the respective instrument or agreement.

Future instruments and agreements governing indebtedness may impose other restrictive conditions or covenants. Such covenants could restrict the Company in the manner in which it conducts business and operations as well as in the pursuit of its growth and repositioning strategies.

The Company s results of operations could be negatively impacted by inflationary or deflationary economic conditions that affect the cost of raw materials, freight, energy, labor and sourced finished goods.

The Company s products are manufactured of both ferrous and non-ferrous metals, including but not limited to steel, aluminum, zinc, brass, nickel and copper, as well as resin. Additionally, the Company uses other commodity based materials for components and packaging including, but not limited to: plastics, wood, and other corrugated products. The Company s cost base also reflects significant elements for freight, energy and labor. The Company also sources certain finished goods directly from vendors. As described in more detail in Item 7 hereto, the Company has been negatively impacted by inflation in recent years. If the Company is unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives, its profitability may be adversely affected. Conversely, in the event there is deflation, the Company may experience pressure from its customers to reduce prices; there can be no assurance that the Company would be able to reduce its cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact results of operations and cash flows.

Tightening of capital and credit markets could adversely affect the Company by limiting the Company s or its customers ability to borrow or otherwise obtain cash.

The Company s growth plans are dependent on, among other things, the availability of funding to support corporate initiatives and complete appropriate acquisitions and the ability to increase sales of existing product lines. While the Company has not encountered financing difficulties to date, the capital and credit markets have been experiencing extreme volatility and disruption in late 2008 and early 2009 which could make it more difficult for the Company to borrow or otherwise obtain the cash required for significant new corporate initiatives and acquisitions. In addition, there could be a number of follow-on effects from the credit crisis on the Company s business, including insolvency of key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of the Company s products and/or customer insolvencies; and failure of derivative counterparties and other financial institutions negatively impacting the Company s treasury operations.

The Company is exposed to market risk from changes in foreign currency exchange rates which could negatively impact profitability.

Exposure to foreign currency risk results because the Company, through its global operations, enters into transactions and makes investments denominated in multiple currencies. The Company s predominant exposures are in European, Canadian, British, and Asian currencies, including the Chinese Renminbi (RMB). In preparing its financial statements, for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, and income and expenses are translated using weighted-average exchange rates. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, the Company s earnings could be negatively impacted. This occurred in the latter half of 2008 and is expected to persist in 2009. Although the Company utilizes risk management tools, including hedging, as it deems appropriate, to mitigate a portion of potential market fluctuations in foreign currencies, there can be no assurance that such measures will result in all market fluctuation exposure being eliminated. The Company does not make a practice of hedging its non-U.S. dollar earnings.

The Company sources many products from China and other Asian low-cost countries for resale in other regions. To the extent the RMB or other currencies appreciate with respect to the U.S. dollar, the Company may experience cost increases on such purchases. While the 7% appreciation of the RMB which occurred in both 2007 and 2008 has not generated material cost increases for products sourced from China, further significant appreciation of the RMB or other currencies in countries where the Company sources product could adversely impact profitability. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus its profitability may be adversely impacted.

The Company s business is subject to risks associated with sourcing and manufacturing overseas.

The Company imports large quantities of finished goods, components and raw materials. Substantially all of its import operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases unilateral action. In addition, the countries in which the Company s products and materials are manufactured or imported may from time to time impose additional quotas, duties, tariffs or other restrictions on its imports (including restrictions on manufacturing operations) or adversely modify existing restrictions. Imports are also subject to unpredictable foreign currency variation which may increase the Company s cost of goods sold. Adverse changes in these import costs and restrictions, or the Company s suppliers failure to comply with customs regulations or similar laws, could harm the Company s business.

The Company s operations are also subject to the effects of international trade agreements and regulations such as the North American Free Trade Agreement, and the activities and regulations of the World Trade Organization. Although these trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country, trade agreements can also impose requirements that adversely affect the Company s business, such as setting quotas on products that may be imported from a particular country into key markets such as the U.S. or the European Union, or make it easier for other companies to compete, by eliminating restrictions on products from countries, where the Company s competitors source products.

The Company s ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and

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shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on the Company s business and financial condition.

Large customer concentrations and related customer inventory adjustments may negatively impact sales, results of operations and cash flows.

The Company has certain significant customers, particularly home centers and major retailers, although no one customer represents more than 10% of consolidated net sales. The loss or material reduction of business from, or the lack of success of sales initiatives for the Company s products related to, any such significant customer could have a material adverse impact on the Company s results of operations and cash flows.

In addition, unanticipated inventory adjustments by these customers can have a negative impact on sales. For example, severe inventory adjustments (pertaining to reducing the number of weeks supply on hand) taken by certain large North American home center customers in December 2005 negatively impacted sales by approximately $30 million versus normal levels. Significant impacts from customer inventory adjustments may re-occur in the future.

Customer consolidation could have a material adverse effect on the Company s business.

A substantial portion of the Company s products in the CDIY and Industrial segments are sold through home centers and mass merchant distribution channels. A consolidation of retailers in both North America and abroad has occurred over time and the increasing size and importance of individual customers creates risk of exposure to potential volume loss. The loss of certain larger home centers as customers would have a material adverse effect on the Company s business until either such customers were replaced or the Company made the necessary adjustments to compensate for the loss of business.

If the Company were required to write down all or part of its goodwill, indefinite-lived trade names, or other definite-lived intangible assets, its net income and net worth could be materially adversely affected.

As a result of acquisitions, the Company has $1.747 billion of goodwill, $300 million of indefinite-lived trade names, and $557 million of definite-lived intangible assets recorded on its Consolidated Balance Sheet at January 3, 2009. The Company is required to periodically, at least annually, determine if its goodwill or indefinite-lived trade names have become impaired, in which case it would write down the impaired portion of the intangible asset. The definite-lived intangible assets, including customer relationships, are amortized over their estimated useful lives; such assets are also evaluated for impairment when appropriate. Impairment of intangible assets may be triggered by developments outside of the Company s control, such as worsening economic conditions, technological change, intensified competition or other matters causing a decline in expected future cash flows.

Income tax payments may ultimately differ from amounts currently recorded by the Company. Future tax law changes may materially increase the Company s prospective income tax expense.

The Company is subject to income taxation in the U.S. as well as numerous foreign jurisdictions. Judgment is required in determining the Company s worldwide income tax provision and accordingly there are many transactions and computations for which the final income tax determination is uncertain. The Company is routinely audited by income tax authorities in many tax jurisdictions. Although management believes the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in the Company s income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the point of ultimate tax audit settlement. Additionally, it is possible that future income tax legislation may be enacted that could have a material impact on the Company s worldwide income tax provision beginning with the period that such legislation becomes effective. Also, while a reduction in statutory rates would result in a favorable impact on future net earnings, it would require an initial write down of any deferred tax assets in the related jurisdiction.

The Company s failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact its results of operations or cash flows.

As described in further detail in Items 1 and 3 and Note T, Contingencies, of the Notes to the Consolidated Financial Statements in Item 8, the Company is exposed to and becomes involved in various litigation matters arising out of the ordinary routine conduct of its business, including, from time to time, actual or threatened litigation relating to such items as commercial transactions, product liability, workers compensation, the Company s distributors and franchisees, intellectual property claims, regulatory actions and environmental matters. There can be no assurance that the Company will be able to continue to successfully avoid, manage and defend such matters. In addition, given the inherent uncertainties in evaluating certain exposures, actual costs to be incurred in future periods may vary from the Company s estimates for such contingent liabilities.

The Company s brands are important assets of its businesses and violation of its trademark rights by imitators, or the failure of its licensees or vendors to comply with the Company s product quality, manufacturing requirements, marketing standards, and other requirements could negatively impact revenues and brand reputation.

The Company s trademarks enjoy a reputation for quality and value and are important to its success and competitive position. Unauthorized use of the Company s trademark rights may not only erode sales of the Company s products, but may also cause significant damage to its brand name and reputation, interfere with its ability to effectively represent the Company to its customers, contractors, suppliers, and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to the Company s standards of quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to the Company s reputation and business. There can be no assurance that the Company s on-going effort to protect its brand and trademark rights and ensure compliance with its licensing and vendor agreements will prevent all violations.

Successful sales and marketing efforts depend on the Company s ability to recruit and retain qualified employees.

The success of the Company s efforts to grow its business depends on the contributions and abilities of key executives, its sales force and other personnel, including the ability of its sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. The Company must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain its current business and support its projected growth. A shortage of these key employees might jeopardize the Company s ability to implement its growth strategy.

The Company faces active competition and if it does not compete effectively, its business may suffer.

The Company faces active competition and resulting pricing pressures. The Company s products compete on the basis of, among other things, its reputation for product quality, its well-known brands, price, innovation and customer service capabilities. The Company competes with both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. These companies are often located in countries such as China, Taiwan and India where labor and other production costs are substantially lower than in the U.S., Canada and Western Europe. Also, certain large customers offer house brands that compete with some of the Company s product offerings as a lower-cost alternative. To remain profitable and defend market share, the Company must maintain a competitive cost structure, develop new products and services, respond to competitor innovations and enhance its existing products in a timely manner. The Company may not be able to compete effectively on all of these fronts and with all of its competitors, and the failure to do so could have a material adverse effect on its sales and profit margins.

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The Stanley Fulfillment System (SFS) is a continuous operational improvement process applied to many aspects of the Company s business such as procurement, quality in manufacturing, maximizing customer fill rates, integrating acquisitions and other key business processes. In the event the Company is not successful in effectively applying the SFS disciplines to its key business processes its ability to compete and future earnings could be adversely affected.

In addition, the Company may have to reduce prices on its products and services, or make other concessions, to stay competitive and retain market share. The Company engages in restructuring actions, sometimes entailing shifts of production to low-cost countries, as part of its efforts to maintain a competitive cost structure. If the Company does not execute restructuring actions well, its ability to meet customer demand may decline, or earnings may otherwise be adversely impacted; similarly if such efforts to reform the cost structure are delayed relative to competitors or other market factors the Company may lose market share and profits.

The performance of the Company may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting distribution centers and other facilities.

The Company relies heavily on computer systems to manage and operate its businesses, and record and process transactions. Computer systems are important to production planning, customer service and order fulfillment among other business-critical processes. Consistent and efficient operation of the computer hardware and software systems is imperative to the successful sales and earnings performance of the various businesses in many countries.

Despite efforts to prevent such situations, the Company s systems may be affected by damage or interruption from, among other causes, power outages, computer viruses, or security breaches. Computer hardware and storage equipment that is integral to efficient operations, such as e-mail, telephone and other functionality, is concentrated in certain physical locations in the various continents in which the Company operates. Management believes it has effective disaster recovery plans and that it is unlikely there would be more than a short-lived disruption to its computer and communication systems due to these physical concentrations of equipment, or from potential occurrences of damage and interruption. However, it is reasonably possible that results could be adversely impacted if equipment outages were prolonged due to an unusually serious event. In addition, the Company is planning system conversions to SAP to provide a common platform across most of its businesses. The implementations from legacy systems to SAP will occur in carefully managed stages over a period of several years in the Americas, and ultimately thereafter in Europe and Asia. Management believes the planned system conversions are cost-beneficial and will further enhance productivity in its operations. There can be no assurances that expected expense synergies will be achieved or that there will not be delays to the expected timing. It is possible the costs to complete the system conversions may exceed current expectations, and that significant costs may be incurred that will require immediate expense recognition as opposed to capitalization. The risk of disruption to key operations is increased when complex system changes such as the SAP conversions are undertaken. If systems fail to function effectively, or become damaged, operational delays may ensue and the Company may be forced to make significant expenditures to remedy such issues. Any significant disruption in the Company s computer operations could have a material adverse impact on its business and results of operations.

The Company s operations are significantly dependent on infrastructure, notably certain distribution centers and security alarm monitoring facilities which are concentrated in various geographic locations. If any of these were to experience a catastrophic loss, such as a fire or flood, it could disrupt operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. The Company maintains business interruption insurance, but it may not fully protect the company against all adverse effects that could result from significant disruptions.

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If the investments in employee benefit plans do not perform as expected, the Company may have to contribute additional amounts to these plans, which would otherwise be available to cover operating and other expenses. Certain U.S. employee benefit plan expense is affected by the market value of the Company s common stock.

As described in further detail in Note M, Employee Benefit Plans, of the Notes to the Consolidated Financial Statements in Item 8, the Company sponsors pension and other post-retirement defined benefit plans, as well as an Employee Stock Ownership Plan (ESOP) under which the primary U.S. defined contribution and 401(k) plans are funded. The Company s defined benefit plan assets are currently invested in equity securities, bonds and other fixed income securities, and money market instruments. The Company s funding policy is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with applicable law which require, among other things, that the Company make cash contributions to under-funded pension plans. The Company expects to contribute approximately $20 million to its pension and other post-retirement defined benefit plans in 2009.

There can be no assurance that the value of the defined benefit plan assets, or the investment returns on those plan assets, will be sufficient in the future. It is therefore possible that the Company may be required to make higher cash contributions to the plans in future years which would reduce the cash available for other business purposes, and that the Company will have to recognize a significant pension liability adjustment which would decrease the net assets of the Company and result in higher expense in future years. During 2008 there was a $71 million loss on pension plan assets. The fair value of these assets at January 3, 2009 was $265 million.

Overall ESOP expense is affected by the market value of Stanley stock on the monthly dates when shares are released, among other factors. Net ESOP expense amounted to $11 million in 2008 and $2 million in both 2007 and 2006. The increase in expense was mostly attributable to the average market value of shares released which decreased from $49.28 in 2006 to $43.65 in 2008. However, the Company has discontinued the 401(k) and other defined contribution benefits in the ESOP for 2009 as part of its cost reduction initiatives and thus there will be a reduction in fiscal 2009 expense. In the event these defined contribution benefits are offered again, ESOP expense could increase in the future if the market value of the Company s common stock declines.

The Company is exposed to credit risk on its accounts receivable.

The Company s outstanding trade receivables are not generally covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on its trade and non-trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses, which could have an adverse affect on the Company s financial condition and operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of January 3, 2009, the Company and its subsidiaries owned or leased material facilities (facilities over 50,000 square feet) for manufacturing, distribution and sales offices in 17 states and 15 foreign countries. The Company believes that its material facilities are suitable and adequate for its business.

Certain properties are utilized by more than one segment and in such cases the property is reported in the segment with highest usage.

Material facilities owned by the Company and its subsidiaries follow:

Security

Farmington, Connecticut; Sterling and Rock Falls, Illinois; Indianapolis, Indiana; Nicholasville, Kentucky; Richmond, Virginia; Cobourg, Canada; Nueva Leon, Mexico; and Xiaolan, Peoples Republic of China.

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Industrial

Phoenix, Arizona; Dallas, Texas; Two Harbors, Minnesota; Columbus, Georgetown, and Sabina, Ohio; Allentown, Pennsylvania; Pecky, Czech Republic; Epernay, Ezy Sur Eure, Feuquieres en Vimeu, Morangis and Villeneuve Le Roi, France; and Fano, Gemonio and Monvalle, Italy.

CDIY

Clinton and New Britain, Connecticut; Shelbyville, Indiana; East Greenwich, Rhode Island; Cheraw, South Carolina; Pittsfield, Vermont; Smiths Falls, Canada; Hellaby and Northampton, England; Arbois, Besancon Cedex, and Lassiey, France; Puebla, Mexico; Jiashan City, Langfang, and Xiaolan, Peoples Republic of China; Wroclaw, Poland; Taichung Hsien, Taiwan and Amphur Bangpakong, Thailand.

