STANDEX INTERNATIONAL CORP/DE/
Form 10-Q
May 11, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2009 Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	31-0596149
(State of incorporation)	*(IRS Employer Identification No.)*
6 MANOR PARKWAY, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	*(Zip Code)*

(603) 893-9701

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ___ No ___

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

Large accelerated filer __

Accelerated filer X

Non-accelerated filer __

Smaller Reporting Company __

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES [ ] NO [X]

The number of shares of Registrant's Common Stock outstanding on May 4, 2009 was 12,356,144

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PART I. FINANCIAL INFORMATION
ITEM 1.

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Balance Sheets

(In thousands)	March 31, 2009	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,232	$ 28,657
Accounts receivable	73,973	103,055
Inventories	87,584	87,619
Income tax receivables	3,107	983
Prepaid expenses and other current assets	3,547	3,337
Deferred tax asset	14,055	13,032
Total current assets	196,498	236,683
Property, plant and equipment	106,837	116,565
Goodwill	99,077	120,650
Intangible assets	21,121	27,473
Prepaid pension cost	4,579	1,972
Other non-current assets	18,056	19,691
Total non-current assets	249,670	286,351
Total assets	$ 446,168	$ 523,034
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,588	$ 28,579
Accounts payable	59,357	66,174
Accrued expenses	37,982	50,286
Current liabilities - discontinued operations	3,931	2,701
Total current liabilities	104,858	147,740
Long-term debt - less current portion	106,015	106,086
Accrued pension and other non-current liabilities	43,426	46,050
Total non-current liabilities	149,441	152,136
Stockholders' equity:		
Common stock	41,976	41,976

Additional paid-in capital	28,073	27,158
Retained earnings	414,240	433,435
Accumulated other comprehensive loss	(30,604)	(17,531)
Treasury shares	(261,816)	(261,880)
Total stockholders' equity	191,869	223,158
Total liabilities and stockholders' equity	$ 446,168	$ 523,034

See notes to unaudited condensed consolidated financial statements.

STANDEX INTERNATIONAL CORPORATION

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Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended March 31,		Nine Months Ended March 31,	
(In thousands, except per share data)	**2009**	**2008**	**2009**	**2008**
Net sales	$ 130,970	$ 169,002	$ 467,175	$ 516,767
Cost of sales	98,970	121,221	332,477	368,105
Gross profit	32,000	47,781	134,698	148,662
Selling, general and administrative expenses	29,241	40,793	109,799	119,551
Goodwill and intangible asset impairment	21,339	-	21,339	-
Restructuring costs	1,365	214	6,767	214
Total operating expenses	51,945	41,007	137,905	119,765
Income (loss) from operations	(19,945)	6,774	(3,207)	28,897
Interest expense	(1,398)	(2,257)	(4,877)	(7,671)
Other non-operating income (expense)	(127)	(590)	796	(685)
Income (loss) from continuing operations before income taxes	(21,470)	3,927	(7,288)	20,541
Provision (benefit) for income taxes	(3,251)	1,288	366	7,074
Income (loss) from continuing operations	(18,219)	2,639	(7,654)	13,467
Income (loss) from discontinued operations, net of income taxes	(6)	(993)	(3,428)	(388)
Net income (loss)	$ (18,225)	$ 1,646	$ (11,082)	$ 13,079
Basic earnings per share:				
Continuing operations	$ (1.48)	$ 0.21	$ (0.62)	$ 1.10
Discontinued operations	-	(0.08)	(0.28)	(0.03)
Total	$ (1.48)	$ 0.13	$ (0.90)	$ 1.07
Diluted earnings per share:				
Continuing operations	$ (1.48)	$ 0.21	$ (0.62)	$ 1.09
Discontinued operations	-	(0.08)	(0.28)	(0.03)
Total	$ (1.48)	$ 0.13	$ (0.90)	$ 1.06
Cash dividends per share	$ 0.21	$ 0.21	$ 0.63	$ 0.63

See notes to unaudited condensed consolidated financial statements.

