

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

**FORM 10-KSB**

(Mark one)

Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **October 31, 2007** or

Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. **0-14443**

**WASTE TECHNOLOGY CORP.**  
(Name of small business issuer in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-2842053**  
(I.R.S. Employer  
Identification No.)

**5400 Rio Grande Avenue, Jacksonville, Florida 32254**  
(Address of Principal Executive Offices) (Zip Code)

**Issuer's telephone number: (904) 355-5558**

**Securities registered pursuant to Section 12(b) of the Exchange Act: None**  
**Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$.01 par value per share**

**Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes /X/ No /**

**Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. //**

**Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes / / No /X/**

**State issuer's revenues for its most recent fiscal year: \$9,634,221**

**State the aggregate market value of the voting stock held by non-affiliates (based on the closing price on January 15, 2008 of \$ 1.15): \$2,444,441**

**State the number of shares outstanding of the issuer's \$.01 par value common stock as of the close of business on the latest practicable date (January 15, 2008): 4,933,895**

**Documents Incorporated By Reference: None.**

**Transitional Small Business Disclosure Format (check one): Yes / / No /X/**

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

Waste Technology Corp. ("Waste Tech") was incorporated on September 10, 1975, in the State of Delaware under the name B.W. Energy Systems, Inc. Its name was changed to Waste Technology Corp. in August 1983. Waste Tech is a holding company which operates through its wholly owned subsidiary International Baler Corp. ("IBC"), also a Delaware corporation. On July 30, 2004, Waste Tech's other two operating wholly-owned subsidiaries, Consolidated Baling Machine Company, Inc. ("CBMC") and Florida Waste Systems, Inc. ("FWS") were merged into and became part of IBC. CBMC previously sold balers manufactured for it by IBC under the "Consolidated Baler" name and FWS had sold replacement parts to users of waste hauling equipment. The operations of CBMC and FWS have been taken over and continued by IBC.

Waste Tech and IBC maintain their executive offices and manufacturing facilities at 5400 Rio Grande Avenue, Jacksonville, Florida 32254. Waste Tech's telephone number is (904) 355-5558. Unless the context otherwise requires, the term "Company" as used herein, refers to Waste Tech and its subsidiary on a consolidated basis. The Company's fiscal year end is October 31.

#### General

The Company's principal business is the manufacture and sale of balers, which are machines used to compress and compact various waste materials. The Company manufactures approximately fifty (50) different types of balers for use with corrugated, paper, municipal waste, textiles, scrap metal, and other products. It is one of the leading manufacturers of balers designed to compact rubber, plastic, cotton mote and textile waste products.

Since charges for transportation of waste material are generally based upon the volume of waste, balers reduce volume substantially and therefore, reduce transportation costs. Increases in the quantity of waste produced, government restrictions on waste disposal, and mandated recycling of waste products have greatly increased the need for transportation of waste and therefore, the need for balers.

#### Products

Balers utilize mechanical, hydraulic, and electrical mechanisms to compress a variety of materials into bales for easier and low cost handling, shipping, disposal, storage, and/or bulk sales for recycling. Materials commonly baled include scrap metal, corrugated boxes, newsprint, cans, plastic bottles, and other solid waste. More sophisticated applications include baling of textile waste and rubber.

The Company offers a wide variety of balers, certain types that are standardized and others that are designed to specific customer requirements. The Company's products include (i) general purpose horizontal and vertical balers, (ii) specialty balers, such as those used for textile materials, used clothing, aluminum cans, 55-gallon drums and synthetic rubber, and (iii) accessory equipment such as conveyors,

fluffers, bale tying machines, and plastic bottle piercers (machines which puncture plastic bottles before compaction for greater density).

#### General Purpose Balers

These balers are designed for general purpose compaction of waste materials. They are manufactured in either vertical or horizontal loading models, depending on available floor space and desired capacity. Typical materials that are handled by this equipment include paper, corrugated boxes, and miscellaneous solid waste materials. These balers range in bale weight capacity from approximately 300 to 2,000 pounds and range in price from approximately \$5,000 to \$400,000. General purpose baler sales constituted approximately 55% of net sales on a consolidated basis for each of the fiscal years ended October 31, 2007 and 2006.

#### Specialty Balers

Specialty balers are designed for specific applications which require modifications of the general baler configuration. The Company is attempting to shift the emphasis in its product composition from general purpose to specialty balers due to product profitability and broader geographic markets.

The scrap metal baler is designed to form a bale, referred to as a scrap metal "briquette" of specified size and weight. The rubber baler is designed to apply pressure in such a way as to compress the synthetic rubber into a self-contained bale that does not require tying. The drum crusher baler is capable of collapsing a standard 55-gallon drum into a "pancake" approximately four (4) to eight (8) inches high, which also serves to contain any remaining contents. The radioactive waste baler has a self-contained ventilation system designed to filter and contain toxic dust and particles released during compaction and baling. The textile baler is capable of compressing and baling loose fibers, which do not ordinarily adhere to each other under pressure. In addition, a double chamber baler has been designed for use by the clothing and textile industries.

Specialty balers range in price from approximately \$3,000 to \$300,000, and are less exposed to competitive pressures than are general purpose balers. Specialty baler sales constituted approximately 30% of net sales on a consolidated basis for each of the fiscal years ended October 31, 2007 and 2006.

#### Accessory Equipment

The Company manufactures and markets a number of accessory equipment items in order to market a complete waste handling system. These include conveyors, which carry waste from floor level to the top of large horizontal balers; extended hoppers on such balers; rufflers, which break up material to improve bale compaction; electronic start/stop controls and hydraulic oil coolers and cleaners. At the present time, accessory equipment does not represent a significant percentage of net sales.

## Manufacturing

IBC manufactures its products in its facility in Jacksonville, Florida, where it maintains a fully equipped and staffed manufacturing plant. IBC purchases raw materials, such as steel sheets and beams and components such as hydraulic pumps, valves and cylinders, and certain controls and other electric equipment which are used in the fabrication of the balers. The Company has no long-term supply agreements, and has not experienced unusual delay in obtaining raw materials or components.

The raw materials required by IBC to manufacture the balers, principally steel, motors, and hydraulic systems, are readily available from a number of sources and IBC is not dependent on any particular source. IBC is not dependent on any significant patents, trademarks, licenses, or franchises in connection with its manufacture of balers.

While IBC maintains an inventory of raw materials, most of it is intended for specific orders and inventory turnover is relatively rapid. Approximately 60% of its inventory turns over in 45 to 90 days and the balance, consisting of customized equipment, turns over in 3 to 6 months. IBC's business is not seasonal.

## Sales and Marketing

IBC sells its products throughout the United States and to some extent in Europe, the Far East, and South America to manufacturers of synthetic rubber and polymers, plastic recycling facilities, power generating facilities, textile mills, paper mills, cotton gins, supermarkets and other retail outlets, paper recycling facilities, and municipalities.

Most of the sales of IBC are made by its sales force of four (4) employees who rely upon responses to advertising, personal visits, attendance at trade shows, referrals from existing customers and telephone calls to dealers and/or end users. Approximately forty (40%) percent of net sales are made through manufacturer's representatives and dealers. The Company's general purpose balers are sold primarily in the eastern United States to such end users as waste producing retailers (supermarkets and liquor stores, for example), restaurants, manufacturing and fabricating plants, bulk material producers, nuclear plants, and solid waste recycling facilities. Specialty balers are sold throughout the United States and to some extent in Europe, the Far East, and South America to manufacturers of rubber and polymers, plastic recycling facilities, paper recycling facilities, textile mills and power generating facilities. Both types of balers are sold abroad. During fiscal 2007, foreign sales amounted to \$3,320,734 or approximately 34% of consolidated sales. In fiscal 2006, foreign sales amounted to \$1,703,000, approximately 21% of the Company's net sales.

During fiscal 2007, IBC had sales to more than 600 customers, one of which accounted for approximately 17% of its net sales for the year. The Company anticipates that no one customer will account for more than 10% of net sales in the year ending October 31, 2008.

The Company builds only a small quantity of balers for its inventory and generally builds based on firm sales orders. The Company's open sales orders at October 31, 2007 were \$3,444,306 and at October 31, 2006 were

\$3,785,000. The Company generally delivers its orders within four (4) months of the date booked.

#### Warranties and Service

IBC typically warrants its products for one (1) year from the date of sale as to materials and six (6) months as to labor, and offers a service plan for other required repairs and maintenance. Service is rendered by repairing or replacing parts at IBC's Jacksonville, Florida, facility, and by on-site service provided by Company personnel who are based in Jacksonville, Florida, or by local service agents who are engaged as needed. Repair services and spare parts sales represented approximately 15% of the Company's consolidated net sales for fiscal 2007 and 2006.