Material facilities leased by the Company and its subsidiaries follow:

Corporate Offices

New Britain, Connecticut.

Security

Noblesville, Indiana.

Industrial

Kentwood, Michigan; Highland Heights and Westerville, Ohio; Milwaukie, Oregon; Morangis, France.

CDIY

Miramar, Florida; Fishers, Indiana; Kannapolis, North Carolina; Epping, Australia; Mechelen, Belgium; Oakville, Canada; Karmiel and Migdal, Israel; Biassono and Figino Serenza, Italy and Pietermaritzburg, South Africa.

The aforementioned material facilities not being used by the Company are:

Security

Richmond, Virginia (owned).

Industrial

Ezy Sur Eure and Villeneuve Le Roi, France (owned).

CDIY

Smiths Falls, Canada (owned) and one of the two properties located in Amphur Bangpakong, Thailand (owned).

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is involved in various lawsuits and claims, including product liability, environmental and distributor claims, and administrative proceedings. The Company does not expect that the resolution of these matters will have a materially adverse effect on the Company s consolidated financial position, results of operations or liquidity.

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

No matter was submitted during the fourth quarter of 2008 to a vote of security holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s common stock is listed and traded on the New York Stock Exchange, Inc. (NYSE) under the abbreviated ticker symbol SWK , and is a component of the Standard & Poor s (S&P) 500 Composite Stock Price Index. The Company s high and low quarterly stock prices on the NYSE for the years ended January 3, 2009 and December 29, 2007 follow:

		2008		2007	
			Dividend		Dividend

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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Stockholders
of Ablest Inc.:

In our opinion, the accompanying balance sheets and the related statements of income, of stockholders equity and of cash flows present fairly, in all material respects, the financial position of Ablest Inc. at December 31, 2006 and December 25, 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

/s/ PricewaterhouseCoopers LLP
Tampa, Florida
March 9, 2007

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ABLEST INC.
Balance Sheets
(Amounts in thousands, except share and per share data)

	December 31, 2006	December 25, 2005
ASSETS		
CURRENT ASSETS		
Cash	$ 3,040	$ 1,931
Accounts receivable, net	17,564	18,760
Prepaid expenses and other current assets	439	469
Current deferred tax asset	1,323	1,246
Total current assets	22,366	22,406
Property, plant and equipment, net	3,259	1,732
Deferred tax asset	592	863
Goodwill	1,283	1,283
Other assets	64	171
Total assets	$ 27,564	$ 26,455
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 375	$ 790
Income taxes payable	296	51
Accrued insurance	2,965	2,536
Accrued wages	1,995	2,738
Other current liabilities	566	514
Total current liabilities	6,197	6,629
Other liabilities	261	432
Total liabilities	6,458	7,061
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Preferred stock of $.05 par value; 500,000 shares authorized , none issued or outstanding at December 31, 2006 and December 25, 2005		
Common stock of $.05 par value; 7,500,000 shares authorized, 3,385,153 and 3,346,877 shares issued and outstanding including shares held in treasury at December 31, 2006 and December 25, 2005, respectively	169	167
Additional paid-in capital	5,636	5,265

Retained earnings		17,411		16,072
Treasury stock at cost; 457,729 shares held at both December 31, 2006 and December 25, 2005		(2,110)		(2,110)
Total stockholders equity		21,106		19,394
Total liabilities and stockholders equity	$	27,564	$	26,455

See accompanying Notes to Financial Statements

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ABLEST INC.
Statements of Income
(Amounts in thousands, except share and per share data)

	For the Fifty-Three Week Period Ended	For the Fifty-Two Week Period Ended	
	December 31, 2006	December 25, 2005	December 26, 2004
Net service revenues	$ 140,764	$ 137,457	$ 116,353
Cost of services	116,326	114,471	97,938
Gross profit	24,438	22,986	18,415
Selling, general and administrative expenses	22,002	19,899	17,043
Operating income	2,436	3,087	1,372
Other:			
Interest income (expense), net	29	(7)	1
Miscellaneous income (expense), net	22	(2)	25
Other income (expense)	51	(9)	26
Income from continuing operations before income taxes	2,487	3,078	1,398
Income tax expense	1,148	2,542	515
Net income	$ 1,339	$ 536	$ 883
Basic net income per common share:			
Basic net income per common share	$ 0.47	$ 0.19	$ 0.31
Diluted net income per common share:			
Diluted net income per common share	$ 0.45	$ 0.18	$ 0.30
Weighted average number of common shares in computing net income per common share			
Basic	2,877,546	2,861,097	2,839,272

Diluted	2,959,968	2,922,981	2,921,853

See accompanying Notes to Financial Statements

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ABLEST INC.
Statements of Stockholders Equity
(Amounts in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders equity
Balance at December 28, 2003	$ 165	$ 5,018	$ 14,653	$ (2,110)	$ 17,726
Net income			883		883
Restricted stock plan	1	86			87
Executive stock awards plan	1	68			69
Balance at December 26, 2004	$ 167	$ 5,172	$ 15,536	$ (2,110)	$ 18,765
Net income			536		536
Restricted stock plan		93			93
Balance at December 25, 2005	$ 167	$ 5,265	$ 16,072	$ (2,110)	$ 19,394
Net income			1,339		1,339
Restricted stock plan	1	244			245
Executive stock awards plan	1	115			116
Director s restricted stock plan		12			12
Balance at December 31, 2006	$ 169	$ 5,636	$ 17,411	$ (2,110)	$ 21,106

See accompanying Notes to Financial Statements.

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ABLEST INC.
Statements of Cash Flows
(Amounts in thousands)

	For the Fifty-Three Week Periods Ended	For the Fifty-Two Week Periods Ended	
	December 31, 2006	December 25, 2005	December 26, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,339	$ 536	$ 883
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	615	336	461
Stock compensation		461	273
Gain on disposal of property and equipment	10	2	13
Deferred income taxes	194	2,467	428
Change in income taxes payable	245	8	43
Changes in assets and liabilities (next page)	858	(1,709)	(1,988)
Net cash provided by operating activities	3,261	2,101	113
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(2,152)	(1,527)	(370)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		1,000	
Repayment of short-term borrowings		(1,000)	
Net cash provided by (used in) financing activities			
Net increase (decrease) in cash	1,109	574	(257)
NET INCREASE (DECREASE) IN CASH	1,109	574	(257)
CASH BEGINNING OF PERIOD	1,931	1,357	1,614
CASH END OF PERIOD	$ 3,040	$ 1,931	$ 1,357

See accompanying Notes to Financial Statements

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ABLEST INC.
Statements of Cash Flows, continued
(Amounts in thousands)

	For the Fifty-Three Week Periods Ended	For the Fifty-Two Week Periods Ended	
	December 31, 2006	December 25, 2005	December 26, 2004
Changes in assets and liabilities providing (using) cash:			
Accounts receivable, net	$ 1,196	$ (1,977)	$ (3,005)
Prepaid expenses and other current assets	30	(309)	53
Other assets	107	(131)	(1)
Accounts payable	(415)	455	9
Accrued insurance	429	(533)	
Accrued wages	(743)	749	
Other current liabilities	52	89	928
Other liabilities	202	(52)	28
Total change in assets and liabilities providing (using) cash	$ 858	$ (1,709)	$ (1,988)
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest	$ 1	$ 1	$ 1
Income Taxes	508	28	28
	$ 509	$ 29	$ 29

See accompanying Notes to Financial Statements

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ABLEST INC.
Notes to Financial Statements

1. Description of Business

Ablest Inc. (Company) offers staffing services in the United States. Staffing services are principally provided through 61 company-owned service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, light industrial, information technology, and finance and accounting needs of their customers. Positions often filled include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accounting, financial analysis and internal auditing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

2. Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission.

Fiscal Years

The Company s fiscal year ends on the last Sunday of December. The financial statements include 53 weeks for the year ended December 31, 2006 and 52 weeks for the years ended December 25, 2005 and December 26, 2004.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents at December 31, 2006 and December 25, 2005.

Revenue Recognition

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

Property and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization and are depreciated over the estimated useful lives of the respective assets on the straight-line method. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset. Estimated useful lives generally range from three to seven years.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions and major replacements or betterments that increase capacity or extend useful lives are added to the cost of the asset. Upon sale or retirement of the asset, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in other income (expense), net in the

ABLEST INC.
Notes to Financial Statements, continued

accompanying statements of income. During the fiscal years 2006 and 2005, the Company did not write off any material assets that were no longer utilized.

Allowance for Doubtful Accounts

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

Self-Insurance Reserves

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

Goodwill and Other Intangible Assets

The Company follows Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets . Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment; while the second phase (if necessary), measures the impairment. The Company screened for impairment during the fourth fiscal quarter of 2006, 2005 and 2004 and found no instances of impairment of its recorded goodwill.

Concentration of Credit Risk

The Company is subject to credit risk primarily due to a concentration of revenue derived from its relationship with one major customer, which contributed 12.1%, 9.3%, and 6.2% of total revenue for the fiscal years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

Impairment of Long-Lived Assets

The Company follows Financial Accounting Standards No. 144, (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and also requires a Company to review long-

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ABLEST INC.
Notes to Financial Statements, continued

lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment losses were recognized by the Company for the fiscal years ended 2006, 2005 or 2004.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses were $257,000, $192,000, and $155,000 for the fiscal years 2006, 2005, 2004, respectively.

Income Taxes

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

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

Income per Common Share

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates made in the preparation of the financial statements include revenue recognition, the allowance for doubtful accounts, deferred tax assets, goodwill impairment and workers compensation reserves.

Stock Option Plans

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

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ABLEST INC.
Notes to Financial Statements, continued

SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123. Effective January 1, 2006, the Company adopted SFAS No. 123R (revised 2004), Share-Based Payment, which is a revision of SFAS No. 123 Accounting for Stock-Based Compensation and supersedes Accounting Principles Board (APB) Opinion No. 25 Accounting for Stock Issued to Employees and its related implementation guidance. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The cost is recognized over the period during which an employee is required to provide services in exchange for the award. The Company adopted SFAS No. 123R using the modified prospective method. Under this method, results of prior periods are not restated. There was no share-based compensation expense recorded in fiscal year 2006.

The Company did not recognize share-based compensation related to options for the years ended December 31, 2005 and 2004. The exercise price of the Company s employee stock awards equaled the market price of the underlying stock on the date of the grant per APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Prior to January 1, 2006, the Company followed SFAS No. 123, Accounting for Stock Based Compensation, as amended by SFAS No.148 Accounting for Stock-Based Compensation Transition and Disclosure, through disclosure only. The Company accounted for share-based compensation using the intrinsic value method prescribed in APB Opinion No. 25, and related interpretations. The fair value for each option grant was estimated under SFAS No. 123 using the Black-Scholes pricing model.

Segment Reporting

At December 31, 2006 and December 25, 2005, the Company has one reportable segment.

Fair Value of Financial Instruments

The carrying amounts of the Company s financial instruments, including cash, receivables, accounts payable and accrued liabilities, approximate the fair value because of their short maturities.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154 Accounting Changes and Error Corrections. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements and changes the requirements of the accounting for and reporting of a change in accounting principle. SFAS No. 154 also provides guidance on the accounting for and reporting of error corrections. The provisions of this statement are applicable for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. The Company does not believe that adoption of SFAS No. 154 will have a material impact.

In June 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements, which requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. EITF No. 05-6 is effective for periods beginning after June 29, 2005. The Company does not expect the provisions of this consensus to have a material impact on the Company s financial position or results of operations.

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ABLEST INC.
Notes to Financial Statements, continued

In July 2006, FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement process for recording in the financial statements certain tax provisions taken or expected to be taken in a tax return in accordance with SFAS No. 109 Accounting for Income Taxes. Tax positions must meet a more-than-likely-than-not threshold at the effective date to be recognized upon adoption on FIN 48 and in subsequent periods. The accounting provisions of FIN 48 will be effective for the Company beginning in fiscal year 2007. The Company has completed its evaluation and does not expect the provisions to have a material impact on the Company s financial position or results of operations.

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

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

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

3. Allowance for Doubtful Accounts

The following table sets forth the allowance for doubtful accounts roll-forward for the past two fiscal years.

(Amounts in thousands)	December 31, 2006	December 25, 2005
Balance, beginning of year	$ 275	$ 285
Additions charged to cost and expense	266	97
Accounts receivable written-off	(266)	(107)
Balance, end of year	$ 275	$ 275

4. Property and Equipment

The following is a summary of property and equipment:

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(Amounts in thousands)	December 31, 2006	December 25, 2005
Office furniture and equipment	$ 7,620	$ 6,535
Leasehold improvements	945	402
	$ 8,565	$ 6,937
less: Accumulated Depreciation	(5,306)	(5,205)
	$ 3,259	$ 1,732

Depreciation expense for the years ended December 31, 2006, December 25, 2005, and December 26, 2004 was approximately $615,000, $336,000, and $461,000 respectively.

5. Goodwill

Effective in 2002, the Company adopted SFAS No.142 Goodwill and Other Intangible Assets . SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives are no longer amortized, but rather are evaluated for impairment by applying a fair-value based test. During fiscal years 2006, 2005 and 2004, the Company performed tests for impairment, in accordance with the standard, and found no instance of such.

6. Accrued Expenses and Other Current Liabilities

A summary of accrued expenses and other current liabilities follows:

(Amounts in thousands)	December 31, 2006	December 25, 2005
Payroll and other compensation	$ 1,995	$ 2,738
Insurance	2,965	2,536
Other	566	514
Accured expenses and other current liabilities	$ 5,526	$ 5,788

The Company provides workers compensation insurance and contracts its claims administration with an independent third-party carrier. Each annual contract covers all workers compensation claim costs greater than a specified deductible amount on a per occurrence basis. The Company is self-insured for its deductible liability ($250,000 per individual claim for fiscal years 2005 and 2004 and $500,000 per incident for all subsequent periods). The carrier is responsible for incremental losses in excess of the applicable deductible amount.

The Company establishes a reserve for the estimated remaining deductible portion of its workers compensation claims, representing the estimated ultimate cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. The estimated ultimate cost of a claim is determined based upon a detailed actuarial analysis of historical claims experience of both the Company and the staffing industry. The Company periodically updates the actuarial analysis supporting the development factors utilized and revises those development factors, as necessary. Adjustments to the claims reserve are recorded to expense in the years which they occur.

7. Indebtedness

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the $7,500,000 Committed Revolving Credit Facility

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(Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank s prime rate or the thirty, sixty or ninety day LIBOR (as defined in the agreement) plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter s EBITDA, as defined in the agreement. During the fourth quarter of 2005, the Company had $1,000,000 in borrowings against the Facility and subsequently paid all of the borrowings back within this same quarter. During this time and throughout 2006 and 2005, the Company was in compliance with all covenants. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

8. Stock Option Plans

The Company had reserved 100,000 common shares for issuance in conjunction with its 2000 Independent Directors Stock Option Plan, (the Directors Plan). The purpose of the Directors Plan was to strengthen the alignment of interest between the independent directors and the stockholders of Ablest Inc. through increased ownership by the independent directors of the Company s common stock. The Directors Plan provided for the granting of options to purchase 6,000 shares of common stock on the date of the respective directors election to the Board of Directors (the Board) and for the granting of options to purchase 1,500 common shares each time director was re-elected to the Board. The price per share deliverable upon exercise was equal to 100% of the fair market value of the shares on the date the option was granted. The initial grant of options to purchase 6,000 common shares was exercisable in three equal, annual installments on the first, second and third anniversary of the grant thereof. All subsequent grants were exercisable on the first anniversary of the grant thereof. The term of each grant was 10 years from the date it was granted.