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months Ended March 31,	
(In thousands)	**2009**	**2008**
Cash flows from operating activities		
Net income (loss)	$ (11,082)	$ 13,079
Loss from discontinued operations	(3,428)	(388)
Income (loss) from continuing operations	(7,654)	13,467

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Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,793	12,525
Stock-based compensation	1,903	1,506
Gain from sale of investments, real estate and equipment	42	(122)
Non-cash portion of restructuring charges	4,071	34
Impairment of goodwill and intangible assets	21,339	-
Net changes in operating assets and liabilities	(2,148)	(4,694)
Net cash provided by operating activities - continuing operations	29,346	22,716
Net cash used in operating activities - discontinued operations	(3,462)	(187)
Net cash provided by operating activities	25,884	22,529
Cash flows from investing activities		
Expenditures for property, plant and equipment	(5,028)	(7,703)
Proceeds from sale-leaseback transaction	-	7,239
Acquisition, net of cash received	(2,046)	-
Proceeds from sale of investments, real estate and equipment	213	734
Proceeds from life insurance policy (premium payments)	2,944	(626)
Net cash used in investing activities - continuing operations	(3,917)	(356)
Net cash provided by investing activities - discontinued operations	-	1,701
Net cash (used in) provided by investing activities	(3,917)	1,345
Cash flows from financing activities		
Proceeds from additional borrowings	48,650	-
Payments of debt	(73,705)	(20,480)
Stock issued under employee stock option and purchase plans	724	254
Stock repurchased under employee stock option and purchase plans	(1,649)	(723)
Debt issuance costs	-	(281)
Cash dividend paid	(7,764)	(7,736)
Net cash used in financing activities - continuing operations	(33,744)	(28,966)
Net cash used in financing activities	(33,744)	(28,966)

Effect of exchange rate changes on cash and cash equivalents	(2,648)	1,298
Net change in cash and cash equivalents	(14,425)	(3,794)
Cash and cash equivalents at beginning of year	28,657	24,057
Cash and cash equivalents at end of period	$ 14,232	$ 20,263

See notes to unaudited condensed consolidated financial statements.

STANDEX INTERNATIONAL CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1)

Management Statement

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations and comprehensive income for the three and nine months ended March 31, 2009 and 2008, the cash flows for the nine months ended March 31, 2009 and 2008 and the financial position of the Company at March 31, 2009. The interim results are not necessarily indicative of results for a full year. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2008. The condensed consolidated balance sheet at June 30, 2008 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2008. Unless otherwise noted, references to years are to fiscal years.

2)

Inventories

Inventories are comprised of the following (in thousands):

	March 31, 2009	**June 30, 2008**
Raw materials	$ 42,041	$ 37,839
Work in process	23,465	24,254
Finished goods	22,078	25,526
Total	$ 87,584	$ 87,619

Distribution costs associated with the sale of inventory are recorded as a component of selling, general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations and were $4.4 million and $7.3 million for the three months ended March 31, 2009 and 2008, respectively. For the nine months ended March 31, 2009 and 2008, distribution costs were $18.9 million and $22.0 million, respectively.

At March 31, 2009, the Company recorded a reserve of $3.5 million at the Air Distribution Products (ADP) Group to mark inventory to the lower of cost or market.

3)

Goodwill

Goodwill and certain indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying amount of the asset. The Company normally tests for impairment during the fourth quarter of its fiscal year using May 31st carrying values, however, due to the continued deterioration in the U.S. equity and credit markets and industry-wide declines in profitability, the Company s market capitalization decreased below its book value during the third quarter of 2009. After taking into consideration these triggering events, the Company concluded that an interim assessment was required and measured goodwill for impairment as of March 31, 2009.

We have identified our reporting units for impairment testing as our thirteen operating segments. These thirteen operating segments are aggregated into our five reporting segments as disclosed in Note 12 Industry Segment Information.

The test for impairment is a two step process. The first step compares the carrying amount of the reporting unit to its estimated fair value (Step 1). To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit s carrying value is compared to the implied fair value (Step 2). To the extent that the carrying value exceeds the implied fair value, impairment exists and must be recognized.

As quoted market prices are not available for the Company s reporting units, the fair value of the reporting units is determined using one or both of (1) a discounted cash flow model (income approach); and (2) a market adjusted multiple of earnings and revenues (market approach) where comparable data exists for those reporting units. Both methods use various assumptions that are specific to each individual reporting unit in order to determine the fair value. In addition, the Company compared the estimated aggregate fair value of its reporting units to its overall market capitalization.