#### Competition

The potential market for the Company's balers is nationwide and overseas, but the majority of the Company's general purpose baler sales are in the eastern United States, primarily because of freight and service costs. The Company competes in these markets with approximately 20 companies, none of which are believed to be dominant, but some of which may have significantly greater sales and financial resources than the Company. The Company is able to compete with these companies due to its reputation in the market place, its ability to service the balers it manufactures and sells, as well as its ability to custom design balers to a customer's particular needs. The Company experiences intense competition with respect to its lower priced or general purpose balers, based upon price, including freight, and based on performance. The Company experiences less competition with respect to its specialized baler equipment, such as synthetic rubber, scrap metal, and textile balers.

#### Regulation

Machinery, such as the Company's balers, is subject to both federal and state regulation relating to safe design and operation. The Company complies with design requirements and its balers include interlocks to prevent operation while the loading door is open, and also include required printed safety warnings.

#### Research and Development

The Company has the broadest line of products in the baler industry and continues to provide its customers with new products and product improvements. The Company invests a minimal amount on general research and development of new products.

#### Compliance With Environmental Laws

The Company believes that it has complied with and is in compliance, with all Federal, State, and Local environmental laws. The Company's expenditures to remain in compliance are considered to be minimal.

#### Employees

As of October 31, 2007, the Company employed 65 persons as follows: 6 in management and supervision; 7 in sales and service; 46 in manufacturing; and, 6 in administration.

#### Available Information

The Company is a reporting company, as that term is defined under the Securities Acts, and therefore, files reports, including, Quarterly Reports on Form 10-QSB and Annual Reports on Form 10-KSB and other information with the Securities and Exchange Commission (the "Commission"). In addition, the Company will provide, without charge to its stockholders, upon written or oral request by such stockholder, a copy of any information referred to herein that is incorporated by reference except exhibits to such information that are incorporated by reference unless the exhibits are themselves specifically incorporated by reference. All such requests should be directed to William E. Nielsen, at Waste Technology Corp., 5400 Rio Grande Avenue, Jacksonville, Florida 32254, telephone number (904) 358-3812.

The Company is an electronic filer. The Commission maintains a web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission, including all of the Company's filings with the Commission. The address of such site is (<http://www.sec.gov>).

The Company's website is located at <http://www.intl-baler.com>. Under the "Corporate Information" section of the website, you may access, free of charge, the Company's Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K, Section 16 filings (Form 3, 4 and 5) and any amendments to those reports as reasonably practicable after the Company electronically files such reports with the SEC. The information contained on the Company's website is not part of this Report or any other report filed with the SEC.

#### ITEM 2. DESCRIPTION OF PROPERTY

IBC is the owner of the building located at 5400 Rio Grande Avenue, Jacksonville, Florida. The building contains approximately 62,000 square feet and is situated on eight (8) acres. IBC manufactures all of the Company's products at this location. The property has no mortgage, however, the Company's primary lender, First Guaranty Bank & Trust Company, has a security interest in the property as part of the collateral for the line of credit and promissory note which it provides to the Company. See Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company has completed the preliminary planning for a potential plant expansion of approximately 30,000 square feet of manufacturing space. Initial estimates indicate that this project would require an investment of approximately \$2,000,000. The Company has not contracted to go forward with this plant expansion. The Company's buildings and property are well maintained and are adequately covered by insurance.

### ITEM 3. LEGAL PROCEEDINGS

Except as described hereafter, the Company is not a party to any pending material legal proceeding. To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceeding against the Company which would have a result materially adverse to the Company. To the knowledge of management, no director, executive officer or affiliate of the Company or owner of record or beneficially owned interest of more than 5% of the Company's common stock is a party adverse to the Company or has a material interest adverse to the Company in any proceeding.

An action was filed against the Company's wholly-owned subsidiary, IBC, and two other defendants on March 21, 2005 in the Circuit Court of the State of Oregon stemming from the sale of a baling system. East County Recycling, Inc. v PCI Waste and Recycling Systems, International Baler Corp. Recycling Equipment Manufacturing Corp. Case No. 0503-02879. The complaint alleged breach of express warranty, breach of implied warranty of fitness for a particular purpose and implied warranty of merchantability and negligence. The plaintiffs sought damages of approximately \$820,000 through March 21, 2005 and an additional \$91,550 per month thereafter through the date of award. IBC filed a motion to dismiss, as a matter of law, all claims against IBC, with the exception of the plaintiff's claim for breach of express warranty. The motion was granted. Thereafter, in February 2006, the court granted a subsequent motion made by IBC for summary judgment to dismiss the plaintiff's remaining breach of express warranty claim. This motion was also granted and IBC was dismissed from the lawsuit. The plaintiff appealed the judgement of dismissal. On August 29, 2007 the Oregon Court of Appeals affirmed the trial court's dismissal of the action against IBC. The plaintiff, East County Recycling, has elected to not request the court to reconsider its decision or appeal that decision to the Oregon Supreme Court. Therefore, the dismissal is final and the matter is closed.

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

None during the fourth quarter ending October 31, 2007.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's stock is presently traded on the OTC Electronic Bulletin Board of NASDAQ under the symbol WTEK.OB. As of October 31, 2007, the number of shareholders of record of the Company's Common Stock was approximately 500, and management believes that there are approximately 1,000 beneficial owners of the Company's common stock.

The range of high and low bid quotations for the Company's common stock during the fiscal years ended<sup>7</sup>October 31, 2007 and 2006, are set

forth below.

Fiscal Year Ended October 31, 2006	High	Low
First Quarter	\$ 0.55	\$ 0.45
Second Quarter	0.50	0.38
Third Quarter	0.55	0.42
Fourth Quarter	0.48	0.40

  

Fiscal Year Ended October 31, 2007	High	Low
First Quarter	\$ 1.03	\$ 0.40
Second Quarter	2.00	0.58
Third Quarter	0.80	0.70
Fourth Quarter	1.25	0.60

The Company has paid no dividends since its inception. Other than the requirement of the Delaware Corporation law that dividends be paid out of capital surplus only, and that the declaration and payment of a dividend not render the Company insolvent, there are no restrictions on the Company's present or future ability to pay dividends.

The payment by the Company of dividends, if any, in the future, rests within the discretion of its Board of Directors and will depend, among other things, upon the Company's earnings, its capital requirements, its financial condition and other relevant factors. By reason of the Company's present financial status and its contemplated financial requirements, the Company does not anticipate paying any dividends on its common stock during the foreseeable future, but intends to retain any earnings for future expansion of its business.

#### Recent Sales of Unregistered Securities

During the past three years ended October 31, 2007, the Company has not sold any unregistered securities.

#### Purchases of Equity Securities

During the fiscal year ended October 31, 2007, neither the Company, nor anyone on its behalf, repurchased any of the Company securities.

Securities authorized for issuance under equity compensation plans.

None

#### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Results of Operations

For the fiscal year ending October 31, 2007, net sales were \$9,634,221 compared to \$8,146,274 in fiscal 2006, an increase of 18.3%. The increased net sales were the result of higher sales of several synthetic rubber balers and larger size two-ram balers relating to the recycling industry trend to this kind of equipment. The actual number of balers and conveyors shipped in 2007 was almost identical to the number of units shipped in 2006, however the average price per unit was approximately \$4,000 higher. This price difference was due primarily to the types of balers shipped and not due to price increases. The Company also sold a significant amount of related rubber baler equipment of other manufacturers as part of the systems sold.

The Company had net income of \$602,460 in fiscal 2007 compared to net income of \$407,436 in fiscal 2006. The higher net income is the result of the higher sales in 2007. Gross profit margins improved to 20.5% in fiscal 2007 from 19.6% in 2006 due primarily to the higher level of shipments and additional absorption of fixed costs.

Selling and administrative expenses increased by \$131,155, 10.8%, from the prior year. In July of 2007 the Company hired a consultant, Mr. Greg Kirkpatrick, for the purpose of improving the Company's manufacturing operations. Mr. Kirkpatrick was named "Acting President" in September 2007. The cost of this professional service and related expense to the Company was approximately \$70,000 through the end of the fiscal year. Mr. Kirkpatrick completed his consulting project and left the Company in December of 2007. The position of president remains unfilled at the current time. The Company also paid directors' fees totaling \$34,000 to outside directors who were not shareholders.

## Financial Condition

The Company's net working capital at October 31, 2007, was \$1,689,292 as compared to \$1,258,323 at October 31, 2006. The Company currently believes that it will have sufficient cash flow to be able to make the balance of all installment payments and fund other operating activities for the next twelve months.

In February 2007 the Company entered in to a \$200,000 term loan agreement with First Guaranty Bank and Trust of Jacksonville. This loan is for a period of five years with a fixed rate of interest of 8.5% and monthly payments of principal and interest of \$4,172. Collateral for this loan includes all assets of the Company.

In March 2007, the Company had its \$500,000 line of credit agreement with First Guaranty Bank and Trust of Jacksonville increased to \$1,000,000. The line of credit allows the Company to borrow against the Company's assets. The line of credit bears interest at the prime rate plus one-half percent and has a remaining term of three years to March 2010. The line of credit had an outstanding balance of \$5,654 and \$4,737 at October 31, 2007 and 2006, respectively, and the unused line of credit was \$994,346 at October 31, 2007. The Company has a certificate of deposit which is security for a letter of credit with Wachovia Bank of \$224,100 which expires on July 31, 2010.