A summary of stock option activity for the Director s Plan follows:

Outstanding at December 26, 2004	48,000	$ 5.16
Granted	6,000	6.88
Outstanding at December 25, 2005	54,000	$ 5.38
Granted		
Outstanding at December 31, 2006	54,000	$ 5.38

At December 31, 2006, the range of exercise prices for options issued under the Director s Plan was $4.10 to $8.00, and the weighted average contractual life of the options was 5.04 years. In 2006, this Plan was terminated and replaced with the 2006 Directors Plan (see footnote 9). This termination did not effect any outstanding options under the 2000 Directors Plan and all such options will continue to remain outstanding and be governed by the 2000 Directors Plan. All options under the 2000 Directors Plan are fully vested.

In August 2000, the Board approved the Ablest Inc. Option to Ownership Program, (the Program). The Program provides for the surrendering of stock options issued under the Company s 1991 Stock Option Plan and the Company s 1996 Leveraged Stock Option Plan and the purchase of restricted common stock of the

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Company through delivery of a full recourse promissory note in an amount equal to the aggregate purchase price of the common stock issued. The per share purchase price of the common stock issued was equal to the fair market value of the common stock on October 9, 2000 (the effective date of the Program). The number of common shares issued to each Program participant was based on a conversion factor determined by calculating the fair value of the various option grants previously issued, using the Black-Scholes Method, divided by the fair market price of the common stock available to purchase. A total of 234,716 option shares were surrendered and 55,313 common shares issued. The shares issued under the Program are accounted for under variable plan accounting, as defined in SFAS No. 123. As such, additional compensation expense of $22,000 was recorded in fiscal 2001 to reflect increase in the fair value of the common shares issued.

The Company had reserved 375,000 common shares for issuance in conjunction with its 1991 Stock Option Plan (the Plan). The Plan provided for the granting of incentive stock options and/or non-qualified options to officers and key employees to purchase shares of common stock at a price not less than the fair market value of the stock on the dates options were granted. Such options were exercisable at such time or times as may be determined by the Compensation Committee of the Board and generally expired no more than ten years after grant. Options vest and became fully exercisable six months after the grant date. In the year ended December 31, 2000, 58,336 options were converted to common shares under the Option to Ownership Program. As of December 31, 2006, all remaining options had expired and under a 2006 amendment, no future options will be granted or issued under the plan.

	Stock Options	Weighted Average Exercise Price
Outstanding at December 28, 2003	24,000	$ 7.48
Canceled or expired	(18,000)	7.78
Outstanding at December 26, 2004	6,000	$ 6.94
Canceled or expired	6,000	6.94
Outstanding at December 31, 2006 and December 25, 2005		$
Options exercisable at December 31, 2006		$

9. Incentive Plans

In 2002, the Company implemented a Restricted Stock Plan (the Plan), the purpose of the Plan is to promote the long-term growth and profitability of the Company by providing executive officers and certain other key employees of the Company with incentive to improve stockholder values, contribute to the success of the Company and enabling the Company to attract, retain and reward the best available persons for positions of substantial responsibility. An aggregate of 250,000 shares of common stock of the Company (hereinafter the shares) may be issued pursuant to the Plan. The maximum number of restricted shares that may be granted to any single individual in any one calendar year shall not exceed 25,000 shares. With respect to each grant of restricted shares under the Plan, one-third of the subject shares will become fully vested on the first anniversary of the date of grant, another one-third of the subject shares will become vested on the second anniversary of the date of grant, and the final one-third of the subject shares will become vested on the

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third anniversary of the date of grant. The Plan commenced effective the first day of fiscal 2002, and received approval by the holders of a majority of the Company s outstanding common stock in fiscal 2002. Unless previously terminated, the Plan shall terminate at the close of business on the last day of fiscal year 2006. In fiscal 2004, the Company expensed $117,400 for approximately 16,000 shares. In 2005, the Company expensed $245,000 for approximately 27,000 shares. In 2006, the Company recorded no expense as there were no restricted stock plan shares earned.

In 2004, the Company implemented an Executive Stock Awards Plan. The purpose of which is to promote the long-term growth and profitability of the Company by providing executive officers with incentives to improve stockholder value and contribute to the success of the Company. An aggregate of 135,000 shares of common stock of the Company may be issued, with the maximum number issued to any single individual in a calendar year capped at 30,000 shares. The Executive Stock Awards Plan provides for an initial grant of shares, effective as of January 1, 2004 and subsequent grants for 2004, 2005 and 2006 subject to performance targets set for each year by the Compensation Committee. Shares will vest on January 1 of the year following the grant. During 2004, the Company expensed $69,000 for 13,500 restricted shares earned by executive officers pursuant to initial granting of shares. No subsequent grants were awarded for fiscal 2004. During 2005, the Company expensed $121,500 for approximately 13,500 restricted shares earned by executive officers. During 2006, the Company recorded no expense as there were no executive stock awards.

In 2006, the Company approved and implemented the 2006 Director s Plan. The purpose of the 2006 Directors Plan is to strengthen the alignment of interests between the members of the Board of Directors who are not employees or officers of the Company (each, a non-employee Director) and the stockholders of the company through the increased ownership by the company s non-employee Directors of the Company s common stock. An aggregate of 46,000 shares of common stock are reserved for this Plan. Under this new plan, initial awards to Independent Directors upon first election to the Board of Directors will be grants of 1,000 restricted shares of the Company s common stock and re-election awards will be grants of 250 restricted shares of the Company s common stock under the 2006 Director s Plan. Under the current 2006 Director s Plan, any non-employee Director shall be a participant in the 2006 Director s Plan.

10. Income Taxes

The components and allocation of the total provision for income tax (benefit) expense are as follows:

(Amounts in thousands)	December 31, 2006	December 25, 2005	December 26, 2004
Income tax expense:			
Federal, current	$ 756	$ 2,271	$ 459
Federal, deferred	178		
State, current	198	7	(30)
State, deferred	16	264	86
Total tax expense	$ 1,148	$ 2,542	$ 515

Actual income taxes differ from the expected taxes (computed by applying the U.S. Federal corporate tax rate of 34% to (loss) earnings before income taxes) as follows:

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(Amounts in thousands)	December 31, 2006	December 25, 2005	December 26, 2004
Computed expected tax expense:	$ 851	$ 1,047	$ 475
Adjustments resulting from:			
State tax, net of Federal tax benefit	$ 99	$ 122	$ 55
Meals and entertainment	31	45	32
Change in estimate for tax benefit, other	168	179	(563)
Change in estimate for tax benefit (IRS Audit)		1,149	
Valuation allowance			
Total expected tax expense	$ 1,148	$ 2,542	$ (0)
Effective tax rate	46.2%	82.6%	36.8%

The tax effects of temporary differences that give rise to the aggregate deferred tax assets and liabilities are as follows:

(Amounts in thousands)	December 31, 2006	December 25, 2005
Deferred tax assets and liabilities:		
Allowance for doubtful accounts	$ 104	$ 104
Accrued insurance expense	1,108	919
Accumulated depreciation of property and equipment	(42)	63
Accumulated amortization of other assets	566	625
AMT Tax Paid		142
Other	179	256
Net deferred tax assets	$ 1,915	$ 2,109

The effective tax rate for fiscal 2006 is 46.2%. The Internal Revenue Service (the IRS) has completed and closed its examinations of the Company s tax returns for all years through 2003. In connection with these examinations, in January 2006, the IRS issued the Company an assessment related to the previously filed 2001 tax return, which disallowed $3,114,000 of net operating loss (NOL) carryfowards. These NOLs represented $1,182,000 of the Company s deferred tax assets, and were derived from the 2000 sale of the industrial maintenance business. Therefore, the effective tax rate for fiscal 2005 was 82.6%, which resulted in tax expense of $2,542,000. The Company has notified the IRS of their acceptance of the IRS findings and received the final IRS ruling letter. As a result of this ruling, the Company has reduced the deferred tax asset to reflect this settlement and has exhausted the deferred tax asset related to the sale. However, this adjustment did not impact revenues or operating expenses for 2005 and resulted in no cash impact for the 2005 fiscal year. Accordingly, for future periods, the Company anticipates that cash outlays will occur for income tax purposes.

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

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11. Employee Benefit Plans

The Company maintains a qualified defined contribution plan covering all employees in the United States. The Company matches the contributions of participating employees, with a maximum contribution limit, on the basis of the percentages specified in the plan. The matching contributions were approximately $245,000, $207,000 and $183,000 for the years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

12. Lease Commitments

The Company occupies certain facilities under non-cancelable operating lease arrangements. Expenses under such arrangements amounted to approximately $1,469,000, $1,370,000, and $1,288,000 for the years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

In addition, the Company leases certain automotive and office equipment under non-cancelable operating lease arrangements, which provide for minimum monthly rental payments. Expenses under such arrangements amounted to approximately $211,000, $137,000, and $133,000 for the years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

Management expects that in the normal course of its continuing operations, new leases will replace leases that expire. Real estate taxes, insurance and maintenance expenses are obligations of the Company. A summary of future minimum operating lease payments for continuing operations at December 31, 2006 follows:

	(Amounts in thousands)		
Year	Real Property	Equipment	Total
2007	$ 969	$ 59	$ 1,028
2008	701	13	714
2009	565		565
2010	485		485
2011	323		323
Thereafter	406		406
Total	$ 3,449	$ 72	$ 3,521

13. Contingencies

The Company is subject, from time to time, to claims encountered in the normal course of business. In the opinion of management, the resolution of all pending matters will not have a material adverse effect on the Company s financial condition or liquidity.

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers compensation and a general umbrella policy. The Company is self-insured for general liability and workers compensation. Accruals for losses are made based on the Company s claims experience and actuarial assumptions followed in the insurance industry. Management believes that the amount accrued is adequate to cover all known and unreported claims at December 31, 2006. Actual losses could differ from accrued amounts.

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14. Subsequent Events

As previously reported, on January 18, 2007, the Company s Board of Directors received a proposal from certain existing investors, including Charles H. Heist, III, the Company s Chairman of the Board, Kurt R. Moore, the Company s President and Chief Executive Officer, The Burton Partnership (QP), Limited Partnership and The Burton Partnership, Limited Partnership, to acquire all of the Company s publicly held common stock for $7.50 per share in cash.

The Company s Board of Directors formed a Special Committee of four independent directors to review and evaluate the foregoing proposal and any strategic alternatives to the proposal that may be available to the Company.

Subsequent to the Company s public announcement of receipt of the foregoing buyout proposal, the Special Committee received an indication of interest from a potential third-party acquirer. The Special Committee has not made a determination whether either proposed transaction is in the best interests of the Company and its stockholders or whether the Company should pursue any other available strategic alternatives. The Special Committee continues to evaluate the foregoing proposals, as well as other strategic alternatives for the Company. Accordingly, no assurances can be given as to whether any particular strategic alternative will be pursued or implemented. The Special Committee currently does not intend to make any further public announcements regarding its review of possible strategic alternatives until its evaluation process has been completed. See also Item 3. Legal Proceedings.

The Company understands that on March 5, 2007, David Ryman, an alleged shareholder of the Company, filed a lawsuit against the Company, certain Company directors and officers, and other parties, on behalf of a putative class of the Company s public shareholders. The litigation is pending in the Circuit Court of the 13th Judicial Circuit in and for Hillsborough County, Florida. The Company has not been advised that any defendant has been served with the Complaint. The litigation relates to the Company s January 23, 2007 announcement that: (i) certain existing investors, including Charles H. Heist, III, the Company s Chairman of the Board, Kurt R. Moore, the Company s President and Chief Executive Officer, and two partnerships that own Company shares, have presented the Company with a proposal to acquire all of the Company s publicly held common stock; and (ii) the Company s Board of Directors has formed a Special Committee of four independent directors to review and evaluate the proposal, as well as other strategic alternatives for the Company . In his Complaint, the plaintiff seeks: (i) an order enjoining the defendants from proceeding with, consummating or closing the proposed transaction; (ii) in the event that the transaction is closed, an order rescinding the transaction or awarding damages; and (iii) an award of attorney s fees, expert s fees and costs. The Company believes that the claims being made in the foregoing litigation are without merit and, if such litigation proceeds, it intends to vigorously defend against such claims.

ITEM 9. ***Changes In and Disagreements with Accountants on Accounting and Financial Disclosure***
None.
ITEM 9A. ***Controls and Procedures***
We carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by the annual report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective for the period covered by this annual report filed under the Securities Exchange Act within the time periods specified by the Securities and Exchange Commission s rules and forms.
During the last fiscal year, there have not been any changes in the Company s internal controls over financial reporting or in other factors to the Company s knowledge that could materially affect, or is reasonably likely to materially affect the internal control over financial reporting, including any corrective action with regard to significant deficiencies and material weaknesses. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events.
ITEM 9B. Other Information
None.

PART III

ITEM 10. ***Directors, Executive Officers and Corporate Governance of the Registrant***
Directors and Executive Officers of the Company
The table below sets forth certain information about each of the Company s directors and executive officers.

Name	**Principal Occupation**	**Age**	**First Became a Director**
Charles H. Heist	Chairman of the Board of Directors	56	1978
Kurt R. Moore	President and Chief Executive Officer	47	2003
W. David Foster	Former Vice Chairman of the Board of Directors	72	1997
Charles E. Scharlau	Attorney and Consultant	79	1980
Ronald K. Leirvik	Chairman of RKL Enterprises	69	1996
Donna R. Moore	Chief Executive Officer of Fitniks International, Inc.	67	1996
Richard W. Roberson	President of Sand Dollar Partners, Inc.	60	1997
John Horan	Vice President and Chief Financial Officer	45	
Nolan B. Gardner	Vice President Human Resource	37	

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Mr. Heist is Chairman of the Board of Directors of the Company and has been since 1988. From 1983 until 1997, he served as President, and from 1988 until March 2000, he was also Chief Executive Officer of the Company. In over 30 years with the Company, he has held a variety of other management positions.
Mr. Moore is President and Chief Executive Officer of the Company and has been since January 1, 2004. From 2000 to 2003, he served as President and Chief Operating Officer of the Company, from 1996 to 2000, he was Executive Vice President of the Company, and from 1991 to 1996, he was Vice President of the Company.
Mr. Foster had been Vice Chairman of the Board of Directors since 2004. Until his retirement on March 31, 2006, he also served as the Company s Secretary. From 2000 to 2003, he served as the Company s Chief Executive Officer, and from 1997 to 2000, he was the Company s President and Chief Operating Officer. In over 30 years with the Company, he has held a variety of other management positions.
Mr. Scharlau is of counsel with the law firm of Connor and Winters, PLLC, a position he has held since 1999. He is the former Chief Executive Officer and Chairman of the Board of Southwestern Energy Company and Arkansas Western Gas Company. He serves on the Board of Directors of Southwestern Energy Company and is past Chairman and past member of the Board of Trustees of the University of Arkansas System. He is also a member of the Board and Executive Committee of the University of Arkansas Foundation.
Mr. Leirvik is Founder and Chairman of RKL Enterprises, a position he has held since 1995, which invests in and manages manufacturing and distribution companies. He is the former President, Chief Executive Officer and a Director of RB&W Corporation and Executive Vice President and General Manager of Moen, Inc. Mr. Leirvik is also Chairman of the Boards of Directors of Willow Hill Industries, Inc., C.E. White Corporation, and Conneaut Leather LLC.
Ms. Moore is Founder and CEO of Fitniks International, Inc., a franchisor of children s fitness clubs. She was an independent consultant from 2001 to 2004 and was the President and Chief Executive Officer of Hit or Miss, Inc. from 1999 to 2001. Ms, Moore was previously Chairman and Chief Executive Officer of Discovery Zone, Inc., President and Chief Executive Officer of Motherhood Maternity, and President North American Division of Laura Ashley, Inc. and Senior Vice-President of Walt Disney Company The Disney Stores.
Mr. Roberson is President of Sand Dollar Partners, Inc., an investment firm, a position he has held since 1998.
Mr. Horan joined the Company as Vice President and Chief Financial Officer on May 15, 2006. Mr. Horan was previously with Certegy (formerly Equifax) from 1998 to 2006 as Vice President. From 1986 to 1998 he was with Salomon Brothers Inc., where he was Vice President Emerging Markets.
Mr. Gardner is Vice President Human Resources and has been since November 5, 2004. Mr. Gardner served as Director of Human Resources from 2000-2004. Since joining the Company in 1994, his positions have included Human Resources Manager and Corporate Trainer.