Our impairment testing at each reporting unit relied on assumptions surrounding general market conditions, short-term growth rates, a terminal growth rate of 3%, and management forecasts of future cash flows. We also consider historical results including sales growth, operating profits, working capital levels, and tax rates. Fair values are determined primarily by discounting estimated future cash flows at an estimated cost of capital. We selected a weighted average cost of capital of 19.0 percent for three of our reporting units, 17 percent for one of our other reporting units, and 16 percent for our remaining units. Estimated future cash flows are based on a detailed cash flow forecast prepared by the relevant reporting unit. As this model is sensitive to the selected discount rate, we use third-party experts to help develop appropriate rates for each reporting unit. We use standard valuation practices to arrive at a weighted average cost of capital based on market inputs, including treasury bond yields, equity risk premiums, and company-specific risk premiums. Changes in discounted cash flow are inversely proportional to changes in the discount rate. An increase in the weighted average cost of capital of approximately 50 basis points in

the analysis of the Standex Electronics reporting unit would result in impairment of a portion of its goodwill. We also noted that an increase in the weighted average cost of capital of approximately 100 basis points on other reporting units would not result in the identification of any impairments.

While we believe that our estimates of future cash flows are reasonable, changes in assumptions could significantly affect our valuations and result in impairments in the future. The most significant assumption involved in the Company s determination of fair value is the cash flow projections of each reporting unit. Certain of our reporting units have been significantly impacted by the current global economic downturn, including ADP and Standex Electronics. ADP has been significantly impacted by the declines in new housing starts and other factors impacting residential housing. Standex Electronics has been impacted by the impacts on capital equipment makers and to a lesser extent the automotive industry. For each of these reporting units, management has projected that the operating results will continue to be unfavorably impacted in fiscal 2010 but will gradually begin to return to historic levels of profitability in the years 2011 to 2014. If the effects of the current global economic environment are protracted or the recovery is slower than we have projected estimates of future cash flows for each reporting unit may be insufficient to support the carrying value of the reporting units, requiring the Company to re-assess its conclusions related to fair value and the recoverability of goodwill.

The Company completed Step 1 of the impairment test and determined that the carrying value of the Associated American Industries (AAI) reporting unit within the Food Service Equipment Group exceeded its fair value. Based on the allocation of the unit s fair value in accordance with Step 2, it was determined that goodwill and trademarks at AAI were impaired. As a result, the company determined that the fair value of the goodwill at AAI was approximately $29 million compared to a carrying value of $47 million resulting in a $17.9 million impairment. In addition, we assessed our intangible assets for impairment. Based upon those assessments, we determined the fair value of a non-amortizing intangible asset included in the AAI reporting unit was impaired, and recognized a $3.4 million impairment related to the carrying value of AAI s trademarks.

Changes to goodwill during the nine months ended March 31, 2009 were as follows (in thousands):

	Food Service Equipment Group	**Air Distribution Products Group**	**Engraving Group**	**Engineered Products Group**	**Hydraulics Products Group**	**Total**
Balance at June 30, 2008	$ 63,558	$ 14,934	$ 19,149	$ 19,950	$ 3,059	$ 120,650
Acquisition	-	-	-	150	-	150
Translation adjustment and other	(33)	-	(542)	(3,209)	-	(3,784)
Impairment	(17,939)	-	-	-	-	(17,939)
Balance at December 31, 2008	$ 45,586	$ 14,934	$ 18,607	$ 16,891	$ 3,059	$ 99,077

4)

Intangible Assets

As discussed in Note 3 - Goodwill, the Company identified trademarks within the AAI operating segment that were impaired and therefore recorded an asset impairment charge of $3.4 million in the Food Service Equipment Group.