The Company made additions to its manufacturing equipment of \$151,327 and improvements to its buildings of \$5,269 in fiscal 2007. As stated previously, (see Item 2) the Company has completed the preliminary planning for a potential plant expansion of approximately 30,000 square feet of manufacturing space which would require an investment of approximately \$2,000,000. The cost of the plant expansion planning, \$65,000, includes civil plans and architectural drawings. Other than as set forth above, there are no unusual or infrequent events or transactions or significant economic changes which materially affect the amount of reported income. The Company believes that its cash, line of credit, and results of operations are sufficient to fund future operations.

The Company is unaware of any events or uncertainties which are reasonably likely to have a material impact on the Company's short-term or long-term liquidity or the net sales, or net income. The Company has no known or anticipated significant elements of income or loss that do not arise from the Company's operations.

#### Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

#### Inflation

The costs of the Company and its subsidiary are subject to the general inflationary trends existing in the general economy. The Company believes that expected pricing by its subsidiary for balers will be able to include sufficient increases to offset any increase in costs due to inflation.

#### Market Risk

The Company is exposed to changes in interest rates as a result of its financial activities, primarily borrowings on the revolving line of credit facility which has a variable interest rate.

This "Management's Discussion and Analysis" contains forward-looking statements within the meaning of Section 21B of the Securities and Exchange Act of 1934, as amended. These forward-looking statements represent the Company's present expectations or beliefs concerning future events. The Company cautions that such statements are necessarily based on certain assumptions which are subject to risks and uncertainties, including, but not limited to, changes in general economic conditions and changing competition which could cause actual results to differ materially from those indicated.

#### Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation

No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return based on whether it is more likely than not that certain return positions will be sustained upon examination by taxing authorities. Implementation of FIN No. 48 is required for fiscal years beginning after December 15, 2006. Although management's evaluation of FIN No. 48 has not been completed, management believes that the implementation of FIN No. 48 will not have an effect on the financial position of the Company.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." "SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 becomes effective for fiscal years beginning after November 15, 2007, which is the Company's 2009 fiscal year beginning on November 1, 2008. The Company continues to evaluate the impact of SFAS No. 157 on its consolidated financial statements, but at this time does not expect the potential impact of adopting this standard to have a material effect on the Company's financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." "SFAS No. 159 permits companies to measure many financial instruments and certain other items at fair value at specified election dates. Unrealized gains and losses on these items will be reported in earnings at each subsequent reporting date. The fair value option may be applied instrument by instrument (with a few exceptions), is irrevocable and is applied only to entire instruments and not to portions of instruments. This new standard becomes effective for fiscal years that begin after November 15, 2007, which is the Company's 2009 fiscal year beginning on November 1, 2008. The Company continues to evaluate the impact of SFAS No. 159 on its consolidated financial statements.

#### Recently Adopted Accounting Standards

In September 2006, the SEC Staff issued Staff Accounting Bulletin 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), which expresses the staff's views regarding the process of quantifying financial statement misstatements. SAB 108 requires registrants to quantify misstatements using both the balance sheet and income statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. Provisions of the SAB are applicable for years ending after November 15, 2006. The implementation of SAB 108 did not have an impact to the Company.

#### ITEM 7. FINANCIAL STATEMENTS

The financial statements and supplementary data commence on page F-1.

#### ITEM 8. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

## ITEM 8A. CONTROLS AND PROCEDURES

### Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As of the end of the period covered by this report, and under the supervision and with the participation of management, including its Chief Financial Officer, management evaluated the effectiveness of the design and operation of these disclosure controls and procedures. Based on this evaluation and subject to the foregoing, the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in reaching a reasonable level of assurance of achieving management's desired controls and procedures objectives.

As part of a continuing effort to improve the Company's business processes management is evaluating its internal controls and may update certain controls to accommodate any modifications to its business processes or accounting procedures.

### Changes in Internal Controls

During the year ended October 31, 2007, there have not been any changes in the Company's internal controls that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## ITEM 8B. OTHER INFORMATION

None

## PART III

## ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

## Identification of Directors and Officers

The current executive officers and directors of the Company are as follows:

<u>NAME</u>	<u>Age</u>	<u>Positions Held</u>	<u>Date of Initial Election or Designation</u>
LaRita Boren 9315 South 950 East Upland, IN 46989	71	Director	3/09/05
Leland E. Boren 9315 South 950 East Upland, IN 46989	84	Director	3/09/05
Ronald L. McDaniel 2700 West 36 <sup>th</sup> Place Chicago, IL 60632	68	Director Chairman of the Board	5/16/06
William E. Nielsen 5400 Rio Grande Ave. Jacksonville, FL 32254	60	Director Chief Financial Officer	11/20/97 6/14/94
Matthew M. Price 2700 Market Tower 10 West Market Street Indianapolis, IN 46204	40	Director	5/11/07
David B. Wilhelmy 5400 Rio Grande Ave. Jacksonville, FL 32254	53	Director Vice President Sales and Marketing	9/01/02

The Board of Directors is divided into three (3) classes of directors ("Class I", "Class II", and "Class III"), with each class having as nearly the same number of directors as practicable. Stockholders elect such class of directors, Class I, Class II, or Class III, as the case may be, to succeed such class directors whose terms are expiring, for a three (3) year term, and such class of directors shall serve until the successors are elected and qualify. Officers of the Company serve at the pleasure of the Board of Directors.

During fiscal 2007 the Board of Directors met three times.

There are no family relationships between executive officers or directors of the Company except that LaRita Boren and Leland E. Boren are husband and wife.

Except as noted above, there is no understanding or arrangement between any director or any other persons pursuant to which such individual was or is to be selected as a director or nominee of the Company.

## Background of Executive Officers and Directors

The following is a brief account of the experience, during the past five years, of each director and executive officer of the Company:

LaRita R. Boren is the Executive Director of Avis Industrial Corporation. She has served as a member of the Board of Directors of Avis since 1979 and as Vice-President from 1986 until April, 2006 when she was elected Executive Director. She is also on the Board of Directors of The Boren Foundation, Inc., Citizens Plaza Building, LLC, Citizens Travel Agency, The Heartland Film Festival, Lyford Cay Foundation Inc., J.M. Music, Inc., Taylor University, LeLaLo Foundation, Inc., and Spring Hill Music Group, Inc. Mrs. Boren received a Bachelors of Science degree from Oklahoma State University in 1957. She has an honorary Doctor of Business Management degree from Indiana Wesleyan University and a Doctor of Humane Letters degree from Taylor University. Mrs. Boren has been married to Leland E. Boren, also a Director of Avis Industrial Corporation since 1958.

Leland E. Boren is the Chairman, Chief Executive Officer and President of Avis Industrial Corporation located in Upland, Indiana. From 1945 through 1971 Mr. Boren was employed by The Pierce Company (formerly The Pierce Governor Company) in various capacities. He became President of The Pierce Governor Company in 1958. The Pierce Company merged with Avis Industrial Corporation in 1971 and Mr. Boren became President of Avis at that time. Mr. Boren has been married to LaRita R. Boren, who is also a Director of Avis Industrial Corporation since 1958.

Ronald L. McDaniel has been president of Western-Cullen-Hayes, Inc. since 1980. He was Vice President and General Manager of Western-Cullen-Hayes from 1975 to 1980. From 1957 to 1975 Mr. McDaniel worked for Western-Cullen-Hayes and Burro Crane, an affiliated company, in various capacities including division controller. Mr. McDaniel has a bachelor's degree from the University of Dayton and an MBA from the University of Chicago.

William E. Nielsen prior to joining the Company, Mr. Nielsen acted as a financial consultant to Fletcher Barnum Inc., a privately held manufacturing concern, from October 1993 through June 1994. From 1980 through July 1993, he was the Vice President, Administration and Finance at Unison Industries, Inc. Mr. Nielsen received a BBA in Finance and an M.B.A. at Western Illinois University in 1969 and 1970, respectively.

David B. Wilhelmy prior to joining the Company, Mr. Wilhelmy was Vice President/Sales and Acquisitions for Consolidated Packaging Systems. CPS was a joint venture with Gryphon Investors to consolidate the packaging systems distribution industry, from January 2000 through August 2002. Mr. Wilhelmy was the Southeast Regional Vice President of Sales and Marketing for Packaging for Unisource Distribution Company from 1993 to 2000. Mr. Wilhelmy received a Bachelor Degree in Business Administration from Madison University.

Mathew M. Price is an attorney with the law firm of Bingham McHale LLP since 1993. Mr. Price received a BA degree from Wabash Collage in 1990 and a J.D. from Indiana University School of Law in 1993. Mr. Price is a member of the

American Bar Association, Indiana State Bar Association and the Indianapolis Bar Association. Mr. Price is a member of his law firm's manufacturing industry team, and his practice focus is on issues relating primarily to manufacturers.