Audit Committee

The Company has a separately-designated standing Audit Committee, which consists of Messrs. Roberson, Leirvik and Scharlau. The Board has determined that Richard W. Roberson qualifies as an audit committee financial expert, as defined in the rules of the Securities and Exchange Commission. Mr. Roberson is also independent under Section 121A of the American Stock Exchange (AmEx) Company Guide, and meets the additional independence standards set forth by Rule 10A-3 under the Securities Exchange Act of 1934 and Section 121B of the AmEx Company Guide.

Code of Ethics

The Company has adopted a code of ethics applicable to its principal executive officer and its principal financial and accounting officer, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002, the rules of the SEC promulgated thereunder, and the American Stock Exchange rules. The code of ethics is available on the Company s website at www.ablest.com. In the event that the Company makes any changes to, or provides any waivers from, the provisions of its code of ethics, the Company intends to disclose these events on its website or in a report on Form 8-K within four business days of such event.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the securities laws of the United States, the Company s Directors, its executive officers, and any persons holding more than 10% of its common stock are required to report their ownership of the Company s common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established, and the Company is required to report in this Annual Report any failure to file by these dates during 2006. Based solely on the Company s review of the copies of such reports received by it from certain reporting persons, the Company believes that, during the fiscal year ended December 31, 2006, all Section 16(a) filing requirements applicable to its officers, directors and ten percent stockholders were met, except as follows: Donald W. Burton, a 10% stockholder of the Company, failed to timely file one report on Form 4 reporting two transactions, which was reported late on Form 4; Victoria Hall, a 10% stockholder of the Company, failed to timely file 4 reports on Form 4 reporting 14 transactions, which were reported late on Form 4; W. David Foster, a Director of the Company, failed to timely file one report on Form 4 reporting one transaction, which was reported late on Form 4; Ronald Leirvik, a Director of the Company, failed to timely file one report on Form 4 reporting one transaction, which was reported late on Form 4; Richard W. Roberson, a Director of the Company, failed to timely file one report on Form 4 reporting one transaction, which was reported late on Form 4; Charles E. Scharlau, a Director of the Company, failed to timely file one report on Form 4 reporting one transaction, which was reported late on Form 4; Donna R. Moore, a Director of the Company, failed to timely file one report on Form 4 reporting one transaction, which was reported late on Form 4; and John Horan, a Vice President of the Company, failed to timely file one report on Form 3, which was reported late on Form 3.

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ITEM 11. ***Executive Compensation***

Compensation Discussion and Analysis

Overview of Executive Compensation Philosophy

The primary objectives of the Compensation Committee of our board of directors with respect to executive compensation are to attract, motivate and retain the best executive talent available to us and to align our executive compensation structure with shareholder value creation. To achieve these objectives, the Compensation Committee has established an incentive system based on performance and benchmarked against an established peer group in which long-term continued improvement in pre-tax profit is the goal. More specifically, the Compensation Committee believes that executive compensation should:

¨ help attract and retain the most qualified individuals by being competitive with compensation paid to persons having similar responsibilities and duties in other companies in the same and closely related businesses;

¨ relate to the value created for shareholders by being directly tied to financial performance and condition of the Company and the particular executive officers contribution thereto;

¨ motivate and reward individuals who help the Company achieve its short-term and long-term objectives and thereby contribute significantly to the success of the Company; and

¨ reflect the qualifications, skills, experience, and responsibilities of the particular executive officer.

Role of the Compensation Committee

The Compensation Committee is responsible for:

¨ Determining, approving and recommending to the Board the compensation of the Company s Chief Executive Officer (the CEO);

¨ making recommendations to the board with respect to executive compensation for non-CEO executive officers, incentive compensation for executives and equity-based plans that are subject to board approval.

Through this process, the Committee looks at all aspect of compensation including a detailed analysis of a tally sheet, resulting in a thorough accumulated wealth analysis for the Named Executive Officers (as defined below) of the Company. The Named Executive Officers of the Company are Mr. Kurt R. Moore (President and Chief Executive Officer), Mr. John Horan (Vice President Chief Financial Officer), Mr. Charles H. Heist (Chairman of the Board), Mr. Nolan B. Gardner (Vice President Human Resources), and Mr. W. David Foster (former Vice-Chairman of the Board).

Benchmarking

For fiscal 2006, the Compensation Committee retained Hay Consulting Group, a compensation consulting firm, to establish a competitive peer group and perform analyses of competitive performance and compensation levels. The Hay Consulting Group developed recommendations that were reviewed by the Compensation Committee and the board of directors in connection with approving executive compensation for fiscal 2006.

The current peer group is based on Standard Industrial Classification (SIC) code as well as North American Industry Classification System (NAICS), revenue size, and information from industry publications. Our peer group is composed of the 25th percentile of public companies in our industry and includes Barrett Business Services, Inc.; Butler International Inc.; Comforce Corp; KFORCE Inc.; Medical Staffing Network Holdings; On Assignment Inc.; RCM Technologies Inc.; Stratus Services Group. Inc.; TeamStaff, Inc.; and Westaff Inc. We targeted the aggregate value of our total rewards at approximately the median level of our peer group for most positions. However, we strongly believe in engaging the best talent in critical functions, and this may entail negotiations with individual executives who have significant retention packages in place with other employers. In order to make such individuals whole for the compensation that they would forfeit by terminating their previous employment, the Compensation Committee may determine that it is in the best interests of our shareholders to negotiate packages that deviate from the general principle of targeting total rewards at the median of our peers.

Role of Management in Awarding Executive Compensation

Our Chief Executive Officer currently initiates the compensation discussions with the Compensation Committee, providing requests and seeking approval from the Committee and the board of directors before finalizing any employment contracts or bonus plans for Named Executive Officers. Comparable positions for companies in our peer group are taken into consideration in determining executive pay, as well as the level of inherent risk associated with the position, and the specific circumstances of the executive. The Compensation Committee approves the annual incentive award for the Chief Executive Officer and for each officer below the Chief Executive Officer level, based on the Chief Executive Officer s recommendations.

Compensation Committee Process

The Compensation Committee has reviewed the aggregate amounts and mix of all components of the CEO s and the other Named Executive Officers compensation, including base salary, annual incentive compensation, long-term incentive compensation, accumulated (realized and unrealized) stock option and restricted stock gains, the value to the executive and cost to the Company of all perquisites and other personal benefits and the actual projected payout obligations for severance and change-in-control scenarios. A tally sheet setting forth all the above components was prepared and reviewed affixing dollar amounts under the various payout scenarios for the CEO and the other Named Executive Officers.

Compensation Components

The Company s executive compensation program currently consists of three key elements: base salary, annual incentive bonus and long-term equity compensation.

Base Salary. Base salaries for our executives are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions, which is discussed under Benchmarking above. Generally, we believe that executive base salaries should be targeted near the median of the range of salaries for executives in similar positions and with similar responsibilities at comparable companies in line with our compensation philosophy.

Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. It is currently our intention that base salary increases for executives will be limited to no more than five percent per individual. In 2007 Mr. Moore received a salary increase of $10,000, or 3.5%, Mr. Horan received a salary increase of $5,600, or 3.5%, Mr. Heist received a salary increase of $7,800, or 3.5%, and Mr. Gardner had a salary increase of $5,000 or 4.8%.

Annual Incentive Bonus. Our annual incentive bonuses are intended to compensate officers for achieving our annual financial goals at corporate and business unit levels and for achieving measurable individual annual performance objectives. Our annual incentive bonus plan provides for a cash bonus, dependent upon the level of achievement of the stated corporate goals and personal performance goals, calculated as a percentage of the officer s base salary, with higher ranked executive officers being compensated at a higher percentage of base salary.

The annual incentive bonus ties incentive compensation to earning before taxes (EBT) as reported in the Company s audited financial statements. Under this plan, the Compensation Committee establishes an EBT target that must be reached before any bonuses are earned. The target EBT is based upon the annually established financial growth plan and goal. The Compensation Committee also establishes for each participant in the Plan, including executive officers, individual incentive amounts (TIA) that may be earned, in whole or in part, depending upon whether the EBT target is reached and by how much it is exceeded during the fiscal year. At the target EBT level, a bonus equal to 100% of the TIA will be earned by the plan participants.

For the fiscal year ended 2005, the target annual incentive bonus (as a percentage of base salary) was as follows: Chief Executive Officer, 45%; Chairman, 20%; Vice-Chairman, 20% and Vice President Human Resource, 20%. The EBT target of $1,724,000 was exceeded and incentive bonuses were paid in 2006 to the Named Executive Officers. Based on EBT of $3,078,000 for fiscal 2005, bonuses earned were $265,000 for Mr. Moore, $88,800 for Messrs. Heist and Foster, and $20,800 for Mr. Gardner.

For 2006, the target annual incentive bonus (as a percentage of base salary) was as follows: Chief Executive Officer, 45%; Chief Financial Officer, 30%; Chairman, 20% and Vice President Human Resource, 20%. Maximum payout for officers was 122 % above the TIA of the target bonus. The EBT target for 2006 was $3,324,240. The target was not met and as such, no bonus was earned for fiscal 2006.

For 2007, the target annual incentive bonus (as a percentage of base salary) will be as follows: Chief Executive Officer, 45%; Chief Financial Officer, 30%; Chairman, 20% and Vice President Human Resource, 20%. Maximum payout for officers is 122 % above the TIA of the target bonus. Payout levels above the target are based on rates of return above the target and capped at a level determined by the Committee when the plan is initially approved.

<u>Long-Term Equity Compensation.</u> We believe that stock-based awards promote the long-term growth and profitability of the Company by providing executive officers of the Company with incentives to improve stockholder values and contribute to the success of the Company and by enabling the Company to attract, retain and reward the best available persons for executive officer positions. The Company currently maintains two long-term equity incentive programs a Restricted Stock Plan and an Executive Stock Awards Plan.

Restricted Stock Plan. Participation in the Company s Restricted Stock Plan is limited to executive officers of the Company, regional managers, division managers and the Director of Major Account Development of the Company. During each fiscal year that the plan is in effect, the Compensation Committee will set a target EBT for the Company as calculated in accordance with generally accepted accounting principles. If the actual earnings before taxes for a particular fiscal year meet or exceed the target, as determined by the Committee after consultation with management and the Company s independent auditors, the Committee shall authorize the Company to issue each participant who is then employed by the Company, as soon as practicable after the release of the Company s earnings for such fiscal year, restricted shares equal to the number of shares in the pool multiplied by a fraction the numerator of which is the cash bonus paid to the participant for the year in question and the denominator of which is the total of cash bonuses paid to all participants for the year in question. The Committee reserves the right to adjust the final calculation of earnings before taxes if an unusual event occurs during the fiscal year in question that has a material impact on the Company s earnings.

In fiscal 2005, shares were granted when the Company s earnings before taxes met or exceeded the target of $1,724,000. The Company s earnings before taxes for fiscal 2005 exceeded this target. Shares granted under this plan for fiscal 2005 were 8,116 shares for Mr. Moore, 2,722 shares for Mr. Heist, 2,722 shares for Mr. Foster, and 1,252 for Mr. Gardner.

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The EBT target for 2006 was $3,324,240. The target was not met and as such, no equity compensation was earned for 2006.

Commencing in fiscal 2007, a pool of shares for grants under the Plan will be created by dividing eight percent (8%) of the previous fiscal year s pre-tax income (as determined by the Committee in consultation with management and the Company s independent auditors) by the average of the fair market value per share of the common stock of the Company during a 30-day trading day period commencing fifteen (15) trading days before and ending fifteen (15) trading days after the release of the Company s earnings for such previous fiscal year. See Summary of Plan Restricted Stock Plan, beginning on page 63 for a more detailed description.

Executive Stock Awards Plan. Participation in the Executive Stock Awards Plan is limited to the President and Chief Executive Officer, the Vice President and Chief Financial Officer, and one additional executive officer that the Compensation Committee may select.

Subject to an event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, distribution of assets or other change in corporate structure or shares, 135,000 shares of common stock of the Company may be issued pursuant to the Executive Stock Awards Plan. The maximum number of shares that may be issued to any single individual in any one year may not exceed 30,000 shares.

The Compensation Committee establishes applicable performance targets based on the Company s pre-tax earnings and determines the number of restricted shares that may be earned by participants in the plan if the applicable performance targets are met or exceeded.

At the end of a fiscal year, if the Compensation Committee determines, after consultation with management and the Company s independent auditors, that the Company s pre-tax earnings for the fiscal year met or exceeded one or more of the performance targets, each participant will receive, with respect to such fiscal year and the targets met or exceeded, the number of restricted shares provided for by the Compensation Committee when it established the targets for the year. The Compensation Committee, after appropriate consultation with management and the Company s independent auditors, may adjust the final calculation of pre-tax earnings if an unusual event occurs during the fiscal year in question that has more than a minimal impact on the Company s earnings. No later than December 15th of the year in which any restricted shares awarded under the plan vest, the Company will credit to the participant who received such shares an amount equal to the fair market value of such shares times the highest marginal tax rate applicable to such executive for federal tax purposes. Unless previously terminated, the plan shall terminate at the close of business on the last day of fiscal year 2008.

For the fiscal 2005 year, shares were granted when the Company s earnings before taxes exceeded the target amount of $1,850,000. Shares granted under this plan for fiscal 2005 were 13,500 for Mr. Moore.

Information regarding the range of restricted shares that could have been earned in fiscal 2006 by current participants in the plan is included in the table shown below. No shares were issued under the plan for 2006.

Executive Officer	**Range of Number of Shares 2006**	**Range of Percent of EBT Target Achieved in 2006**
Kurt R. Moore	9,000-27,400	126%-251%

Information regarding the range of restricted shares that may be earned in fiscal 2007 by current participants in the Plan is included in the table shown below.