Intangible assets consist of the following (in thousands):

	Customer Relationships	Trademarks	Other	Total
March 31, 2009				
Cost	$ 21,259	$ 12,213	$ 3,959	$ 37,431
Accumulated amortization	(9,165)	-	(3,745)	(12,910)
Impairment	-	(3,400)	-	(3,400)
Balance, March 31, 2009	$ 12,094	$ 8,813	$ 214	$ 21,121
June 30, 2008				
Cost	$ 20,958	$ 12,200	$ 5,550	$ 38,708
Accumulated amortization	(6,725)	-	(4,510)	(11,235)
Balance, June 30, 2008	$ 14,233	$ 12,200	$ 1,040	$ 27,473

Amortization expense for the three months ended March 31, 2009 and 2008 was $0.8 million and $1.2 million, respectively. Amortization expense for the nine months ended March 31, 2009 and 2008 was $2.7 million and $3.4 million, respectively. At March 31, 2009, aggregate amortization expense is estimated to be $0.6 million for the remainder of 2009, $2.6 million in 2010, $2.0 million in 2011, $1.6 million in 2012, and $1.2 million in 2013.

5)

Debt

The Company s debt is due as follows at March 31, 2009 (in thousands):

Fiscal Year	
2009	$ 17
2010	3,571
2011	3,571
2012	3,571
2013	95,573
Thereafter	3,300
	$ 109,603

The Company has in place a $150 million unsecured revolving credit facility which expires in September 2012. As of March 31, 2009 the Company has the ability to borrow $58.0 million under this facility.

6) Derivative Financial Instruments

In July 2008, the Company entered into a series of interest rate swap agreements designed to manage exposure to interest rates on the Company s variable rate indebtedness. The Company recognizes all derivatives on its balance sheet at fair value. The Company has designated the swap as a cash flow hedge under Statement of Financial Accounting Standards No. 133 *Accounting for Derivative Instruments and Hedging Activities*, and changes in the fair value of the swaps are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge ineffectiveness, if any, associated with the swaps will be reported by the Company in interest expense.

The swap agreements convert interest payments on $88.5 million of debt due under our revolving credit agreement from variable rates based on LIBOR to a weighted average fixed rate of 4.01% based on the Company s credit spread at March 31, 2009. The Company values the swaps based on contract prices in the derivatives market for similar instruments, which are Level 2 pricing inputs in the GAAP valuation hierarchy. The fair value of the swaps recognized in accrued expenses and in other comprehensive income at March 31, 2009 is as follows:

Effective Date	Notional Amount	Fixed Interest Rate	Maturity	Fair Value at March 31, 2009
July 14, 2008	10,000,000	2.92%	July 14, 2009	(82)
July 10, 2008	18,500,000	2.95%	July 10, 2009	(156)
July 14, 2008	30,000,000	3.35%	July 14, 2010	(1,022)
July 10, 2008	30,000,000	3.38%	July 10, 2010	(1,029)
				(2,289)

The Company reported no losses for the three and nine months ended March 31, 2009, as a result of hedge ineffectiveness. Future changes in this swap arrangement, including termination of the agreement, may result in a reclassification of any gain or loss reported in accumulated other comprehensive income into earnings as an adjustment to interest expense.

7)

Income Taxes

We provide for income taxes during interim periods based on our estimate of the effective tax rate for the year. Discrete items and changes in our estimate of the annual effective tax rate are recorded in the period they occur.

The Company s income tax provision for the three months ended March 31, 2009 was a benefit of $3.3 million, or an effective rate of 15.1%, compared to $1.3 million, or a effective rate of 32.8%, for the same period in the prior year. The provision for the three months ended March 31, 2009 is impacted significantly by (i) the $21.3 million

impairment for which only $1.3 of tax benefit could be realized as the goodwill had no tax basis and (ii) a discrete benefit totaling $1.7 million from the reversal of a deferred tax liability that was no longer required due to a change in the U.S. tax classification of one of our foreign entities.

The Company s income tax provision for the nine months ended March 31, 2009 was a $366,000, or an effective rate of (5.0%), compared to $7.1 million, or an effective rate of 34.4%, for the same period in the prior year. The provision for the nine months ended March 31, 2009 reflects an expected full year effective tax rate of 30.4% on continuing operations. However, the recorded provision is significantly impacted by the following discrete items (i) the $21.3 million impairment for which only $1.3 of tax benefit could be realized as the goodwill had no tax basis (ii) a benefit totaling $1.7 million from the reversal of the deferred tax liability that was no longer required due to a change in the U.S. tax classification of one of our foreign entities, (iii) a benefit of $553,000 related primarily to the retroactive extension of the R&D credit recorded during the second quarter and (iv) a benefit related to the receipt of $1.1 million of nontaxable life insurance proceeds during the first quarter and other minor adjustments.