## Involvement in Certain Legal Proceedings

To the knowledge of the Company's management, during the past five years, no present or former director, executive officer, affiliate or person nominated to become a director or an executive officer of the Company:

- (1) Filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he or she was a general partner at or within two years before the time of such filing, or any corporation or business association of which he or she was an executive officer at or within two years before the time of such filing;
- (2) Was convicted in a criminal proceeding or named subject of pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Was the subject of any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him or her from or otherwise limiting his or her involvement in any type of business, securities, or banking activities;
- (4) Was found by a court of competent jurisdiction in a civil action by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated any Federal or State Securities laws, and the judgment in such civil action of finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated.

## Section 16 (a) Beneficial Ownership Reporting Compliance

In fiscal 2007, none of the Company's officers, directors, and beneficial owners of more than ten percent of the company's common stock were delinquent in filing of any of their Form 3, 4, and 5 reports.

## Code of Ethics

The Company has adopted a code of business conduct and ethics for directors, officers (including the Company's principal executive officer, principal financial officer and controller) and employees, known as the Standards of Business Conduct. The Standards of Business Conduct are available on the Company's website at <http://www.intl-baler.com>. The Company intends to disclose any Amendments to its Code of Ethics and any waiver from a provision of the Code of Ethics granted to the Company's Chief Executive Officer, Chief Financial Officer, or other persons performing similar functions, on the Company's website within five business days following such amendment or waiver. Stockholders may request a free copy of the Standards of Business Conduct from:

Waste Technology Corp.  
Attention: William E. Nielsen  
5400 Rio Grande Avenue  
Jacksonville, Florida 32254  
(904)358-3812

#### Committees

The Company's Board of Directors consists of six members only two of whom are independent, Ronald McDaniel and Mathew Price. The Company has sought and continues to seek appropriate individuals to serve on the Board of Directors who meet the requirements necessary to qualify as independent directors to serve on the Company's Board of Directors. The Company has been unable to find such independent directors because it does not have sufficient funds to purchase directors and officers insurance or compensate such independent directors for their services.

Ronald McDaniel, Mathew Price and LaRita Boren are members of Board's Audit Committee. Mr. McDaniel serves as the audit committee's "financial expert" as that term is defined by applicable Securities and Exchange Commission ("SEC") regulations. Mr. McDonald's qualifications for this position are based upon his educational background and work experience as set forth above. Although the Company does not presently have an Audit Committee Charter, it intends to adopt a charter shortly. Once the charter is adopted it will be posted on the Company's website.

The Company does not have a nominating committee and the full Board of Directors performs this function. In its role as nominating committee, the Board identifies the candidates for Board membership. In identifying Board candidates, the Board will seek recommendations from existing Board members, executive officers of the Company and all persons who own more than five percent (5%) of the Company's outstanding stock. The Board has no stated specific minimum qualifications that must be met by a candidate for a position on the Board of Directors. The Board will consider a variety of factors in evaluating the qualifications of a candidate including the candidate's professional experience, educational background, knowledge of the Company's business and personal qualities. The Board may, when appropriate, retain an executive search firm and other advisors to assist it in identifying candidates for the Board. In addition, the Board will consider any candidates that may have been recommended by any of the Company's stockholders who have made those recommendations in accordance with the Company's procedures described in the Company's last notice of annual meeting and proxy statement (the "Notice"). There have been no changes to those procedures since the mailing of the Notice. In addition, such stockholder recommendation must be accompanied by (1) such information about each prospective director nominee as would have been required to be included in a proxy statement filed pursuant to the rules of the SEC had the prospective director nominee been nominated by the Board of Directors and (2) that the prospective director nominee has consented to be named, if nominated, as a nominee and, if elected, to serve as a director.

#### ITEM 10. EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

The objective of the Company's compensation program is to attract and retain qualified and talented professional individuals to perform the duties of the Company's executive offices. The Company's compensation program is designed to fairly reward the Company's executive officers for their overall performance in the management of the affairs of the Company. The measurement of successful performance has significant elements of subjective judgment in view of the lack of any directly comparable single element or group of elements to which the Company and its performance may be readily compared from time to time.

The elements of compensation of the Company's compensation programs include salary, health insurance, stock options, and, in certain circumstances, the award of a cash bonus. As of the present time, the Company compensation plan does not include any defined benefit retirement plan; any social club memberships or dues or any payments for housing, cars, boats, or other property of any kind to any person. The Company has not entered into any employment contracts with its executive officers nor any contracts for compensation to any person in the event of a change in control of the Company. The Company pays no other elements of compensation to its executive officers. The relatively small size of the Company in comparison to other entities presents the Company with additional risks in meeting its objectives of attracting and retaining qualified and talented professional individuals.

The salary component of the compensation is most important and the Company attempts to be competitive with what it believes to be the compensation of other companies of similar size and scope of operations. To date the Company has not engaged the services of a compensation review consultant or service in view of the cost of such services compared to the size and revenues of the Company. The award of a bonus upon review of Company performance provides an additional incentive. The Company determines the amount for each element to pay by reviewing annually the compensation levels of the Company's executive officers and determining from the performance of the Company during that time since the last review what an appropriate compensation level may be during the upcoming annual period. The Company has no existing formula for determination of the salary, stock options, or bonus elements of compensation.

### Executive Officer Compensation

The following table sets forth a summary of all compensation awarded to, earned by or paid to, the Company's Chief Executive Officer and each of the Company's executive officers whose compensation exceeded \$100,000 per annum for services rendered in all capacities to the Company and its subsidiaries during fiscal years ended October 31, 2007, 2006, and 2005:

<b>SUMMARY COMPENSATION TABLE</b>							
Annual Compensation					Long Term Awards		
NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	NUMBER OF OPTIONS	ALL OTHER COMPENSATION	TOTAL COMPENSATION

William E. Nielsen Chief Financial Officer <sup>1</sup>	2007	131,440	12,500	-0-	-0-	-0-	143,940
	2006	122,768	10,000	-0-	-0-	-0-	132,768
	2005	104,271	3,000	-0-	-0-	-0-	107,271
David B. Wilhelmy Vice President Sales and Marketing	2007	129,602	12,500	-0-	-0-	-0-	142,102
	2006	121,517	10,000	-0-	-0-	-0-	131,517
	2005	102,848	3,000	-0-	-0-	-0-	105,848
Greg Kirkpatrick Acting President <sup>2</sup>	2007	58,950	-0-	-0-	-0-	-0-	58,950

#### Outstanding Equity Awards at Fiscal Year-End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
William E. Nielsen Chief Financial Officer	250,000	-0-	-0-	\$0.30	2/7/2012	-0-	-0-	-0-	-0-

None of the Company's other Executive Officers earned compensation in fiscal 2007, 2006, and 2005 in excess of \$100,000 for services rendered to the Company in any capacity. Two outside Directors of the Company received \$1,000 per month for services as Directors during fiscal 2007.

#### Option Grants and Exercises in Last Fiscal Year

No options were granted or exercised during fiscal 2007 by the Company's Chief Executive Officer or any of the Company's most highly compensated executive officers whose compensation exceeded \$100,000 for Fiscal 2007.

<sup>1</sup> William Nielsen was President and CEO in 2005, 2006 and until September 18, 2007.

<sup>2</sup> Greg Kirkpatrick was acting President from September 18, 2007 to December 19, 2007.

## Compensation of Directors

The Board of Directors of the Company has resolved to compensate non-employee directors \$1,000 per month, together with direct out-of-pocket expenses incurred to attend meetings. LaRita Boren and Leland E. Boren waived the monthly fees for fiscal 2007.

Members of the Board of Directors may also be requested to perform consulting or other professional services for the Company from time to time. The Board of Directors has reserved to itself the right to review all directors' claims for compensation on an ad hoc basis.

Directors who are on the Company's Audit, Compensation, and Nomination Committees are independent and therefore, do not receive any consulting, advisory or compensatory fees from the Company. However, such Board members may receive fees from the Company for their services on those committees.

<b>Director Compensation for Fiscal 2007</b>							
Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Ronald L. McDaniel	12,000	-0-	-0-	-0-	-0-	-0-	12,000
Mathew M. Price	8,000	-0-	-0-	-0-	-0-	-0-	8,000

## Employment Contracts

The Company does not have employment contracts with the Chief Executive Officer or any other member of management.

## Compensation Committee Interlocking and Insider Participation

There are no interlocking relationships between any member of the Company's Compensation Committee and any member of the compensation committee of any other company, nor has any such interlocking relationship existed in the past. No member of the Compensation Committee is or was formerly an officer or an employee of the Company.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information with respect to the ownership of the Company's Common Stock as of December 31, 2007 by (i) those persons known by the Company to be the beneficial owners of more than 5% of the total number of outstanding shares of Common Stock, (ii) each director and executive officer, and (iii) all officers and directors as a group as of

December 31, 2007 with these computations based on 4,933,895 shares of common stock being outstanding at that time.