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Executive Officer	Range of Number of Shares 2007	Range of Percent of EBT Target Achieved in 2007
Kurt R. Moore	9,000-18,200	119%-273%

Selection and Weighting of Components of Compensation

The Compensation Committee determines the mix and weightings of each of our compensation elements by considering data from our peer group. The allocation of the main components of total compensation is directly dependent on Company performance. Base salary is the only portion of compensation that is assured. In 2006, the allocation of total compensation to our Named Executive Officers at target performance levels was, on average, approximately 60% to base salary, 26 % to cash incentive, and 14% for equity awards. The allocation of total compensation at the maximum performance levels was, on average, approximately 37% base salary, 37% cash incentive and 26% for equity awards. While the Compensation Committee has established a framework to provide the Named Executive Officers with solid incentives to encourage the best performance, actual amounts paid or forfeited depend on Company and individual performance. No cash incentives or equity awards were granted to Named Executive Officers for performance in the 2006 fiscal year.

The Compensation Committee uses restricted stock to motivate executives to focus on the long-term performance of the business. All restricted stock grants are performance-based and payout is entirely determined by Company performance. The Company s equity compensation plans are designed to make executives sensitive to shareholder interests, as a decrease in the stock price affects overall compensation.

The Compensation Committee reviews tally sheets prepared by our Human Resources department in order to determine whether the total compensation for our CEO and the other Named Executive Officers is reasonable and not excessive. The tally sheet sets forth the amounts and mix of all components including base salary, annual incentive compensation, long-term incentive compensation, the value to the executive and cost to the company of all perquisites and other personal benefits.

Change in Control

The Company has change in control provisions in its employment agreements with Named Executive Officers, Restricted Stock Plan and Executive Stock Awards Plan. The Company has no additional change in control contracts or arrangements with any of the Named Executive Officers.

The change in control provisions in the plans and employment agreements were designed to make a change in control transaction neutral to the economic interests of employees that might be involved in considering such a transaction. The employees subject to these provisions would likely not be in a position to influence the Company s performance after a change in control and may not be in a position to earn their incentive awards or vest in their equity awards. Thus, the provisions are meant to encourage employees that may be involved in considering a change in control transaction to act in the interests of shareholders rather than their own interests.

The change in control provisions in employment agreements with Named Executive Officers are described starting on page 56 under Potential Payments Upon Termination or a Change-In-Control. Generally, our equity compensation plans provide that restricted stock will vest in full upon a change in control. The Compensation Committee believes that the provisions provided for under both our employment agreements and equity compensation plans are appropriate since an employee s position could be adversely affected by a change in control even if he or she is not terminated. These plans provide, however, that the Compensation Committee may determine in advance of the change in control event that the provisions would not apply and therefore no accelerated vesting would occur.

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Other Compensation

Consistent with our pay-for-performance compensation philosophy, we intend to continue to maintain modest executive benefits and perquisites for officers; however, the Compensation Committee in its discretion may revise, amend or add to the officer s executive benefits and perquisites if it deems it advisable. We believe these benefits and perquisites are currently at median competitive levels for companies in our peer group. We have no current plans to make changes to either the employment agreements (except as required by law or as required to clarify the benefits to which our executive officers are entitled as set forth herein) or levels of benefits and perquisites provided thereunder. In this regard it should be noted that we do not provide pension arrangements, post-retirement health coverage, or similar benefits for our executives or employees.

The following table generally illustrates the benefit plans and perquisites we do and do not provide and identifies those employees who may be eligible to receive them. Perquisites for all executive officers are detailed within the footnotes of the summary compensation table.

Perquisites and Employee Benefits	Executive Officers	Certain Managers	Full Time Employees
401(k) Plan	ü	ü	ü
Medical/Dental Plans	ü	ü	ü
Life Insurance (1)	ü	ü	ü
Long Term Disability Plan (2)	ü	ü	ü
Short Term Disability Plan (3)	ü	ü	ü
Company Paid Trips	ü	ü	ü
Company Leased Automobile	ü	ü	
Change in Control and Severance Plan	ü		
Deferred Compensation Plan	Not Offered	Not Offered	Not Offered
Supplemental Early Retirement Plan	Not Offered	Not Offered	Not Offered
Employee Stock Ownership Plan	Not Offered	Not Offered	Not Offered
Defined Benefit Pension Plan	Not Offered	Not Offered	Not Offered

(1) Ablest provides life insurance to eligible full-time employees with a benefit equal to one times their annual salary up to a maximum of $50,000. Executive officers and certain manager s benefit are equal to two times their annual salary up to maximum of $150,000.

(2) Ablest provides company-paid Long-Term Disability insurance to full-time eligible employees with a monthly benefit in the amount of 60% of monthly salary to a maximum of $7,000 per month. Executive officers and certain manager s maximum monthly benefit is $10,000.

(3) Ablest provides company-paid Short-term Disability insurance to full-time eligible employees with a weekly maximum of $500. The weekly maximum is $2,000 for executive officers and $1,200 for certain managers.

(4) The Company provides certain managers and certain NEO s with a company vehicle. The

actual cost of the vehicle is limited based on the employee s position in the company. The maximum actual cost of the automobile for the managers is $30,000. The limit for the total actual cost for Messrs Horan and Gardner is $40,000. The limit for the total actual cost for Messrs Moore and Heist is $55,000. The NEO s who receive company cars track business usage. At the end of each fiscal year the executive is charged for the personal use of the automobile using the IRS annual lease value method. The executive is reimbursed for any gasoline expenses for the business related mileage. The personal use charges appear in a footnote of the 2006 Summary Compensation Table. The annual cost of the lease for Mr. Moore in 2006 was $9,445. The annual cost of the lease for Mr. Heist in 2006 was $10,188. The annual cost of the lease for Mr. Horan in 2006 was $7,181. The annual cost of the lease for Mr. Gardner was $8,013.

Tax, Accounting and Other Considerations

Section 162(m) of the Code limits to $1 million per employee the deductibility of compensation paid to the executive officers required to be listed in the Company s proxy statement unless the compensation meets certain specific requirements. The Compensation Committee has considered the Company s ability to deduct from taxable income certain performance based compensation under section 162(m) of the Code. At the Company s current compensation levels, tax deductibility under Section 162(m) was not a determinative factor in the design of the Company s compensation program.

Code Section 409A generally modified the tax rules that affect most forms of deferred compensation that were not earned and vested prior to 2005. Although complete guidance regarding Code Section 409A has not been issued, the Compensation Committee considers the implications under Code Section 409A in determining the design, including the form and timing of deferred compensation, paid to the Company s executives, including Named Executive Officers. The Company s non-qualified deferred compensation arrangements are administered in accordance with a reasonable good faith interpretation of the rules and guidance published under Code Section 409A.

Section 280G of the Code limits the Company s ability to take a tax deduction for certain excess parachute payments (as defined in Code Section 280G), and Section 4999 of the Code imposes excise taxes on certain executives who receive excess parachute payments. The Compensation Committee considers the adverse tax liabilities imposed by Code Sections 280G and 4999, as well as other competitive factors, when it designs and implements arrangements that may be triggered upon a change in control for all potentially affected employees, including the Company s Named Executive Officers.

Various rules under generally accepted accounting practices determine the extent to which and the manner in which the Company accounts for grants under its long term equity compensation plans in its financial statements. The Compensation Committee takes into consideration the accounting treatment under FAS 123(R) when determining the types of and value of grants under its long term equity incentive plans for all employees, including the Company s Named Executive Officers. The accounting treatment of such grants, however, is not determinative of the type, timing, or amount of any particular grant of equity-based compensation to the Company s employees.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed the above Compensation Discussion and Analysis with management and, based upon such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Annual Report.

The Compensation Committee:

Charles E. Scharlau, Chairman Donna R. Moore Ronald K. Leirvik

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during the fiscal year ended December 31, 2006 were Mr. Charles Scharlau, Ms. Donna Moore, and Mr. Ronald Leirvik. No member of the Compensation Committee is currently or was formerly an officer or an employee of the Company. The Compensation Committee is comprised entirely of independent directors. None of the Company s executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as members of the Company s Board of Directors or Compensation Committee.

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Summary Compensation Table

The following table sets forth for each of the Named Executive Officers: (i) the dollar value of base salary and bonus earned during the year ended December 31, 2006; (ii) the aggregate grant date fair value of stock and option awards granted during the year, computed in accordance with FAS 123(R); (iii) the dollar value of earnings for services pursuant to awards granted during the year under non-equity incentive plans; (iv) the change in pension value and non-qualified deferred compensation earnings during the year; (v) all other compensation for the year; and, finally (vi) the dollar value of total compensation for the year.

Name and Principal Position (a)	Year (b)	Salary (c)	Bonus (d)	Stock Awards (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i) (9)	Total ($) (j)
Kurt R. Moore, President & CEO	2006	$290,000		$115,425(1) $ 74,343(2)				$25,081(3)	$504,849
John Horan, V. P.-CFO	2006	$ 95,385(4)	$30,000(4)						$125,385
Charles H. Heist, Chairman of the Board (5)	2006	$225,000		$ 24,934(2)				$21,789(6)	$271,723
Nolan B. Gardner, V. P. Human Resources	2006	$105,000		$ 11,468(2)					$116,468
W. David Foster, former Vice-Chairman of the Board (7)	2006	$ 73,077		$ 24,934(2)				$38,450(8)	$136,461

(1) Value of shares of common stock received pursuant to the Company s Executive Stock Awards Plan. Mr. Moore received 13,500 shares of common stock in 2006 for the

2005 plan year. These shares are valued at $8.55 per share the share price at the date of grant, March 2, 2006.

(2) Value of shares of common stock received pursuant to the Company s Restricted Stock Plan: These shares were awarded on March 24, 2006 for the 2005 plan year. The price per share is the average price per share in the 30 day trading period commencing 15 days before and ending 15 days after the release of the Company s earnings on March 2, 2006 for the 2006 fiscal year

Kurt R. Moore received 8,116 shares at $9.16/share.

Charles H. Heist received 2,722 shares at $9.16/share.

Nolan Gardner received 1,252

shares at $9.16/share.

W. David Foster received 2,722 shares at $9.16/share.

(3) Includes matching contributions to 401(k) Plan ($8,800), personal use of company car ($9,781), sales incentive trip ($4,559), excess group term life benefit ($180) and tax gross ups to cover taxes on excess group term life and sales incentive trip ($1,761).

(4) John Horan was hired as Chief Financial Officer on May 15, 2006. Mr. Horan was paid a bonus for 2006 in 2007 pursuant to his employment agreement.

(5) Mr. Heist served as Acting Chief Financial officer until May 15, 2006.

(6) Includes matching contributions to 401(k) Plan ($8,800),

personal use of company car ($6,185), sales incentive trip ($4,559), excess group term life benefit ($516) and tax-gross ups to cover taxes on excess group term life and sales incentive trip ($1,729).

(7) W. David Foster retired as Vice Chairman on March 31, 2006. Mr. Foster retained his seat on the Board of Directors.

(8) Includes matching contributions to 401(k) Plan ($5,709), personal use of company car ($4,238), sales incentive trip ($4,559), excess group term life benefit ($155), tax-gross ups to cover taxes on excess group term life and sales incentive trip ($2,277) and Directors fees ($19,100). Mr. Foster also received 250 shares of common stock on May 16, 2006 pursuant to the Directors

Stock Plan. These shares are valued at $9.65 per share (the share price on the date of annual meeting) or $2,413 and are also included in the Other Compensation amount.

(9) Personal use of company vehicles is calculated using the IRS Annual Lease Value method.

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Grants of Plan-Based Awards

The following table sets forth information regarding all incentive plan awards that were made to the Named Executive Officers during 2006, including incentive plan awards (equity-based and non-equity based) and other plan-based awards. Disclosure on a separate line item is provided for each grant of an award made to a Named Executive Officer during the year. The information supplements the dollar value disclosure of stock, option and non-stock awards in the Summary Compensation Table by providing additional details about such awards. Equity incentive-based awards are subject to a performance condition or a market condition as those terms are defined by FAS 123(R). Non-equity incentive plan awards that are not subject to FAS 123(R) and are intended to serve as an incentive for performance to occur over a specified period.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Exercise or Base Price of Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum (#)**	**Threshold ($)**	**Target ($)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**	**($/Sh)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**(k)**	**(k)**
Kurt R. Moore, President & CEO	03/02/06							13,500(1)			$ 115,425(2)
	03/24/06							8,116(2)			$ 74,343(2)
John Horan, V. P.-CFO											
Charles H. Heist, Chairman of the Board	03/24/06							2,722(2)			$ 24,934(2)
Nolan B. Gardner, V. P.-Human Resources	03/24/06							1,252(2)			$ 11,468(2)
W. David Foster, former Vice-Chairman of the Board	03/24/06							2,722(2)			$ 24,934(2)

(1) Value of shares of common stock received pursuant to the Company s Executive Stock Awards Plan. Mr. Moore received 13,500 shares of common stock in 2006 for the 2005 plan year. These shares are valued at $8.55 per share the share price at the date of grant, March 2, 2006

(2) Value of shares of common stock received pursuant to the Company s Restricted Stock Plan: These shares were awarded on March 24, 2006 for the 2005 plan year. The price per share is the average price per share in the 30 day trading period commencing 15 days before and ending 15 days after the release of the Company s earnings on March 2, 2006 for the 2006 fiscal year.

Kurt R. Moore received 8,116 shares at $9.16/share.
Charles H. Heist received 2,722 shares at $9.16/share.
Nolan Gardner received 1,252 shares at $9.16/share.

W. David Foster received 2,722 shares at $9.16/share.

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Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information on outstanding option and stock awards held by the Named Executive Officers at December 31, 2006, including the number of shares underlying both exercisable and unexercisable portions of each stock option as well as the exercise price and expiration date of each outstanding option.

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)(1)
Kurt R. Moore,						11,679(2)	$ 75,797		
President & CEO						13,500(3)	$ 87,615		
John Horan, V. P.-CFO									
Charles H. Heist, Chairman of the Board						4,541(4)	$ 29,471		
Nolan B. Gardner, V. P.-Human Resources						1,798(5)	$ 11,669		
W. David Foster, former Vice-Chairman of the Board						250(6)	$ 2,413		

(1) Shares valued at closing market price on December 31, 2006 of $6.49.
(2) Unvested shares granted pursuant to the Restricted Stock Plan for Mr. Moore consist of 731 shares that vested n March 12, 2007, 1,416 shares that vested on March 16, 2007, 2,706 shares that vested on March 24, 2007, 1,416 hares that will vest on March 16, 2008, 2,705 shares that will vest on March 24, 2008 and 2,705 shares that will est on March 24, 2009.

(3) Unvested shares granted pursuant the Executive Stock Awards Plan consist of 13,500 shares that vested on January 1, 2007.

(4) Unvested shares granted pursuant to the Restricted Stock Plan for Mr. Heist consist of 813 shares that vested on March 12, 2007, 503 shares that vested on March 16, 2007, 908 shares that vested on March 24, 2007, 503 shares that will vest on March 16, 2008, 907 shares that will vest on March 24, 2008 and 907 shares that will vest on March 24, 2009.

(5) Unvested shares granted pursuant to the Restricted Stock Plan for Mr. Gardner consist of 128 shares that vested on March 12, 2007, 209 shares that vested on March 16, 2007, 418 shares that vested on March 24, 2007, 209 shares that will vest on March 16, 2008, 417 shares that will vest on March 24, 2008 and 417 shares that will vest on March 24, 2009.

(6) Unvested shares granted pursuant to the Directors Restricted Stock Plan consist of 250 shares that will vest on May 16, 2007.