8)

Earnings Per Share

The following table sets forth a reconciliation of the number of shares (in thousands) used in the computation of basic and diluted earnings per share:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	**2008**	**2009**	**2008**
Basic - Average shares outstanding	12,326	12,297	12,318	12,280
Effect of dilutive securities - Stock options and unvested stock awards	-	82	-	107
Diluted - Average shares outstanding	12,326	12,379	12,318	12,387

Income available to common stockholders is the same for computing both basic and diluted earnings per share. Options to purchase 75,800 and 32,900 shares of common stock were not included in the computation of diluted earnings per share for the three and nine months ended March 31, 2008, respectively. Such options have been excluded because the options exercise prices were greater than the average market price of the common stock during the period, and, as a result, their inclusion would have been anti-dilutive. Options to purchase 106,497 and 30,624 shares of common stock were not included in the computation of diluted earnings per share for the three and nine months ended March 31, 2009, respectively, however, no dilution is presented due to the Company s net loss for those periods.

58,800 and 126,000 performance stock units are excluded from the diluted earnings per share calculation, as the performance criteria had not been met as of March 31, 2009 and 2008, respectively.

9)

Comprehensive Income (Loss)

Total comprehensive income and its components for the three and nine months ended March 31, 2009 and 2008 were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	**2008**	**2009**	**2008**
Net income (loss):	$ (18,225)	$ 1,646	$ (11,082)	$ 13,079
Other comprehensive gains (losses):				
Change in fair value of pension assets and liabilities	362	538	2,705	1,626
Foreign currency translation adjustment	(774)	868	(14,277)	4,119
Change in fair value of derivatives	1,135	-	(1,499)	-
Comprehensive income (loss)	$ (17,502)	$ 3,052	$ (24,153)	$ 18,824

The components of accumulated other comprehensive loss are as follows (in thousands):

	March 31, 2009	**June 30, 2008**
Foreign currency translation adjustment	$ 5,051	$ 19,328
Unrealized pension losses (net of tax of $20.2 million and $21.4 million in 2009 and 2008, respectively)	(34,155)	(36,859)
Unrealized loss on derivative instruments (net of tax of $0.8 million)	(1,500)	-
Accumulated other comprehensive loss	$ (30,604)	$ (17,531)

10)

Contingencies

The Company is a party to a number of actions filed or has been given notice of potential claims and legal proceedings related to environmental, commercial disputes, employment matters and other matters generally incidental to its business. Liabilities are recorded when the amount can be reasonably estimated and the loss is deemed probable. Management has evaluated each matter based, in part, upon the advice of its in-house legal personnel and independent environmental consultants.

In 2008, the Company entered into an Administrative Order of Consent (the AOC) with the U.S. Environmental Protection Agency (EPA) related to the removal of various PCB-contaminated materials and soils at a site where the Company leased a building and conducted operations from 1967 to 1979. The Company established an accrual of $4.0 million related to the matter. During the quarter ended September 30, 2008, significant remediation work commenced at the location and, in accordance with the AOC, the Company completed the initial characterization of the waste on the site. Remediation efforts were substantially completed during the 3rd quarter of 2009. At March 31, 2009, an accrual of $0.3 million remained for expenses related to completion of the remediation process.

As the site is the former location of the Club Products and Monarch Aluminum divisions, the charge has been included in results from discontinued operations for the period. The Company is pursuing potential cost recovery through insurance coverage as well as other potential responsible parties; however, no estimate of cost recovery has been recorded as of March 31, 2009, as neither the time frame for any recovery nor the probability of expense recoupment can be estimated at this time.

The Company is a guarantor of certain assigned leases to Berean Christian Bookstores (Berean), an operation disposed of by the Company in 2006. As the former owner of Berean, the Company is party under a number of operating leases which were assigned to the purchaser of the business for the remaining initial terms of the leases at the stated lease costs. The Company, however, remains the guarantor of these leases until the expiration of the initial terms. During the quarter ended December 31, 2008, Berean conveyed to the Company its intention to close certain underperforming retail locations, which would result in obligations under the Company s guarantees. During the quarter ended March 31, 2009, the Company successfully terminated two leases prior to their maturity. No additional expense was recorded as a result of these terminations. Total guarantees of Berean leases approximated $7.6 million at March 31, 2009. The Company has recorded liabilities of $2.7 million, net of estimated subleases, in anticipation of the impairment of the remaining leases, and continues to actively monitor Berean s financial performance.