NAME AND ADDRESS OF BENEFICIAL OWNER	TITLE HELD	AMOUNT OF BENEFICIAL OWNERSHIP <sup>1</sup>	APPROXIMATE PERCENT OF CLASS
LaRita Boren 9315 South 950 East Upland, IN 46989	Director	2,423,853	49.1%
Leland E. Boren 9315 South 950 East Upland, IN 46989	Director	220,768	4.5%
Ronald L. McDaniel Western-Cullen-Hayes, Inc. 2700 W. 36 <sup>th</sup> Place Chicago, IL 60632	Director	None	-0-
William E. Nielsen 5400 Rio Grande Avenue Jacksonville, FL 32254	Director Chief Financial Officer	250,000 <sup>2</sup>	4.8%
Mathew M. Price Bingham McHale LLP 10 West Market Street Indianapolis, IN 46204	Director	None	-0-
Alexander C. Toppan 40 Spectacle Ridge Road South Kent, CT 06785	Stockholder	434,450 <sup>3</sup>	8.8%
David B. Wilhelmy 5400 Rio Grande Avenue Jacksonville, FL 32254	Director Vice President Sales and Marketing	None	-0-
Waste Technology Corporation Profit Sharing Trust 5400 Rio Grande Avenue Jacksonville, FL 32254	Stockholder	163,673 <sup>4</sup>	3.3%
All Officers and Directors as a Group (5 persons)		3,058,294 <sup>5</sup>	59.0%

<sup>1</sup> Unless otherwise stated, all shares of common stock are directly held with sole voting power and dispositive power.

<sup>2</sup> Consists of fully exercisable options to purchase 250,000 shares.

<sup>3</sup> Shares are held in joint tenancy with his wife, Mary Anne T. Toppan.

<sup>4</sup> Employees' Profit Sharing Trust of which William Nielsen is Trustee.

<sup>5</sup> Consists of 2,644,621 shares held directly; fully exercisable options to purchase 250,000 shares; and 163,673 shares held by Waste Technology Corporation Employee Profit Sharing Trust.

### Changes In Control

To the knowledge of the Company's management, there are no present arrangements or pledges of the Company's securities which may result in a change in control of the Company.

### ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND INDEPENDENCE OF DIRECTORS

#### Transactions with Management and Others

LaRita Boren and Leland E. Boren, both, shareholders and directors of the Company, are the owners of Avis Industrial Corporation (Avis). Together the Borens own 53.6% of the outstanding shares of the Company. Avis owns 100% of American Baler Company, a competitor of the Company's International Baler Corporation. These baler companies operate completely independent of each other.

In the fiscal year ending October 31, 2007 International Baler Corporation had equipment sales to American Baler Company totalling \$361,729. These sales included types of products American Baler does not manufacture. These sales were made under the Company's normal dealer discount schedule. International Baler Corporation purchased no equipment from American Baler.

In July of 2007 the Company hired a consultant thru Avis, Mr. Greg Kirkpatrick, for the purpose of improving the Company's manufacturing operations. Mr. Kirkpatrick was named "Acting President" in September 2007. The cost of the professional service and related expense to the Company was approximately \$70,000 through the end of the fiscal year. Kirkpatrick completed his consulting project and left the Company in December of 2007. The position of president remains unfilled at the current time.

#### Indebtedness of Management

No officer, director or security holder known to the Company to own of record or beneficially more than 5% of the Company's common stock or any member of the immediate family of any of the foregoing persons is indebted to the Company.

#### Parent of the Issuer

The Company has no parent.

#### Independence of Directors

Rule 4350 (c) (1) of The Nasdaq Stock Market rules requires that a majority of the members of the Company's Board of Directors be independent in that they are not officers or employees of the Company and are free of any relationship that would interfere with the exercise of their independent judgment.

The Board of Directors has determined that only two of the Company's Directors, Ronald L. McDaniel and Matthew M. are independent as defined by the listing standards of the Nasdaq Stock Market Rules, Section 10A(m)(3) of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission.

However, Rule 4350(c)(5) provides an exemption from the requirement that a majority of the Company's Directors be independent if the Company is considered a "controlled company". A controlled company is defined as a company of which more than 50% of the voting power is held by an individual, a group or another company. LaRita Boren and Leland E. Boren, who are husband and wife and members of the Company's Board of Directors, have a verbal agreement or understanding to vote their shares in a like manner. As Mr. And Mrs. Boren together beneficially own more than 50% of the outstanding shares of the Company's common stock, the Company is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market and as such is exempt from certain of the corporate governance rules of The Nasdaq Stock Market, such as the requirement that the board of directors consist of a majority of independent directors.

#### ITEM 13. EXHIBITS

The Following Documents are Filed as Part of this Report

1. Financial Statements:

Consolidated Balance Sheets  
Consolidated Statements of Operations  
Consolidated Statements of Stockholders' Equity  
Consolidated Statements of Cash Flows  
Notes to Consolidated Financial Statements

2. Exhibits

The following exhibits are filed with, or incorporated by reference into this report.

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement of Merger between International Baler Corporation and IBC Merger Corporation dated June 24, 1997 (Incorporated by reference to Exhibit 10.39 to Company's Current Report on Form 8-K, Date of Report June 27, 1997[Report on Form 8-K June 27, 1997]).
2.2	Certificate of Merger of International Baler Corporation into IBC Merger Corporation (Incorporated by reference to Exhibit 10.39.1 to Report on Form 8-K June 27, 1997).

- 2.3 Certificate of Merger merging Consolidated Baling Machine Company, Inc. and Florida Waste Systems, Inc. Into International Baler Corporation filed July 30, 2004.
- 3.1 Articles of Incorporation and by-laws of Waste Technology Corp. and amendments (Incorporated by reference to the Company's Registration Statement on Form S-18 filed in April, 1985, Registration No. 2-97045[the "Statement on Form S-18"])
- 3.2 Certificate of Incorporation of International Baler Corporation f/k/a National Compactor & Technology Systems, Inc. And all amendments thereto (Incorporated by reference to Exhibit 3.3 to Form 8 Amendment No.1 to the Company's Annual Report on Form 10-K for the year ended October 31, 1989["Amendment No. 1 to 1989 Form 10-K"]).
- 3.3 By-laws of International Baler Corporation (Incorporated by reference to Exhibit 3.4 to Amendment No. 1 to 1989 Form 10-K).
- 3.4 Certificate of Incorporation of Consolidated Baling Machine Co., Inc. f/k/a Solid Waste Recovery Test Center, Inc. And all amendments thereto (Incorporated by reference to Exhibit 3.5 to Amendment No. 1 to 1989 Form 10-K).
- 3.5 By-laws of Consolidated Baling Machine Co., Inc. (Incorporated by reference to Exhibit 3.6 to Amendment No. 1 to 1989 Form 10-K).
- 3.7 Certificate of Amendment to Certificate of Incorporation of Waste Technology Corp. Filed on November 4, 1991(Incorporated by reference to Exhibit 3.1.1 to Company's Annual Report on Form 10-K for the year ended October 31, 1991[the "1991 Form 10-K"]
- 3.8 Certificate of Amendment to Certificate of Incorporation of Waste Technology Corp. Filed on November 21 1991(Incorporated by reference to Exhibit 3.1.2 to Company's 1991 Form 10-K).
- 3.9 Revised and restated by-laws of Waste Technology Corp. (Incorporated by reference to Exhibit 3.2 to Company's 1991 Form 10-K).
- 3.10 Amendment to revised and restated by-laws of Waste Technology Corp. (Incorporated by reference to Exhibit 3.2.1 to Company's 1991 Form 10-K).
- 3.11 Certificate of Incorporation of Waste Tech Real estate Corp. (Incorporated by reference to Exhibit 3.7 to Company's Annual Report on Form 10-K for year ended October 31, 1990).
- 4.1 1995 Stock Option Plan (Incorporated by reference to Exhibit 4.1 to Annual Report on Form 10-K for the year ended October 31, 1995).
- 10.1 Agreement between the Company and International Baler Corp. dated September 8, 1986, relating to acquisition of assets and stock (Incorporated by reference to Exhibit 10.1to Statement on Form S-18).
- 10.2 Agreement dated February 3, 1987, between the Company and N.