Option Exercises and Stock Vested

The following table sets forth information regarding each exercise of stock options and vesting of restricted stock during 2006 for each of the Named Executive Officers on an aggregated basis:

	Option Awards		Stock Awards		
Name (a)	**Number of Shares Acquired on Exercise (#) (b)**	**Value Realized on Exercise ($) (c)**	**Number of Shares Acquired on Vesting (#) (d)**		**Value Realized on Vesting ($) (e)**
Kurt R. Moore, President & CEO			2,713(1)	$	25,054
John Horan, V. P.-CFO					
Charles H. Heist, Chairman of the Board			1,978(2)	$	18,419
Nolan B. Gardner, V. P.-Human Resources			438(3)	$	4,059
W. David Foster, former Vice-Chairman of the Board			4,715(4)	$	65,761

(1) On April 2, 2006, the third installment of a share award granted on April 2, 2003 vested. On March 12, 2006, the second installment of a share award granted on March 12, 2004 vested. On March 16, 2006, the first installment of a

share award granted on March 16, 2006 vested. No amounts were deferred upon vesting.

(2) On April 2, 2006, the third installment of a share award granted on April 2, 2003 vested. On March 12, 2006, the second installment of a share award granted on March 12, 2004 vested. On March 16, 2006, the first installment of a share award granted on March 16, 2006 vested. No amounts were deferred upon vesting.

(3) On April 2, 2006, the third installment of a share award granted on April 2, 2003 vested. On March 12, 2006, the second installment of a share award granted on March 12, 2004 vested. On March 16, 2006, the first installment of a share award

granted on March 16, 2006 vested. No amounts were deferred upon vesting.

(4) On April 2, 2006, the third installment of a share award granted on April 2, 2003 vested. On March 12, 2006, the second installment of a share award granted on March 12, 2004 vested. On March 16, 2006, the first installment of a share award granted on March 16, 2006 vested. On the date of his retirement, the remaining installments of the shares awarded to Mr. Foster under the Restricted Stock Plan vested. No amounts were deferred upon vesting.

Pension Benefits

The Company does not provide pension arrangements or post-retirement health coverage for its executives or employees.

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Nonqualified Deferred Compensation

The Company does not provide any nonqualified defined contribution or other nonqualified deferred compensation plans.

Potential Payments Upon Termination or a Change-in-Control

Employment Agreements

We have entered into employment agreements with each of our executive officers, including the following Named Executive Officers: Kurt R. Moore, John Horan, Charles H. Heist and Nolan B. Gardner. The payments to be made to Named Executive Officers pursuant to the employment agreements in the event of disability or death, involuntary termination without cause and termination following a change in control are described below. These employment agreements are described in greater detail beginning on page 59.

Payments Made Upon Death or Disability

In the event of death or disability, the Named Executive Officer will receive the following for a period equal to the lesser of (i) twelve (12) months following the date of such death or disability or (ii) the balance of the remaining term of the employment agreement. In no event will the period be less than six (6) months.:

Payments to the executive (or his estate) of the executive s then effective per annum rate of salary.

Continuation of the same family medical coverage as provided to the executive on the date of such death or disability.

Payments Made Upon Involuntary Termination Without Cause

In the event of an involuntary termination without cause other than within two years following a change in control, the Named Executive Officer will receive the following for a period equal to the lesser of (i) twelve (12) months following the date of such termination or (ii) the balance of the remaining term of the employment agreement:

Payments to the executive of the then effective per annum rate of salary.

Continuation of the same family medical and dental coverage as provided to the executive on the date of termination.

Continuation of any long-term disability, short-term disability or life insurance, for the same coverage, as provided on the date of termination.

Payment of an amount equal to the target bonus incentive for the year in which such termination occurs.

Payments Made Upon a Change in Control

Change in control in our employment agreements with Named Executive Officers is defined as follows:

any Person, other than the C. H. Heist Intervivos Trust, the lineal descendants of Charles H. and Clydis D. Heist, and any trust for the benefit of their lineal descendants (collectively, the Heist Family), and other than any trustee or fiduciary on behalf of any Company benefit plan, becomes the Beneficial Owner of securities of the Company having at least 30% of the voting power of the Company s then outstanding securities (unless the event causing the

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30% threshold to be crossed is an acquisition of securities directly from the Company) but only if at the time of such person s becoming the beneficial owner of the requisite voting power, the Heist Family (or any trust or Person included therein) no longer holds a majority of the outstanding shares; or

the stockholders of the Company approve any merger or other business combination of the Company, or any going private transaction subject to Rule 13e-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, or any sale of all or substantially all of the Company s assets in one or a series of related transactions, or any combination of the foregoing transactions (the Transactions), other than a Transaction in which the Heist Family or any trust or Person included within the Heist Family is the Beneficial Owner of 40% or more of the voting securities of the surviving company (or its parent)(and, in a sale of assets, of the purchases of the assets) immediately following the Transaction; or

within any 24 month period, the persons who were directors immediately before the beginning of such period (the Disinterested Directors) cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of a successor to the Company, with, for this purpose, any director who was not a director at the beginning of such period deemed to be a Disinterested Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Disinterested Directors, so long as such director was not nominated by a person who has entered into an agreement to effect, or threatened to effect, a Change in Control.

If within twenty-four (24) months following a change in control, the executive officer s employment is terminated for reasons other than for cause (as defined in the employment agreement) the Named Executive Officer will receive:

A cash amount equal to two times the executive s annual base salary in effect on the date of termination.

Executive benefits substantially similar to those which the executive was receiving immediately prior to the date of termination until the earlier of the executive s death or the end of the twelve (12) month period following the date of termination.

The Company shall vest and accelerate the exercise date of all stock options granted to the executive, to the end that the options shall be immediately exercisable for the duration of their respective terms.

Long Term Equity Compensation

Change in control as related to the two stock plans below, is defined as follows:

any Person, other than the C. H. Heist Intervivos Trust, the lineal descendants of Charles H. and Clydis D. Heist, and any trust for the benefit of their lineal descendants (collectively, the Heist Family), and other than any trustee or fiduciary on behalf of any Company benefit plan, becomes the Beneficial Owner of securities of the Company having at least 25% of the voting power of the Company s then outstanding securities (unless the event causing the 25% threshold to be crossed is an acquisition of securities directly from the Company) but only if at the time of such person s becoming the beneficial owner of the requisite voting power, the Heist Family (or any trust or Person included therein) no longer holds a majority of the outstanding shares; or the stockholders of the Company approve any merger or other business combination of the Company, or any going private transaction subject to Rule 13e-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, or any sale of all or substantially all of the Company s assets in one or a series of related transactions, or any combination of the foregoing transactions (the Transactions), other than a Transaction in which the Heist Family or any trust or Person included within the Heist Family is the Beneficial Owner of 50% or more of the voting securities of the surviving company (or its parent)(and, in a sale of assets, of the purchases of the assets) immediately following the Transaction; or

within any 24 month period, the persons who were directors immediately before the beginning of such period (the Disinterested Directors) cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of a successor to the Company, with, for this purpose, any director who was not a director at the beginning of such period deemed to be a Disinterested Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Disinterested Directors, so long as such director was not nominated by a person who has entered into an agreement to effect, or threatened to effect, a Change in Control.

Restricted Stock Plan

In the event of a Change in Control or termination of a participant s employment due to death, disability, retirement with the consent of the committee, or termination without cause by the Company, all restrictions on shares granted to such participant shall lapse.

A more detailed description of the Restricted Stock Plan can be found below under the heading Summary of Plans.

Executive Stock Awards Plan

In the event of a Change in Control or termination of a participant s employment due to death, disability, retirement, or termination without cause by the Company, all restrictions on shares granted to such participant shall lapse.

A more detailed description of the Executive Stock Awards Plan can be found below under the heading Summary of Plans.

Quantification of Termination/Change in Control Payments

The table below reflects the amount of compensation to be paid to each of the Named Executive Officers of the Company in the event of his disability or death, involuntary termination without cause and termination following a change in control. Except with respect to Mr. Foster, the amounts assume that such termination was effective as of December 31, 2006, and thus includes amounts earned through such time and are estimates of the amounts that would be paid out upon termination. The actual amounts to be paid out can only be determined at the time of separation from the Company.

2006 Termination Payments

	Death or Disability			**Involuntary Termination Without Cause**			**Termination within Two Years of a Change in Control**		
Name	**Salary & Bonus $**	**Benefits $(1) (4)**	**Total $**	**Salary & Bonus $**	**Benefits $(2) (4)**	**Total $**	**Salary & Bonus $**	**Benefits $(3)(4)**	**Total $**
Kurt R. Moore, President & CEO	$300,000	$175,330	$475,330	$435,000	$176,820	$611,820	$600,000	$191,070	$791,070

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2006 Termination Payments

Name	Death or Disability			Involuntary Termination Without Cause			Termination within Two Years of a Change in Control		
	Salary & Bonus $	Benefits $(1) (4)	Total $	Salary & Bonus $	Benefits $(2) (4)	Total $	Salary & Bonus $	Benefits $(3)(4)	Total $
John Horan, V. P.-CFO	$165,600	$11,915	$177,515	$223,560	$13,410	$236,970	$331,200	$27,655	$358,855
Charles H. Heist, Chairman of the Board	$232,800	$39,365	$272,165	$279,360	$41,190	$320,550	$465,600	$54,940	$520,540
Nolan B. Gardner, V. P.-Human Resources	$110,000	$23,440	$133,440	$132,000	$24,930	$156,930	$220,000	$35,150	$255,150
W. David Foster, former Vice-Chairman of the Board (5)		$30,600							

(1) Consists of health, dental and vision insurance coverage. The value is based on the type of insurance coverage we carried for each executive officer as of December 31, 2006 and is valued at the premiums then in effect.

(2) Consists of health, dental, vision, life, long and short term disability insurance coverage. The value is based on the type of

insurance coverage we carried for each executive officer as of December 31, 2006 and is valued at the premiums then in effect.

(3) Consists of health, dental, vision, life, long and short term disability insurance coverage. The value is based on the type of insurance coverage we carried for each executive officer as of December 31, 2006 and is valued at the premiums then in effect. Also included is the annual lease value of company automobiles currently provided to the Named Executive Officers.

(4) These columns also include the value of the accelerated vesting of outstanding unvested restricted stock. For Mr. Moore this represents

$163,410, Mr. Horan had no unvested restricted stock at the end of fiscal 2006, for Mr. Heist this represents $29,470 and for Mr. Gardner this represents $11,670. The value of the accelerated vesting of unvested restricted stock was determined by multiplying the fair market value of our common stock on December 31, 2006 by the number of shares of restricted stock that where subject to accelerated vesting. The amounts reflected in the benefits column would also be paid upon retirement, if determined by the compensation committee, pursuant to the Restricted Stock or Executive Stock Award Plans.

(5) W. David Foster retired as Vice Chairman on

March 31, 2006. Mr. Foster retained his seat on the Board of Directors. Pursuant to the Restricted Stock Plan, the committee accelerated the vesting of 4,715 shares of restricted stock on March 31, 2006 in connection with his retirement, which is reflected in the benefits column under the section entitled Death or Disability in the table above.

Summary of Employment Agreements With Named Executive Officers

The following section provides information on employment agreements with our Named Executive Officers noted in the Compensation Discussion and Analysis or in the tables. For the convenience of the reader, we are putting the descriptions of these employment agreements in one location.

Kurt R. Moore, 47, serves as President and Chief Executive Officer of the Company pursuant to an employment agreement entered into on January 1, 2007, that provides for his employment through December 31, 2008. Beginning in 2009, the employment agreement will renew annually from year to year, unless it is terminated in accordance with its provisions or unless either the Company or Mr. Moore gives notice of termination to the other at least six months in advance.

Under the agreement, Mr. Moore is compensated at a base salary rate of $300,000 for 2007. For each calendar year thereafter, his salary will be determined by the Compensation Committee, but in no event shall it be less than the annual salary that was payable to him for the preceding calendar year. Mr. Moore is eligible to participate in any bonus program implemented for senior executives of the Company, with pertinent terms and goals to be established by the Compensation Committee.

Under the employment agreement, management has agreed to use best efforts to have Mr. Moore nominated for a seat on the Board while he is employed by the Company. The agreement provides that his nomination and continuation as a Director is subject to the will of the Board of Directors and the Company s stockholders and that removal or non-election will not be a breach of the agreement.

The Company may terminate Mr. Moore s employment with cause immediately or without cause with 30 days advance notice. Mr. Moore may terminate his employment with the Company at any time with 30 days advance notice.

If Mr. Moore s employment is terminated as a result of his death or disability, the Company is obligated to continue to pay his salary and provide him with medical benefits for the lesser of twelve months or the balance of the term remaining under the employment agreement. If his employment is terminated by the Company without cause or by him due to a material breach of the agreement by the Company, in either case other than within two years following a change in control, the Company is obligated to continue to pay Mr. Moore his salary and provide him with certain benefits for a period equal to the remainder of the initial term or any one year renewal term, as the case may be, and to pay him within 30 days of the date of termination an amount equal to his target bonus opportunity for the year in which termination occurs times the number of whole or partial years remaining in the term.

If within two years after a change in control of the Company, Mr. Moore s employment is terminated by the Company without cause or by Mr. Moore due to a material breach of the agreement by the Company, he will be entitled to an amount equal to two times his annual salary in effect on the date of termination.

Upon any such termination within two years of a change in control, the Company will provide Mr. Moore with a package of benefits substantially similar to those he was receiving prior to the date of termination (or prior to the change in control, if greater). The Company will also vest and accelerate the exercise date of all unvested stock options on the date of such termination, and such options shall remain exercisable for the duration of their original terms. Mr. Moore will have one year following the later of a change in control or the exercise of each option to sell to the Company shares of common stock acquired at any time upon exercise of an option; in such event, the sale price shall be equal to the average market price of the common stock for the 30 trading days ending on the date prior to the change in control. Finally, if the change in control would constitute an excess parachute payment as defined in Section 280G of the Code, such compensation will be reduced to the largest amount that will result in no portion of the termination payments under the employment agreement being subject to the excise tax imposed by Section 4999 of the Code or being disallowed as deductions to the Company under Section 280G of the Code.

No change in control compensation will be paid if the Company s business is sold and Mr. Moore is offered employment by the purchaser on terms substantially the same as those under the employment agreement, including change in control compensation. No change in control compensation is due upon Mr. Moore s retirement, death or disability.

Mr. Moore s agreement contains provisions relating to noncompetition and nonsolicitation of the Company s employees during the term of the agreement and for two years following termination of employment in certain cases.

John Horan, 45, serves as Vice President and Chief Financial Officer pursuant to an employment agreement entered into on April 17, 2006, that provides for his employment from May 15, 2006 through May 14, 2008.

Under the agreement, Mr. Horan is compensated at a base salary of $165,600 for 2007. For each year thereafter, his salary will be determined by the Compensation Committee, but in no event will it be less than the annual salary that was payable to him for the preceding calendar year. Mr. Horan is eligible to participate in any bonus program implemented for senior executives of the Company, with pertinent terms and goals to be established by the Compensation Committee.

The Company may terminate Mr. Horan s employment with cause immediately or without cause with 30 days advance notice. Mr. Horan may terminate his employment with the Company at any time with 30 days advance notice.

If Mr. Horan s employment is terminated as a result of his death or disability, the Company is obligated to continue to pay his salary and provide him with medical benefits for the lesser of twelve months or the balance of the term remaining under the employment agreement. If his employment is terminated by the Company without cause or by him due to a material breach of the agreement by the Company, in either case other than within two years following a change in control (as defined in the agreement), the Company is obligated to continue to pay Mr. Horan his salary and provide him with certain benefits for a period equal to

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the remainder of the term of the agreement, and to pay him within 30 days of the date of termination an amount equal to his target bonus opportunity for the year in which termination.

If within two years after a change in control of the Company, Mr. Horan s employment is terminated by the Company without cause or by Mr. Horan due to a material breach of the agreement by the Company, he will be entitled to an amount equal to two times his annual base salary in effect on the date of termination.

Upon any such termination within two years of a change in control, the Company will provide Mr. Horan with a package of benefits substantially similar to those he was receiving prior to the date of termination (or prior to the change in control, if greater). The Company will also vest and accelerate the exercise date of all unvested stock options on the date of such termination, and such options shall remain exercisable for the duration of their original terms. If the change in control compensation would constitute an excess parachute payment as defined in Section 280G of the Internal Revenue Code of 1986 (the Code), such compensation will be reduced to the largest amount that will result in no portion of the termination payments under the employment agreement being subject to the excise tax imposed by Section 4999 of the Code or being disallowed as deductions to the Company under Section 280G of the Code.

No change in control compensation will be paid if the Company s business is sold and Mr. Horan is offered employment by the purchaser on terms substantially the same as those under the employment agreement, including change in control compensation. No change in control compensation is due upon Mr. Horan s retirement, death or disability.

Mr. Horan s agreement contains provisions relating to noncompetition and nonsolicitation of the Company s employees during the term of the agreement and for two years following termination of employment except where the termination is by the Company without cause or by Mr. Horan as a result of a material breach of the agreement by the Company.

Charles H. Heist, 56, serves as Chairman of the Board of Directors pursuant to an employment agreement entered into on January 1, 2007, that provides for his employment through December 31, 2008.

Under the agreement, Mr. Heist is compensated at a base salary of $232,800 for 2007. For each year thereafter, his salary will be determined by the Compensation Committee, but in no event will it be less than the annual salary that was payable to him for the preceding calendar year. Mr. Heist is eligible to participate in any bonus program implemented for senior executives of the Company, with pertinent terms and goals to be established by the Compensation Committee.

Under the employment agreement, management has agreed to use best efforts to have Mr. Heist nominated for a seat on the Board while he is employed by the Company. The agreement provides that his nomination and continuation as a Director is subject to the will of the Board of Directors and the Company s stockholders and that removal or non-election will not be a breach of the agreement.

The Company may terminate Mr. Heist s employment with cause immediately or without cause with 30 days advance notice. Mr. Heist may terminate his employment with the Company at any time with 30 days advance notice.

If Mr. Heist s employment is terminated as a result of his death or disability, the Company is obligated to continue to pay his salary and provide him with medical benefits for the lesser of twelve months or the balance of the term remaining under the employment agreement. If his employment is terminated by the Company without cause or by him due to a material breach of the agreement by the Company, in either case other than within two years following a change in control (as defined in the agreement), the Company is obligated to continue to pay Mr. Heist his salary and provide him with certain benefits for a period equal to the remainder of the term of the agreement, and to pay him within 30 days of the date of termination an amount equal to his target bonus opportunity for the year in which termination occurs times the number of whole or partial years remaining under the term.

If within two years after a change in control of the Company, Mr. Heist s employment is terminated by the

Company without cause or by Mr. Heist due to a material breach of the agreement by the Company, he will be entitled to an amount equal to two times his annual base salary in effect on the date of termination

Upon any such termination within two years of a change in control, the Company will provide Mr. Heist with a package of benefits substantially similar to those he was receiving prior to the date of termination (or prior to the change in control, if greater). The Company will also vest and accelerate the exercise date of all unvested stock options on the date of such termination, and such options shall remain exercisable for the duration of their original terms. Mr. Heist will have one year following the later of a change in control or the exercise of each option to sell to the Company shares of common stock acquired at any time upon exercise of an option; in such event, the sale price will be equal to the average market price of the common stock for the 30 trading days ending on the date prior to the change in control. If the change in control compensation would constitute an excess parachute payment as defined in Section 280G of the Internal Revenue Code of 1986 (the Code), such compensation will be reduced to the largest amount that will result in no portion of the termination payments under the employment agreement being subject to the excise tax imposed by Section 4999 of the Code or being disallowed as deductions to the Company under Section 280G of the Code.

No change in control compensation will be paid if the Company s business is sold and Mr. Heist is offered employment by the purchaser on terms substantially the same as those under the employment agreement, including change in control compensation. No change in control compensation is due upon Mr. Heist s retirement, death or disability.

Mr. Heist s agreement contains provisions relating to noncompetition and nonsolicitation of the Company s employees during the term of the agreement and for two years following termination of employment except where the termination is by the Company without cause or by Mr. Heist as a result of a material breach of the agreement by the Company.

Nolan B. Gardner, 37, serves as Vice President of Human Resources pursuant to an employment agreement entered into on January 1, 2006, that provides for his employment through December 31, 2007.

Under the agreement, Mr. Gardner is compensated at a base salary of $110,000 for 2007. For each year thereafter, his salary will be determined by the Compensation Committee, but in no event will it be less than the annual salary that was payable to him for the preceding calendar year. Mr. Gardner is eligible to participate in any bonus program implemented for senior executives of the Company, with pertinent terms and goals to be established by the Compensation Committee.

The Company may terminate Mr. Gardner s employment with cause immediately or without cause with 30 days advance notice. Mr. Gardner may terminate his employment with the Company at any time with 30 days advance notice.

If Mr. Gardner s employment is terminated as a result of his death or disability, the Company is obligated to continue to pay his salary and provide him with medical benefits for the lesser of twelve months or the balance of the term remaining under the employment agreement. If his employment is terminated by the Company without cause or by him due to a material breach of the agreement by the Company, in either case other than within two years following a change in control (as defined in the agreement), the Company is obligated to continue to pay Mr. Gardner his salary and provide him with certain benefits for a period equal to the remainder of the term of the agreement, and to pay him within 30 days of the date of termination an amount equal to his target bonus opportunity for the year in which termination.

If within two years after a change in control of the Company, Mr. Gardner s employment is terminated by the Company without cause or by Mr. Gardner due to a material breach of the agreement by the Company, he will be entitled to an amount equal to two times his annual base salary in effect on the date of termination.

Upon any such termination within two years of a change in control, the Company will provide Mr. Gardner with a package of benefits substantially similar to those he was receiving prior to the date of termination (or prior to the change in control, if greater). The Company will also vest and accelerate the exercise date of all unvested stock options on the date of such termination, and such options shall remain exercisable for the duration of their original terms. If the change in control compensation would constitute an excess parachute payment as defined in Section 280G of the Internal Revenue Code of 1986 (the Code), such compensation will be reduced to the largest amount that will result in no portion of the termination payments under the employment agreement being subject to the excise tax imposed by Section 4999 of the Code or being disallowed as deductions to the Company under Section 280G of the Code.

No change in control compensation will be paid if the Company s business is sold and Mr. Gardner is offered employment by the purchaser on terms substantially the same as those under the employment agreement, including change in control compensation. No change in control compensation is due upon Mr. Gardner s retirement, death or disability.

Mr. Gardner s agreement contains provisions relating to noncompetition and nonsolicitation of the Company s employees during the term of the agreement and for two years following termination of employment except where the termination is by the Company without cause or by Mr. Gardner as a result of a material breach of the agreement by the Company.

Summary of Plans

The following section provides information on Company-sponsored plans noted in the Compensation Discussion and Analysis or in the tables. For the convenience of the reader, we are putting the descriptions of the plans in one location.

Restricted Stock Plan

The Restricted Stock Plan (the Restricted Stock Plan) was approved by the stockholders of the Company on May 23, 2002, and is designed to promote the long-term growth and profitability of the Company by (i) providing executive officers and certain other key employees of the Company with incentives to improve stockholder values and contribute to the success of the Company and (ii) enabling the Company to attract, retain and reward the best available persons for positions of substantial responsibility.

The Restricted Stock Plan is administered by the Compensation Committee. This committee interprets the Restricted Stock Plan and may adopt, amend, or rescind such rules and regulations for carrying out the Restricted Stock Plan as it deems appropriate.

Subject to an event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, distribution of assets or other change in corporate structure or shares, 250,000 shares of common stock of the Company may be issued pursuant to the Restricted Stock Plan. Such shares may be unissued or treasury. The maximum number of shares that may be issued to any single individual in any one year shall not exceed 25,000 shares.

Participation in the Restricted Stock Plan is limited to executive officers, regional managers, division managers, the Vice President of Human Resources and the Director of Sales and Marketing of the Company.

A pool of shares for grants under the Restricted Stock Plan is created by dividing eight percent (8%) of the previous fiscal year s pre-tax income (as determined by the Committee in consultation with management and the Company s independent auditors) by the average of the Fair Market Values of the common stock of the Company during a 30 trading day period commencing fifteen (15) trading days before and ending fifteen (15) trading days after the release of the Company s earnings for such previous fiscal year.

During each fiscal year that the Restricted Stock Plan is in effect, the Committee approves a target for earnings before taxes as calculated in accordance with generally accepted accounting principles. If the actual earnings before taxes for a particular fiscal year meets or exceeds the target, as determined by the Committee after consultation with management and the Company s independent auditors, the Committee issues to each participant restricted shares equal to the number of shares in the pool multiplied by a fraction the numerator of which is the cash bonus paid to the participant and the denominator of which is the total of cash bonuses paid to all participants for the year in question.

With respect to each grant of restricted shares under the Restricted Stock Plan, one-third of the subject shares will become fully vested on the first anniversary of the date of grant, another one-third of the subject shares will become vested on the second anniversary of the date of grant, and the final one-third of the subject shares will become vested on the third anniversary of the date of grant.

Except as otherwise provided by the Committee, in the event of a change in control or the termination of a grantee s employment due to death, disability, retirement with the consent of the Committee, or termination without cause by the Company, all restrictions on shares granted to such grantee shall lapse. On termination of a grantee s employment for any other reason, including, without limitation, termination for cause, all restricted shares subject to grants made to such grantee shall be forfeited to the Company.

The Restricted Stock Plan terminated on the last day of fiscal year 2006.

Executive Stock Awards Plan

The Executive Stock Awards Plan (the Stock Plan) was approved by the stockholders of the Company on May 6, 2004, and is designed to promote the long-term growth and profitability of the Company by providing executive officers of the Company with incentives to improve stockholder values and contribute to the success of the Company and by enabling the Company to attract, retain and reward the best available persons for executive officer positions.

The Stock Plan is administered by the Compensation Committee. The Committee interprets the Stock Plan and may adopt, amend, or rescind such rules and regulations for carrying out the Stock Plan as it deems appropriate.

Subject to an event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, distribution of assets or other change in corporate structure or shares, 135,000 shares of common stock of the Company may be issued pursuant to the Stock Plan. Such shares may be unissued or treasury shares. The maximum number of shares that may be issued to any single individual in any one year may not exceed 30,000 shares.

Participation in the Stock Plan is limited to the President and Chief Executive Officer, the Vice President and Chief Financial Officer, and one additional executive officer that the Compensation Committee may select.

Pursuant to the Stock Plan, the Compensation Committee granted 9,000 restricted shares to the President and Chief Executive Officer and 4,500 restricted shares to the previous Vice President and Chief Financial Officer. These grants were made effective January 1, 2004, and vested on January 1, 2005. The initial grants of restricted shares are not tied to any performance target. Each initial grant of restricted shares is subject to approval of the Stock Plan by the Company s stockholders at the annual meeting, and the subject shares will be forfeited if such approval is not obtained.

For fiscal 2004 through 2008, the Compensation Committee may establish applicable performance targets based on earnings before taxes (EBT) of the Company and determine the number of restricted shares that may be earned by participants in the Plan if the applicable performance targets are met or exceeded. The number of shares to be awarded is determined by using the market price of the stock as compared to the participants cash target incentive award to reach a ratio of approximately 60% stock compensation to cash incentive compensation.

At the end of a fiscal year, if the Compensation Committee determines, after consultation with management and the Company s independent auditors, that EBT for a particular fiscal year meets or exceeds one or more of the performance targets, each participant will receive, with respect to such fiscal year and the targets met or exceeded, the number of restricted shares provided for by the Compensation Committee when it established the targets for the year.

Each such grant of restricted shares awarded for a particular fiscal year shall vest on January 1 of the second fiscal year following the fiscal year for which such award was made. Accordingly,

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grants awarded for fiscal 2004 will vest on January 1, 2006; grants awarded for fiscal 2005 will vest on January 1, 2007; and grants awarded for fiscal 2006 will vest on January 1, 2008. The Compensation Committee, after appropriate consultation with management and the Company s independent auditors, may adjust the final calculation of EBT if an unusual event occurs during the fiscal year in question that has more than a minimal impact on the Company s earnings.

No later than December 15 of the year in which any restricted shares awarded under the Plan vest, the Company will credit to the participant who received such shares an amount equal to the fair market value of such shares times the highest marginal tax rate applicable to such executive for federal tax purposes.

Except as otherwise provided by the Compensation Committee, in the event of a change in control or the termination of a participant s employment due to death, disability, retirement, or termination without cause by the Company, all restrictions under the terms of the Stock Plan on shares granted to such participant shall lapse. On termination of a participant s employment for any other reason, including, without limitation, termination for cause, all restricted shares subject to grants made to such participant shall be forfeited to the Company.

Each participant who receives restricted shares will have the rights of a stockholder with respect thereto from and after the grant thereof, in accordance with and subject to the risks of forfeiture set forth in the Plan. No participant may transfer, assign or encumber any restricted shares granted to him until such shares have vested in accordance with the Plan.

Unless previously terminated, the Plan shall terminate at the close of business on the last day of fiscal year 2008.

Director Compensation

The following table sets forth information regarding the compensation received by each of the company s directors during the year ended December 31, 2006:

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation ($) (g)	Total ($) (h)
Richard W. Roberson (1)	$32,300	$2,413					$34,713
Charles E. Scharlau (1)	$32,800	$2,413					$35,213
Ronald K. Leirvik (1)	$28,800	$2,413					$31,213
Donna R. Moore (1)	$28,300	$2,413					$30,713
W. David Foster (2)	$19,100	$2,413					$21,513

(1) Under the 2006 Directors Plan, receive a grant upon the date of such director s initial election to the Board of Directors of

1,000 restricted shares of the Company s common stock. Each time a non-employee Director is re-elected to the Board of Directors on or after the Effective Date and following the completion of such non-employee Director s current term as a director, he or she shall receive a grant of 250 restricted shares of the Company s common stock. Each Director was granted 250 shares under this plan and the 2006 Annual Meeting held on May 16, 2006 and are valued at $9.65 per share (the share price on the date of annual meeting). These shares will vest on May 16, 2007.

(2) The amounts reported in columns (b) and (c) for Mr. Foster were also reported in the other compensation column of the

Summary
Compensation
Table above.

Director Fees

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Directors who are full-time employees of the Company receive no extra compensation for their services as Directors. During fiscal 2006, non-employee Directors received an annual retainer of $20,000, a $1,200 fee per regular meeting, and a $750 fee per committee meeting. Non-employee Directors may only receive one meeting fee per day paid at the highest rate. Fees for telephonic meetings are $500 per meeting. The Chairmen of the Audit Committee and the Compensation Committee each receive an additional annual retainer of $4,000.