Management has considered other matters and believes the ultimate resolution will not be material to the Company's financial position, results of operations, or cash flows.

11)

Industry Segment Information

The Company has determined that it has five reportable segments organized around the types of product sold:

.

Food Service Equipment Group an aggregation of seven operating segments that manufacture and sell commercial food service equipment.

.

Air Distribution Products Group manufacturing and selling metal duct and fittings for residential HVAC systems.

.

Engraving Group an aggregation of our North American and International engraving operating segments which provide mold texturizing, roll engraving and process machinery for a number of industries.

.

Engineered Products Group a combination of two operating segments that provide customized solutions in the fabrication and machining of engineered components for the aerospace, energy and aviation markets and that

manufacture and sell electrical components

.

Hydraulics Products Group manufacturing and selling single and double acting telescopic and piston rod hydraulic cylinders.

Net sales and income from continuing operations by segment for the three and nine months ended March 31, 2009 and 2008 were as follows (in thousands):

	Three Months Ended March 31,			
	Net Sales		Income from Operations	
	2009	2008	2009	2008
Segment:				
Food Service Equipment Group	$ 74,119	$ 90,604	$ (15,640)	$ 6,143
Air Distribution Products Group	11,657	19,468	(4,810)	(481)
Engraving Group	18,364	24,278	1,791	2,712
Engineered Products Group	21,959	25,395	3,081	2,424
Hydraulics Products Group	4,871	9,257	(285)	1,105
Restructuring costs			(1,365)	(214)
Corporate and other			(2,717)	(4,915)
Sub-total	$130,970	$ 169,002	$ (19,945)	$ 6,774
Interest expense			(1,398)	(2,257)
Other non-operating income			(127)	(590)
Pre-tax income from continuing operations			$ (21,470)	$ 3,927

	Nine Months Ended March 31,			
	Net Sales		Income from Operations	
	2009	2008	2009	2008
Segment:				
Food Service Equipment Group	$ 263,822	$ 282,483	$ (691)	$ 23,997
Air Distribution Products Group	55,012	69,982	511	(83)
Engraving Group	59,819	68,312	5,849	6,611
Engineered Products Group	70,040	69,876	9,150	8,825
Hydraulics Products Group	18,482	26,114	616	3,349
Restructuring costs			(6,767)	(214)
Corporate and other			(11,875)	(13,588)
Sub-total	$ 467,175	$ 516,767	$ (3,207)	$ 28,897
Interest expense			(4,877)	(7,671)

Other non-operating income (expense)	796	(685)
Pre-tax income from continuing operations	$ (7,288)	$ 20,541

Net sales include only transactions with unaffiliated customers and include no intersegment sales. Operating income by segment excludes interest expense and other non-operating income (expense).

For the three and nine months ended March 31, 2009, Income from Operations for the Food Service Equipment Group was impacted by a $21.3 million charge for impairment of goodwill and intangible assets.

12)

Restructuring

The Company has recently undertaken cost reduction and facility consolidation initiatives that have resulted in severance, restructuring, and related charges. A summary of charges by initiative is as follows (in thousands):

	Three Months Ended March 31, 2009			**Nine Months Ended March 31, 2009**		
	Involuntary Employee Severance and Benefit Costs	**Other**	**Total**	**Involuntary Employee Severance and Benefit Costs**	**Other**	**Total**
Salaried Workforce Reduction	$ 503	$ -	$ 503	$ 1,193	$ -	$ 1,193
Consolidation of Global Manufacturing Footprint	565	297	862	1,338	4,236	5,574
Total expense	$ 1,068	$ 297	$ 1,365	$ 2,531	$ 4,236	$ 6,767

Three and Nine Months Ended
March 31, 2008

Involuntary
Employee

	Severance and Benefit Costs	Other	Total
Consolidation of Global Manufacturing Footprint	$ 143	$ 71	$ 214

Salaried Workforce Reduction

In response to the recession taking place in the current macroeconomic environment and its impact on the Company, management is reducing the number of salaried employees via workforce reductions in all segments of the Company. During the first nine months of 2009, the Company has reduced its workforce by approximately 20% of salaried employees. The workforce reduction initiative is ongoing, and payout of severance benefits for reductions made prior to March 31, 2009 is expected to be completed by the end of the fiscal year.