- J. Cavagnaro & Sons and Machine Corp., Nicholas J. Cavagnaro Jr., George L. Cavagnaro, and Pauline L. Cavagnaro together with the exhibits annexed thereto for the acquisition of N. J. Cavagnaro & Sons Machine Corp. (Incorporated by reference to Exhibit 10.2 to Company's Annual Report on Form 10-K for the year ended October 31, 1987 [the "1987 Form 10-K"]).
- 10.3 Non-Competition Agreement dated February 3, 1987 between the Company and N. J. Cavagnaro & Sons Machine Corp., George L. Cavagnaro, Nicholas J. Cavagnaro, Jr. and Pauline L. Cavagnaro. (Incorporated by reference to Exhibit 10.3 to 1987 Form 10-K).
- 10.4 Severance Agreement between International Baler Corporation and Ted C. Flood dated May 17, 1989, and agreed to June 3, 1989 (Incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K, Date of Report, June 1, 1989 [AReport on Form 8-K June 1, 1989']).
- 10.5 Waste Technology Corp. Profit Sharing Plan including Agreement of Trust (Incorporated by reference to Exhibit 10.7 to Report on Form 8-K June 1, 1989).
- 10.6 Form of Deferred Compensation Agreement for Ted C. Flood (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10K for the year ended October 31, 1991).
- 10.7 Agreement between Waste Technology Corp. and Charles B. Roth, dated June 25, 1992 (Incorporated by reference to Exhibit 10.30 to Company's Current Report on Form 8-K, Date of Report June 25, 1992).
- 10.8 Agreement between Waste Technology Corp., International Baler Corp. and Leslie N. Erber dated February 23, 1993 (Incorporated by reference to Exhibit 10.31 to Company's Current Report on Form 8-K, Date of Report May 7, 1993 ["Report on Form 8-K May 7, 1993"]).
- 10.9 Agreement between Waste Technology Corp. and Charles Roth dated May 7, 1993 (Incorporated by reference to Exhibit 10.32 to Report on Form 8-K May 7, 1993).
- 10.10 Agreement between Waste Technology Corp., Patricia Roth, Steven Roth and Robert Roth dated May 10, 1993 (Incorporated by reference to Exhibit 10.33 to Report on Form 8-K May 7, 1993).
- 10.11 Agreement between International Baler Corporation and Ted C. Flood dated as December 29, 1995 (Incorporated by reference to Exhibit 10.38 to the Company's Annual report on Form 10-KSB for the year ended October 31, 1996 [the "1996 Form 10-KSB"]).
- 10.12 Promissory Note made by Ted C. Flood to the order of International Baler Corporation dated December 29, 1995 (Incorporated by reference to Exhibit 10.38.1 to the 1996 Form 10-KSB).
- 10.13 Promissory Note made by Ted C. Flood to the order of Waste

- Technology Corp. dated April 5, 1996 (Incorporated by reference to Exhibit 10.38.2 to the 1996 Form 10-KSB).
- 10.14 Promissory Note made by Ted C. Flood to the order of Waste Technology Corp. dated October 5, 1996 (Incorporated by reference to Exhibit 10.38.3 to the 1996 Form 10-KSB).
- 10.15 Asset Purchase Agreement between International Press and Shear Corporation and IPS Balers Inc. together with exhibits (Incorporated by reference to Exhibit 10.41 to Company's Current Report on Form 8-K, Date of Report December 10, 1999).
- 14 Code of Ethics (Incorporated by reference to Exhibit 14 to the Company's Annual Report on Form 10-KSB for the year ended October 31, 2003).
- 21 List of the Company's subsidiaries (Incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-KSB for the year ended October 31, 2005).
- 31\* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
- 32\* Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Exhibit filed with this Report.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the fees for professional audit services rendered by KPMG LLP for the audit of the Company's annual consolidated financial statements for the fiscal years ended October 31, 2007 and 2006, and fees for other services rendered by KPMG LLP during those periods:

Fee Category	Fiscal 2007	Fiscal 2006
Audit Fees	\$ 70,000	\$ 67,500
Audit-Related Fees	0	0
Tax Fees	\$ 10,000	11,000
All Other Fees	0	0
Total Fees	\$80,000	\$ 78,500

Audit fees include fees related to the services rendered in connection with the annual audit of the Company's consolidated financial statements, the quarterly reviews of the Company's quarterly reports on Form 10-QSB and the reviews of and other services related to registration statements and other offering memoranda.

Audit-related fees are for assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees include (i) tax compliance, (ii) tax advice, (iii) tax planning and (iv) tax reporting.

All Other Fees includes fees for all other services provided by the principal accountants not covered in the other categories such as litigation support, etc.

All of the 2007 services described above were approved by the Audit Committee in accordance with the SEC rule that requires audit committee pre-approval of audit and non-audit services provided by the Company's independent registered public accounting firm. The Audit Committee has considered whether the provisions of such services, including non-audit services, by KPMG LLP is compatible with maintaining KPMG LLP's independence and has concluded that it is.

SIGNATURES

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

WASTE TECHNOLOGY CORP.  
(Registrant)

By: /s/ William E. Nielsen  
Chief Financial Officer

Dated: January 22, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in their capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Ronald L. McDaniel</u> Ronald L. McDaniel	Director Chairman of the Board	January 22, 2008
<u>/s/ LaRita Boren</u> LaRita Boren	Director	January 22, 2008
<u>/s/ Leland E. Boren</u> Leland E. Boren	Director	January 22, 2008
<u>/s/ William E. Nielsen</u> William E. Nielsen	Director Chief Financial Officer	January 22, 2008
<u>/s/ Mathew M. Price</u> Mathew M. Price	Director	January 22, 2008
<u>/s/ David B. Wilhelmy</u> David B. Wilhelmy	Director Vice President Sales and Marketing	January 22, 2008

I, William E. Nielsen, certify that:

1. I have reviewed this annual report on Form 10-KSB of Waste Technology Corp. for the year ended October 31, 2007.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in the annual report;
4. As the Registrant's sole certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Registrant and I have:
  - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under my supervision to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. As the Registrant's certifying officer, I have disclosed, based on our most recent evaluation of internal control over financial reporting to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function);
  - (a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: January 22, 2008

/s/ William E. Nielsen  
William E. Nielsen  
Chief Financial Officer

EXHIBIT 32

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I hereby certify that:

- (A) I have reviewed the Annual Report on Form 10-KSB for the year ended October 31, 2007.
- (B) To the best of my knowledge this annual report on Form 10-KSB (i) fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m (a) or 78o (d)); and, (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Waste Technology Corporation and Subsidiaries during the period covered by this Report.

Dated: January 22, 2008

/s/William E. Nielsen  
William E. Nielsen  
Chief Financial Officer

**WASTE TECHNOLOGY CORP. AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2007 AND 2006**

**(With Report of Independent Registered Public Accounting Firm  
Thereon)**

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Waste Technology Corp.:

We have audited the accompanying consolidated balance sheets of Waste Technology Corp. and Subsidiary as of October 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Waste Technology Corp. and Subsidiary as of October 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP  
Certified Public Accountants

Jacksonville, Florida  
January 22, 2008

**WASTE TECHNOLOGY CORP. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 31, 2007 AND 2006**

	<u>October 31, 2007</u>	<u>October 31, 2006</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,264,782	\$ 341,250
Short-term Investments	-	67,745
Accounts receivable, net of allowance for doubtful accounts of \$40,000 and \$30,000 in 2007 and 2006, respectively	581,886	1,102,314
Inventories	2,205,160	1,308,160
Prepaid expense and other current assets	59,888	61,969
Total current assets	<u>4,111,716</u>	<u>2,881,438</u>
Property, plant and equipment, at cost:	2,223,748	2,183,007
Less: accumulated depreciation	<u>1,431,130</u>	<u>1,442,545</u>
Net property, plant and equipment	792,618	740,462
Other assets:		
Restricted Cash	224,100	-
Other assets	24,860	18,624
Due from former Director	51,842	62,335
Total other assets	<u>300,802</u>	<u>80,959</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,205,136</u>	<u>\$ 3,702,859</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Revolving promissory note	\$ 5,654	\$ 4,737
Current maturities of long term debt	35,886	-
Accounts payable	774,372	621,192
Accrued liabilities	488,110	432,540
Accrued payroll and commissions	131,647	216,373
Current portion of deferred compensation	67,000	67,000
Customer deposits	919,755	281,273
Total current liabilities	<u>2,422,424</u>	<u>1,623,115</u>
Long term debt	144,479	-
Deferred compensation, net of current portion	231,262	275,233
Total liabilities	<u>2,798,165</u>	<u>1,898,348</u>
Stockholders' equity:		
Preferred stock, par value \$.0001, 10,000,000 shares authorized, none issued	-	-
Common stock, par value \$.01, 25,000,000 shares authorized; 6,179,875 shares issued in 2007 and 2006	61,799	61,799
Additional paid-in capital	6,347,187	6,347,187
Accumulated deficit	<u>(3,320,605)</u>	<u>(3,923,065)</u>
	3,088,381	2,485,921
Less: Treasury stock, 1,245,980 shares in 2007 and 2006, at cost	<u>(681,410)</u>	<u>(681,410)</u>
Total stockholders' equity	2,406,971	1,804,511
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 5,205,136</u>	<u>\$ 3,702,859</u>

See accompanying notes to consolidated financial statements.

**WASTE TECHNOLOGY CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED OCTOBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Net Sales	\$ 9,634,221	\$ 8,146,274
Cost of Sales	7,661,519	6,550,508
Gross Profit	1,972,702	1,595,766
Operating Expense:		
Selling Expense	556,772	506,301
Administrative Expense	786,700	706,016
Total Operating Expense	1,343,472	1,212,317
Operating Income	629,230	383,449
Other Income (Expense):		
Interest Income	13,576	12,690
Interest Expense	(51,535)	(4,613)
Other Income	16,288	15,910
Total Other Income (Expense)	(21,671)	23,987
Income Before Income Taxes	607,559	407,436
Income Taxes	5,099	-
Net Income	\$ 602,460	\$ 407,436
Basic income per share	\$ 0.12	\$ 0.08
Diluted income per share	0.12	0.08
Weighted average number of shares outstanding - Basic	4,933,895	4,933,895
- Diluted	5,093,534	5,024,321

See accompanying notes to consolidated financial statements.

**WASTE TECHNOLOGY CORP. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED OCTOBER 31, 2007 AND 2006**

	<u>Common Stock</u>				<u>Treasury Stock</u>		<u>TOTAL STOCKHOLDERS' EQUITY</u>
	<u>NUMBER OF SHARES ISSUED</u>	<u>PAR VALUE</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>ACCUMULATED DEFICIT</u>	<u>NUMBER OF SHARES</u>	<u>COST</u>	
Balance at October 31, 2005	6,179,875	61,799	6,347,187	(4,330,501)	1,245,980	(681,410)	1,397,075
Net Income	-0-	-0-	-0-	407,436	-0-	-0-	407,436
Balance at October 31, 2006	6,179,875	61,799	6,347,187	(3,923,065)	1,245,980	(681,410)	1,804,511
Net Income	-0-	-0-	-0-	602,460	-0-	-0-	602,460
Balance at October 31, 2007	<u>6,179,875</u>	<u>\$ 61,799</u>	<u>\$ 6,347,187</u>	<u>\$ (3,320,605)</u>	<u>1,245,980</u>	<u>\$ (681,410)</u>	<u>\$ 2,406,971</u>

See accompanying notes to consolidated financial statements.

**WASTE TECHNOLOGY CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED OCTOBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Cash flow from operating activities:		
Net income	\$ 602,460	\$ 407,436
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	83,819	32,742
Gain on sale of equipment	(35,000)	-
Provision for doubtful accounts	10,000	(20,000)
Changes in operating assets and liabilities:		
Accounts receivable	510,428	(525,367)
Inventories	(897,000)	122,861
Prepaid expenses and other current assets	2,081	(6,313)
Accounts payable	153,180	122,199
Accrued liabilities and deferred compensation	(73,227)	176,239
Customer deposits	638,482	(287,977)
Net cash provided by operating activities	995,223	21,820
Cash flows from investing activities:		
Proceeds from notes receivable from former Director	10,493	9,884
Proceeds from sale of equipment	35,000	-
Purchase of property and equipment	(128,573)	(300,598)
Restricted cash	(156,355)	35,624
Net cash used in investing activities	(239,435)	(255,090)
Cash flows from financing activities:		
Net receipts from revolving promissory note	917	-
Proceeds from long-term debt	202,722	-
Repayments of long-term debt	(22,357)	-
Debt issue costs	(13,638)	-
Net cash provided by financing activities	167,644	-
Net increase (decrease) in cash and cash equivalents	923,432	(233,270)
Cash and cash equivalents at beginning of period	341,250	574,520
Cash and cash equivalents at end of period	\$ 1,264,682	\$ 341,250
Supplemental schedule of disclosure of cash flow information:		
Cash paid during year for:		
Interest	\$ 41,042	\$ -
Income taxes	-	-

See accompanying notes to consolidated financial statements.

# WASTE TECHNOLOGY CORP. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### (1) Nature of Business

Waste Technology Corporation and subsidiary (the Company) is a manufacturer of baling equipment which utilizes technical, hydraulic and electrical mechanisms to compress a variety of materials into bales for easier handling, shipping, disposal, storage, and for recycling. Materials commonly baled include scrap metal, corrugated boxes, newsprint, aluminum cans, plastic bottles, and other solid waste. More sophisticated applications include baling of textile materials, fibers and synthetic rubber. The Company offers a wide variety of balers, standard models as well as custom models to meet specific customer requirements.

The Company's customers include recycling facilities, paper mills, textile mills, and the companies which generate the materials for baling and recycling. The Company sells its products worldwide with 21% to 34% of its annual net sales outside the United States.

### (2) Summary of Significant Accounting Policies

#### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Waste Technology Corporation and its wholly owned subsidiary. Significant intercompany balances and transactions have been eliminated in consolidation.

#### (b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (c) Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, bank demand accounts and money market accounts having original maturities of less than three months.

#### (d) Restricted Cash

Restricted cash consist of a money market account that is the security for a letter of credit. This letter of credit expires on July 31, 2010.

#### (e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by a method that approximates the first-in, first-out method. Work in process and finished goods are valued based on underlying costs to manufacture balers which includes direct materials, direct and indirect labor, and overhead.

**(f) Property, Plant, and Equipment**

The cost of property, plant, and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the double-declining balance and straight-line methods over the estimated lives of 5-7 years for machinery and equipment and 31-40 years for buildings.

The Company applies the provisions of SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" which requires that long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the assets. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases.

**(g) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 in income in the period that includes the enactment date.

**(h) Revenue Recognition**

The Company recognizes revenue when finished products and/or parts are shipped and the customer takes ownership and assumes the risk of loss. Revenue from installation services is recognized on completion of the service. Parts sales and repair services are approximately 15% of net sales. The Company recognizes revenue from repair services in the period in which the service is provided.

**(i) Warranties and Service**

The Company typically warrants its products for one (1) year from the date of sale as to materials and six (6) months as to labor, and offers a service plan for other required repairs and maintenance. Service is rendered by repairing or replacing parts at the Company's Jacksonville, Florida, facility, and by on-site service provided by Company personnel who are based in Jacksonville, Florida, or by local service agents who are engaged as needed. Warranty parts shipments and warranty service repairs are expensed as they occur and the Company maintains an accrued liability for expected warranty claims.

Warranty and service expense and reserves consisted of the following:

	<u>2007</u>	<u>2006</u>
Beginning balance of warranty reserve	\$ 86,147	\$ 56,147
Warranty costs paid	(60,107)	(102,902)
Provision for warranty	<u>32,019</u>	<u>132,902</u>
Ending balance of warranty reserve	<u>\$ 58,059</u>	<u>\$ 86,147</u>

**(j) Earnings Per Share**

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each year. Diluted earnings per share includes the net number of shares that would be issued upon the exercise of stock options using the treasury stock method. Options are not considered in loss years as they would be anti-dilutive. The dilutive impact of options outstanding was 159,639 shares and 90,426 shares for the years ending October 31, 2007 and 2006.

**(k) Stock-Based Compensation**

Prior to fiscal 2006, the Company applied the intrinsic value method as prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations, in accounting for stock options granted under the stock option plan. Under the intrinsic value method, no compensation cost is recognized if the exercise price of the Company's employee stock options was equal to or greater than the market price of the underlying stock on the date of the grant. Accordingly, no compensation cost was recognized in the accompanying consolidated statements of income prior to fiscal year 2006 on stock options granted to employees, since all options granted under the Company's stock option plan had an exercise price equal to the market value of the underlying common stock on the date of grant.

Effective November 1, 2006, the Company adopted FASB Statement No. 123(R), Share-Based Payment (Statement 123(R)). This statement replaces FASB Statement No. 123, Accounting for Stock-Based Compensation (Statement 123) and supersedes APB No. 25. Statement 123(R) requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation cost on a prospective basis. In June 2002, the Company granted 250,000 nonqualified stock options to purchase shares of the Company's common stock. These options, which vested immediately, have an exercise price of \$0.30 and a term of 10 years. The options or shares purchased thereunder may be registered pursuant to the Securities Act of 1933. The Company has no remaining authorized shares available for grant under existing stock option plans. As of October 31, 2007, the Company has no options outstanding under previously authorized plans and no options were issued during the years ended October 31, 2007 or 2006. The outstanding stock options at October 31, 2007 have a remaining contractual term of 5 years. As all options are fully vested, there is no impact to net income for the year ended October 31, 2007 and 2006.

Statement 123(R) also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows. There were no stock options exercised during the years ended October 31, 2007 and 2006.

**(l) Business Reporting Segments**

Based on the information monitored by the Company's operating decision makers to manage the business, the Company has identified that its operations are within one reportable segment. Accordingly, financial information on separate segments is omitted because, apart from the principal business of manufacturing baling machines, the Company has no other reportable segments.

**(m) Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities, revolving promissory note, and customer deposits, approximate their fair value due to the short-term nature of these assets and liabilities. The term loan approximates fair value as it was entered into in February 2007. The carrying amount of deferred compensation approximates fair value. Management estimates fair value based on current rates available to the Company for loans with similar maturities.

**(n) Recently Issued Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return based on whether it is more likely than not that certain return positions will be sustained upon examination by taxing authorities. Implementation of FIN No. 48 is required for fiscal years beginning after December 15, 2006. Although management's evaluation of FIN No. 48 has not been completed, management believes that the implementation of FIN No. 48 will not have an effect on the financial position, results of operations, or cash flows of the Company.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." "SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 becomes effective for fiscal years beginning after November 15, 2007, which is the Company's 2009 fiscal year beginning on November 1, 2008. The Company continues to evaluate the impact of SFAS No. 157 on its consolidated financial statements, but at this time does not expect the potential impact of adopting this standard to have a material effect on the Company's financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." "SFAS No. 159 permits companies to measure many financial instruments and certain other items at fair value at specified election dates. Unrealized gains and losses on these items will be reported in earnings at each subsequent reporting date. The fair value option may be applied instrument by instrument (with a few exceptions), is irrevocable and is applied only to entire instruments and not to portions of instruments. This new standard becomes effective for fiscal years that begin after November 15, 2007, which is the Company's 2009 fiscal year beginning on November 1, 2008. The Company continues to evaluate the impact of SFAS No. 159 on its consolidated financial statements.

**(0) Recently Adopted Accounting Standards**

In September 2006, the SEC Staff issued Staff Accounting Bulletin 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), which expresses the staff's views regarding the process of quantifying financial statement misstatements. SAB 108 requires registrants to quantify misstatements using both the balance sheet and income statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. The adoption of SAB 108 as of October 31, 2007 did not have an impact on the Company.

**(3) Related Party Transactions**

The Company has a note receivable from the former president and director totaling \$66,680 and \$77,173 at October 31, 2007 and 2006, respectively. Interest accrued at the rate of 6% per annum.

The Company has a deferred compensation agreement with the former president and director of the Company for deferred compensation payments. The Company will make deferred compensation payments with a present value of \$298,262, payable over the next six years. A portion of the deferred compensation payments will be used to repay the outstanding note receivable discussed above.

The consolidated statements of operations includes interest income on officer and director notes receivable of \$4,345 and \$4,955 for 2007 and 2006, respectively.

LaRita Boren and Leland E. Boren, both shareholders and directors of the Company, are the owners of Avis Industrial Corporation (Avis). Together the Borens own 53.6% of the outstanding shares of the Company. Avis owns 100% of American Baler Company, a competitor of the Company's International Baler Corporation. These baler companies operate completely independent of each other.

In the fiscal year ending October 31, 2007 International Baler Corporation had equipment sales to American Baler Company totalling \$361,729. These sales included types of products American Baler does not manufacture. These sales were made under the Company's normal dealer discount schedule. International Baler Corporation purchased no equipment or services from American Baler.

In July of 2007 the Company hired a consultant thru Avis, Mr. Greg Kirkpatrick, for the purpose of improving the Company's manufacturing operations. Mr. Kirkpatrick was named "Acting President" in September 2007. The cost of the professional service and related expense to the Company was approximately \$70,000 through the end of the fiscal year. Kirkpatrick completed his consulting project and left the Company in December of 2007. The position of president remains unfilled at the current time.

**(4) Inventories**

Inventories consisted of the following:

	<u>2007</u>	<u>2006</u>
Raw Materials	\$ 688,113	\$ 638,488
Work in Process	1,260,094	562,106
Finished Products	256,953	107,566
	<u>\$ 2,205,160</u>	<u>\$ 1,308,160</u>

**(5) Property, Plant, and Equipment**

The following is a summary of property, plant, and equipment, at cost, less accumulated depreciation and amortization:

	<u>2007</u>	<u>2006</u>
Land	\$ 82,304	\$ 82,304
Building and Improvements	811,269	806,000
Machinery and Equipment	1,133,009	981,682
Vehicles	128,244	95,327
Construction in Progress	<u>68,922</u>	<u>217,694</u>
	2,223,748	2,183,007
Less accumulated depreciation	<u>1,431,130</u>	<u>1,442,545</u>
	<u>\$ 792,618</u>	<u>\$ 740,462</u>

Depreciation expense was \$76,416 and \$28,129 in 2007 and 2006, respectively.

**(6) Debt**

In February 2007 the Company entered in to a \$202,722 term loan agreement with First Guaranty Bank. This loan is for a period of five years with a fixed rate of interest of 8.5% and monthly payments of \$4,172 which includes principal and interest. Collateral for this loan includes all assets of the Company.

In March 2007, the Company had its \$500,000 line of credit agreement with First Guaranty Bank and Trust Company of Jacksonville increased to \$1,000,000. The line of credit allows the Company to borrow against the Company's property, plant and equipment. The line of credit bears interest at the prime rate plus one-half percent ( $1/2\%$ ) and has a term of three years expiring in March 2010. The line of credit had an outstanding balance of \$5,654 and \$4,737 at October 31, 2007 and 2006, respectively, and the unused line of credit was \$994,346 at October 31, 2007.

For the period ending October 31, contractual maturities are as following:

2008	\$ 35,886
2009	39,109
2010	42,621
2011	46,448
2012	<u>16,301</u>
	\$ 180,365

**(7) Commitments and Contingencies**

The Company in the ordinary course of business, is subject to claims made under, and from time to time are named as defendants in legal proceedings relating to, the sales of its products. The Company believes that the reserves reflected in its Consolidated Financial Statements are adequate to pay losses and loss adjustment expenses which may result from such claims and proceedings; however, such estimates may be more or less than the amount ultimately paid when the claims are settled.

East County Recycling, Inc. v PCI Waste and Recycling Systems, International Baler Corp. Recycling Equipment Manufacturing Corp. Case No. 0503-02879, Circuit Court of the State of Oregon was filed on March 21, 2005 against the Company and two other defendants stemming from the sale of a baling system. The complaint alleged breach of express warranty, breach of implied warranty of fitness for a particular purpose and implied warranty of merchantability and negligence. The plaintiffs sought damages of approximately \$820,000 through March 21, 2005 and an additional \$91,550 per month from that day forward. The Company filed a motion to dismiss, as a matter

of law, all claims against the Company, with the exception of the plaintiff's claim for breach of express warranty and the Company was successful with respect to this motion. Thereafter, in February 2006, the court granted the Company's motion for Summary Judgement as to the plaintiff's breach of express warranty claim and dismissed the Company from the lawsuit. The plaintiff appealed the Judgement of Dismissal. On August 29, 2007 the Oregon Court of Appeals affirmed the trial courts judgement in favor of International Baler Corporation. East County Recycling has elected to not ask the court to reconsider its decision or appeal the decision to the Oregon Supreme Court. Therefore, the case was closed.

At October 31, 2007, the Company had a letter of credit totalling \$224,100 issued for warranty guarantees, which is secured by restricted cash.

**(8) Income Taxes**

The differences between income taxes as provided at the federal statutory tax rate of 34% and the Company's actual income taxes are as follows:

	<u>2007</u>	<u>2006</u>
Expected federal income tax expenses at statutory rate	\$ 207,000	\$139,000
State income tax expense, net federal income tax effect	22,000	15,000
Other - meals and entertainment	2,000	2,000
Benefit of NOL carryforward/change in valuation allowance	(212,000)	(156,000)
Other true-ups	(19,000)	-
Alternative Minimum Tax	<u>5,000</u>	<u>-</u>
Income taxes	<u>\$ 5,000</u>	<u>\$ -</u>

The Company files consolidated federal and state income tax returns with its subsidiary. The net change in the total valuation allowance for the years ended October 31, 2007 and 2006 was \$(212,000) and \$(156,000), respectively. Realization of net deferred tax assets is dependent on generating sufficient taxable income in the future. Based on current and anticipated future economic conditions, management cannot ascertain when it will become more likely than not that any portion of the net deferred tax asset will be realized.

The significant components of the net deferred income taxes at October 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Reserves and allowances	332,000	\$ 351,000
Property, plant, and equipment	52,000	44,000
General business credit carryforwards	40,000	35,000
Net operating loss carryforwards	<u>766,000</u>	<u>972,000</u>
	1,190,000	1,402,000
Less valuation allowance	<u>1,190,000</u>	<u>1,402,000</u>
Net deferred income taxes	<u>\$ -</u>	<u>\$ -</u>

Net federal operating loss carryforwards for income tax purposes are approximately \$2,035,000 and expire in years 2016 through 2026. The Company has an alternative minimum tax credit carryforward of approximately \$40,000.

**(9) Stock Options**

In June 2002, the Company granted 250,000 nonqualified stock options to purchase shares of the Company's common stock. These options, which vested immediately, have an exercise price of \$0.30 and a term of 10 years. The options or shares purchased thereunder may be registered pursuant to the Securities Act of 1933. The Company has no remaining authorized shares available for grant under existing stock option plans. As of October 31, 2007, the Company has no remaining options to grant under previously authorized plans. The outstanding stock options at October 31, 2007 have a remaining contractual term of 5 years.

**(10) Employees' Benefit Plan**

The Company has a defined contribution plan and profit sharing program for its employees. The Company made no contributions to the plan in 2007 or 2006.

**(11) Export Sales**

Export sales were approximately 34% and 21% for the years ended October 31, 2007 and 2006, respectively. The principal international markets served by the Company, include Canada, China, United Kingdom, India, Korea, Japan, Russia, and Brazil. In 2007 and 2006, the Company had a percentage of total net sales of over 17% and 8% to customers in China. In 2007, one customer accounted for over 10% of the Company's sales. In 2006 no single customer accounted for over 10% of the Company's sales.