Under the Independent Directors Stock Option Plan (the Directors Plan), each non-employee Director elected to the Board was granted an option to purchase 1,500 shares of common stock, exercisable on the one year anniversary of the grant. The options expire on the 10th anniversary of the grant date. The 2000 Directors Plan was terminated upon stockholder approval of a new Non-Employee Directors Equity Rights Plan (the 2006 Directors Plan). This termination will not affect any outstanding options under the 2000 Directors Plan, and all such options will continue to remain outstanding and be governed by the 2000 Directors Plan. Under the 2006 Directors Plan, upon re-election, each non-employee Director will receive a grant of 250 restricted shares of the Company s common stock. Vesting of the restricted shares occurs on the first anniversary of the grant date.

The Company entered into an indemnification agreement with each of each of Charles H. Heist, Ronald K. Leirvik, W. David Foster, Donna R. Moore, Richard W. Roberson and Charles E. Scharlau, as members of the board of directors of the Company, and Kurt R. Moore, as a member of the board of directors of the Company and as an executive officer. In general, the indemnification agreements provide the directors and executive officers listed above with contractual rights to indemnification and advancement or reimbursement of expenses to the fullest extent permitted by Delaware law in connection with any and all expenses, judgments, fines, ERISA excise taxes, penalties, and amounts paid in settlement incurred by the directors or executive officers as a result of their service to, and actions on behalf of, the Company. The Company s Certificate of Incorporation currently provides that the Company is required to indemnify its officers and directors to the fullest extent allowable under applicable law.

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ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of April 19, 2007, information concerning the beneficial ownership of shares of the Company s common stock by (i) each person known to the Company to be the beneficial owner of more than 5% of the Company s common stock, (ii) each Director and Director Nominee, (iii) each Named Executive Officer identified in the Summary Compensation Table and (iv) all Directors and executive officers as a group. For the purpose of this Annual Report, beneficial ownership has the meaning given under the rules of the Securities and Exchange Commission relating to annual reports and does not necessarily indicate pecuniary interest. The beneficial ownership information presented herein is based upon information furnished by each person or contained in filings made with the Securities and Exchange Commission.

Name and Address (1)	Amount and Nature of Beneficial Ownership	Percent of Class
C.H. Heist Intervivos Trust c/o Charles H. Heist III and Rebecca L. Heist, Trustees	454,645(2)	15.5%
Charles H. Heist III	329,163(3)	11.3%
Victoria Hall	91,941(4)	3.1%
Dixie Lea Clark	126,014(4)	4.3%
Heist Grandchildren Trusts c/o Charles H. Heist III	451,093(5)	15.4%
Donald W. Burton Post Office Box 4643 Jackson, Wyoming 83001	506,900(6)	17.3%
W. David Foster	51,006	1.7%
Kurt R. Moore	79,032	2.7%
Nolan B. Gardner	2,808	*
Charles E. Scharlau	14,255(7)	*
Ronald K. Leirvik	13,750(7)	*
Richard W. Roberson	14,250(7)	*
Donna R. Moore	13,750(7)	*
All officers and Directors (9 persons)	1,423,752	48.7%

* Less than 1%

Notes to Beneficial Ownership table:

(1) Except as otherwise indicated, all addresses are c/o Ablest Inc., 1511

N. Westshore Blvd., Suite 900, Tampa, Florida 33607.

(2) The shares indicated are held of record in a trust created by the founder of the Company, C.H. Heist, for the benefit of his family prior to his death in February 1983. The two trustees of the trust are Rebecca L. Heist and Charles H. Heist. Each of the trustees may be deemed to be the beneficial owner of the shares held in the trust, and each disclaims beneficial ownership of the shares held by the trust. The trust will continue until the death of the children of Mr. and Mrs. C.H. Heist.

(3) The shares indicated are owned directly by Mr. Heist, except for 127,248 shares owned by his wife. Mr. Heist disclaims beneficial ownership of the above-referenced shares owned by his wife. The

shares owned do not include the shares owned by the C. H. Heist Trust or the shares of the trusts for the grandchildren mentioned in footnote 5 below. Mr. Heist disclaims

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any beneficial ownership of the shares held in such trust.

(4) Ms. Hall and Ms. Clark are daughters of C.H. Heist (deceased) and Clydis D. Heist (deceased) and sisters of Charles H. Heist. The shares owned by each of them do not include the shares owned by the C.H. Heist Trust or the shares of the trusts for the grandchildren mentioned in footnote 5 below. Ms. Hall and Ms. Clark disclaim any beneficial ownership of the shares held in such trusts.

(5) The trusts indicated were created for the benefit of the children of Charles H. Heist and his sisters, Victoria Hall and Dixie Lea Clark. Mr. Heist, Ms. Hall and Ms. Clark are trustees of the trusts. Each of

the trustees disclaims beneficial ownership of the shares held in these trusts.

(6) The Burton Partnership, Limited Partnership and The Burton Partnership (QP), Limited Partnership are limited partnerships controlled by Donald W. Burton, who is deemed to be the beneficial owner of the shares held by these partnerships.

(7) Includes 13,500 shares subject to stock options that are currently exercisable or exercisable within 60 days of April 3, 2006 and 250 shares of restricted stock which will vest on May 16th 2007.

(8) Includes the 454,645 shares and 451,093 shares described in footnotes (2) and (5), under Security Ownership of Certain

Beneficial Owners. Also includes 54,000 shares subject to stock options that are currently exercisable.

Changes in Control

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

Equity Compensation Plan Information

The following table provides information about the Company s common stock that may be issued upon the exercise of options, warrants, rights and restricted stock under all existing equity compensation plans as of December 31, 2006, including the 2002 Restricted Stock Plan, the Executive Stock Awards Plan and the 2006 Directors Plan. The Company had 386,309 securities available for issuance under its equity compensation plans at December 31, 2006.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation Plans approved by Security holders	54,000	$ 5.38	386,309
Total	54,000	$ 5.38	386,309

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Transactions with Related Persons

There were no transactions with related persons during the Company s 2006 fiscal year required by applicable SEC rules and regulations to be disclosed hereunder.

Review, Approval, and/or Ratification of Transactions with Related Persons

The Company recognizes that transactions involving related persons can present potential or actual conflicts of interest and create the appearance that the Company s business decisions are based on considerations other than the best interests of its shareholders. Therefore, in accordance with the terms of its charter, the Audit Committee of the Board of Directors adopted a written policy and procedures for review, approval and monitoring of transactions involving related persons. The policy covers any transaction involving the Company and a related person, and is not limited solely to those transactions involving related persons that meet the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (i.e., transactions involving amounts exceeding $120,000 in which a related person has a direct or indirect material interest).

General Policy

Transactions involving related persons must be approved, or ratified if pre-approval is not feasible, by the Audit Committee of the Board consisting solely of independent directors, who will approve or ratify the transaction only if they determine that it is in the best interests of the Company s shareholders. In considering the transaction, the Audit Committee will consider all relevant factors, including, as applicable (i) the business rationale for entering into the transaction; (ii) available alternatives to the transaction; (iii); whether the transaction is on terms no less favorable than terms generally available to an unrelated third-party under the same or similar circumstances; (iv) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (v) the overall fairness of the transaction. The Audit Committee will also periodically monitor ongoing transactions involving related persons to ensure that there are no changed circumstances that would render it advisable for the Company to amend or terminate the transaction.

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Procedures

It is the responsibility of management or the affected director or executive officer to bring the matter to the attention of the Audit Committee.

Any transaction involving a related person should be presented to the Audit Committee at the next regularly scheduled meeting.

All transactions should be pre-approved by the Audit Committee, and if not feasible, ratified by the Audit Committee as promptly as practicable.

If a member of the Audit Committee is involved in the transaction, except for purposes of providing material information about the transaction to the Audit Committee, he must be recused from all discussions and decisions about the transaction.

Ongoing transactions involving related persons shall be reviewed by the Audit Committee on an annual basis at the first regularly scheduled meeting of the fiscal year.

Since the beginning of the Company s last fiscal year, there have been no transactions required to be reported under the applicable SEC rules where such policies and procedures did not require review, approval or ratification or where such policies and procedures were not followed.

Director Independence

The Company s Board of Directors is made up of the following members: Mr. Charles Heist, Mr. W. David Foster, Mr. Kurt Moore, Mr. Charles Scharlau, Mr. Ronald Leirvik, Ms. Donna Moore, and Mr. Richard Roberson. The Board has determined that a majority of the Company s directors and all current members of the Audit, Compensation, and Nominating Committees are independent under Section 121A of the American Stock Exchange (AmEx) Company Guide. The Board has also determined that the members of the Audit Committee meet the additional independence standards set forth by Rule 10A-3 under the Securities Exchange Act of 1934 and Section 121B of the AmEx Company Guide. The independent directors are Mr. Scharlau, Mr. Leirvik, Ms. Moore, and Mr. Roberson. There were no undisclosed transactions, relationships or arrangements pursuant to Item 404(a) (related-party transactions) that were considered by the Board under the applicable independence definitions in determining that the director is independent.

ITEM 14. Principal Accountants Fees and Services

PricewaterhouseCoopers LLP audited the Company s financial statements for the fiscal years ended December 31, 2006 and December 25, 2005 and has been selected by the Board of Directors to audit the Company s financial statements for the current fiscal year.

Fiscal 2002 was the first year that PricewaterhouseCoopers LLP audited the Company s financial statements.

Audit Fees

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The following table sets forth information regarding fees paid by the Company during 2006 and 2005:

	2006	2005
Audit Fees(1)	$150,000	$105,000
Audit-Related Fees		
Tax Fees(2)	28,100	28,000
All Other Fees		
Total	$192,100	$151,500

(1) Audit of annual financial statements and review of financial statements included in Quarterly Reports on Form 10-Q.

(2) Tax consultations and tax return preparation.

The Audit Committee has concluded that PricewaterhouseCoopers LLP s provision of the services described above is compatible with maintaining PricewaterhouseCoopers LLP s independence. The Audit Committee pre-approved all of such services. The Audit Committee has established pre-approval policies and procedures with respect to audit and permitted non-audit services to be provided by its independent auditors. Pursuant to these policies and procedures, the Audit Committee may form, and delegate authority to, subcommittees consisting of one or more members when appropriate to grant such pre-approvals, provided that decisions of such subcommittee to grant pre-approvals are presented to the full Audit Committee at its next scheduled meeting. The Audit Committee s pre-approval policies do not permit the delegation of the Audit Committee s responsibilities to management.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

See Index to Financial Statements on page 20.

(2) Supplemental Schedules

Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

Exhibit Number	Exhibit
2.1	Agreement and Plan of Merger between C. H. Heist Corp. and Ablest Inc. dated February 4, 2000. (1)
2.2	Agreement and Plan of Merger between Ablest Service Corp., PLP Corp., Milestone Technologies, Inc. and Ablest Inc., dated January 1, 2001. (2)

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Exhibit Number	Exhibit
3.1	Certificate of Incorporation of the Company. (2)
3.2	By-laws of the Registrant. (2)
10.1	Asset Sale and Purchase Agreement between C. H. Heist Corp. and Onyx Industrial Services Inc. (1)
10.2	Promissory Note dated August 13, 2003 between the Company and Manufacturers and Traders Trust Company. (3)
10.3	Modification Agreement dated August 2, 2005 between Manufacturers and Traders Trust Company and Ablest Inc. (10)
10.4	Independent Directors Stock Option Plan adopted May 14, 2000.*(2)
10.5	Option to Ownership Plan adopted October 9, 2000.*(2)
10.6	Executive Stock Awards Plan.*(4)
10.7	2002 Restricted Stock Plan* (8)
10.8	Employment agreement with Charles H. Heist III, Chairman, dated January 1, 2004.*(5)
10.9	Employment agreement with W. David Foster, Vice Chairman, dated January 1, 2004.*(5)
10.10	Employment agreement with Kurt R. Moore, President and Chief Executive Officer, dated January 1, 2004.*(5)
10.11	Employment agreement with Vincent J. Lombardo, Vice President and Chief Financial Officer, dated January 1, 2004.*(5)
10.12	Settlement agreement and Complete and Permanent Release, dated September 22, 2005, between Vincent J. Lombardo and Ablest Inc.* (6)
10.13	VCG Services Agreement, dated September 29, 2005, between VCG, Inc. and Ablest Inc. (7)
10.14	VCG License and Support Agreement, dated September 29, 2005, between VCG, Inc. and Ablest Inc. (7)
10.15	Professional Services Agreement (including Proposal for Great Plains Implementation), dated September 30, 2005, between IDEAL Consulting, Inc. and Ablest Inc. (7)
10.16	Summary of Compensation Payable to Non-Employee Directors * (9)
10.17	Form of indemnification Agreement between Registrant and its Directors.
21.1	Subsidiaries of the Registrant. (11)

Exhibit Number	Exhibit
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to item 15(b) of this report.

(1) Filed as Exhibit to the Registrant s Form 8-K report dated March 22, 2000 and incorporated herein by reference.

(2) Filed as an Exhibit to the Registrant s Form 10-K Report for the year ended December 31, 2000 and incorporated herein by reference.

(3) Filed as an Exhibit to the Registrant s

Form 10-Q Report for the quarter ended September 28, 2003 and incorporated herein by reference.

(4) Filed as an Exhibit to the Registrant s Form S-8 filed January 12, 2004 and incorporated herein by reference.

(5) Filed as an Exhibit to the Registrant s Form 10-K Report for the year ended December 28, 2003 and incorporated herein by reference.

(6) Filed as an Exhibit to the Registrant s Form 8-K Report dated September 26, 2005 and incorporated herein by reference.

(7) Filed as an Exhibit to the Registrant s Form 8-K Report dated October 5, 2005 and incorporated herein by

reference.

(8) Filed as an Exhibit to the Registrant s Form DEF 14A dated April 28, 2003 and incorporated herein by reference.

(9) Filed as an Exhibit to the Registrant s Form 8-K Report dated November 9, 2005 and incorporated herein by reference.

(10) Filed as an Exhibit to the Registrant s Form 10-Q Report for the quarter ended June 26, 2005 and incorporated herein by reference.

(11) Filed previously.

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABLEST INC.

By: /s/ Kurt R. Moore
Kurt R. Moore
President and Chief Executive Officer

Date: April 25, 2007

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Report of Independent Registered Certified Public Accounting Firm on Financial Statement Schedule

To the Board of Directors and Stockholders
of Ablest Inc.:

Our audits of the financial statements referred to in our report dated March 9, 2007 appearing in the December 31, 2006 Annual Report to Stockholders of Ablest Inc. (which report and financial statements are included in this Amendment No. 1 to the Company s Annual Report on Form 10-K/A) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K/A. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

/s/ PricewaterhouseCoopers LLP
Tampa, Florida
April 25, 2007

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SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Periods Ended December 31, 2006, December 25, 2005 and December 26, 2004

(Amounts in thousands)	Balance at beginning of the period	Additions charged to costs and expense	Additions charged to other accounts	Deductions	Balance at end of the period
Period Ended December 31, 2006					
Allowance for doubtful accounts	$ 275	266		266	275
Period Ended December 25, 2005					
Allowance for doubtful accounts	$ 285	97		107	275
Period Ended December 26, 2004					
Allowance for doubtful accounts	$ 246	257		218	285

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