Activity in the reserves for the Salaried Workforce Reduction is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs
Restructuring Liabilities at June 30, 2008	$ -
Additions	1,193
Payments	(835)
Restructuring Liabilities at March 31, 2009	$ 358

Expenses for the initiative by segment for the three and nine months ended March 31, 2009 are as follows (in thousands):

	Three Months Ended March 31, 2009	Nine Months Ended March 31, 2009
Food Service Equipment Group	$ 81	$ 521

Air Distribution Products Group	216	216
Engraving Group	13	138
Engineered Products Group	69	69
Hydraulics Products Group	94	94
Corporate	30	155
Total expense	$ 503	$ 1,193

Consolidation of Global Manufacturing Footprint

As part of the Company s ongoing effort to generate operational efficiencies and in response to downturn in certain markets served by the Company s operating segments, the Company has closed several of its manufacturing facilities and consolidated production. These costs are composed primarily of severance, other termination benefits, and expenses associated with the relocation of the plants production capacity to other facilities. Activities related to the most recent of these closures are currently in progress, and are expected to be completed during the first quarter of 2010.

Activity in the reserves related to optimization of the Company s manufacturing locations is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs	**Other**	**Total**
Restructuring Liabilities at June 30, 2008	$ 78	$ -	$ 78
Additions	1,338	4,236	5,574
Payments	(1,129)	(867)	(1,996)
Restructuring Liabilities at March 31, 2009	$ 287	$ 3,369	$ 3,656

Expenses for the initiative by segment are as follows (in thousands):

Three Months Ended March 31, 2009	**Nine Months Ended March 31, 2009**
Involuntary Employee	**Involuntary Employee**

	Severance and Benefit Costs	Other	Total	Severance and Benefit Costs	Other	Total
Food Service Equipment Group	$ 311	$ 149	$ 460	$ 311	$ 149	$ 460
Air Distribution Products Group	(34)	85	51	698	3,769	4,467
Engraving Group	218	(4)	214	228	251	479
Engineered Products Group	70	25	95	70	25	95
Hydraulics Products Group	-	42	42	31	42	73
Total expense	$ 565	$ 297	$ 862	$ 1,338	$ 4,236	$ 5,574

Expenses during the three and nine months ended March 31, 2008, in their entirety, were incurred in the Engraving Group.

13)

Discontinued Operations

As discussed in Note 10 - Contingencies, the Company updated its assessment of the expected environmental remediation efforts at the former location of the Club Products and Monarch Aluminum divisions during the first half of 2009. As a result, the Company recorded accruals of $2.0 million during the first half of 2009. Remediation efforts were substantially completed during the 3rd quarter of 2009. At March 31, 2009, an accrual of $0.3 million remained for expenses related to completion of the remediation process.

As discussed in Note 10 Contingencies, the Company expects guarantees of leases assigned to Berean Christian Bookstores, an operation disposed of by the Company in 2006, to be triggered upon closure of certain underperforming stores. The Company has recorded liabilities of $2.7 million, net of estimated subleases, at March 31, 2009 in anticipation of the impairment of these leases.

On September 27, 2007, the Company sold certain land, buildings and improvements related to the former Standard Publishing business, which is being accounted for as a discontinued operation, for net proceeds of $1.6 million in cash. The Company recorded a gain on the disposal of $0.6 million in the nine months ended March 31, 2008.

14)

Subsequent Event

In connection with an acquisition in 2003, the Company entered into a lease agreement for its Richmond, Virginia,

Engraving Group facility pending the completion of a number of environmental requirements by the former owner, Vantec, Inc. Upon satisfaction of those requirements, as evidenced by the issuance of a certificate by the Virginia Department of Environmental Quality, the Company was required to purchase the land and building for $4.5 million. On May 8, 2009, the certificate was issued, and the Company paid $3.6 million in cash and issued 42,783 shares of common stock from its treasury shares in order to consummate the purchase.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS