DORTON JAMES HAROLD
Form 4
September 03, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
DORTON JAMES HAROLD

(Last) (First) (Middle)

2000 WATERS EDGE DRIVE, BUILDING C, SUITE 12

(Street)

JOHNSON CITY, TN 37604

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NN INC [NNBR]

3. Date of Earliest Transaction (Month/Day/Year)
09/01/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director
_____ 10% Owner
__X__ Officer (give title below)
_____ Other (specify below)
VP Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/01/2010		S		2,000	D	$ 8.25	18,000	D	
Common Stock	09/01/2010		S		2,000	D	$ 8.1	16,000	D	
Common Stock	09/01/2010		S		2,000	D	$ 8	14,000	D	
Common Stock	09/02/2010		S		2,500	D	$ 8.34	11,500	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DORTON JAMES HAROLD 2000 WATERS EDGE DRIVE BUILDING C, SUITE 12 JOHNSON CITY, TN 37604			VP Chief Financial Officer	

Signatures

/s/William C. Kelly, Jr./by Power of Attorney	09/03/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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590

590

Change in pension plans, net of tax of $(2,128)

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(3,585
)

(3,585
)

Change in derivative instruments, net of
tax of $262

--

--

--

--

--

440

440

Comprehensive income

6,440

Stock issued to Directors

--

--

(512
)

--

676

--

164

Shares withheld for employee taxes, net
(74
)

(1
)

(485
)

--

--

--

(486
)
Stock based compensation expense
--

--

1,557

--

--

--

1,557

Restricted stock grants and cancellations, net of amortization
550

6

2,223

--

--

--

2,229

Balance as of April 30, 2010
25,650

Explanation of Responses:

$
257

$
81,981

$
96,204

$
(10,855
)

$
(9,381
)

$
158,206

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

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Gerber Scientific, Inc.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

The preparation of the consolidated financial statements of Gerber Scientific, Inc. (“Gerber” and together with Gerber’s consolidated subsidiaries, the "Company") in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related disclosures. Actual results could differ from those estimates.

Principles of consolidation – The consolidated financial statements include the accounts of Gerber and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The results of operations and cash flows for Yunique Solutions, Inc. (“Yunique,”) are included from the date of acquisition on November 25, 2009 through April 30, 2010 in the accompanying Consolidated Statements of Operations, Consolidated Statements of Cash Flows and Consolidated Statements of Changes in Shareholders' Equity. The results of operations and cash flows for two companies that were acquired during the fiscal year ended April 30, 2009, Virtek Vision International, Inc. ("Virtek") and Gamma Computer Tech Company, Ltd. ("Gamma"), are included from the dates of acquisition through April 30, 2009 and April 30, 2010 in the accompanying Consolidated Statements of Operations, Consolidated Statements of Cash Flows and Consolidated Statements of Changes in Shareholders' Equity. See Note 5.

Gerber completed the sale of 100 percent of the capital stock of its wholly-owned subsidiary, FOBA Technology + Services GmbH (“FOBA”), on September 1, 2009. FOBA was acquired as part of the acquisition of Virtek. The results of FOBA’s operations were previously reported within the Apparel and Industrial segment. The Company completed the sale of substantially all of the assets and liabilities of ND Graphics, a Canadian business unit of Gerber Scientific Products within the Sign Making and Specialty Graphics segment, to a group of investors led by the President of ND Graphics on September 30, 2009. The Company closed the majority of its Spandex Poland, Spandex New Zealand and Gerber Coburn Australia operations during the fiscal year ended April 30, 2010. The results of operations for these five businesses have been reported as discontinued operations for the fiscal years ended April 30, 2010, April 30, 2009 and April 30, 2008 within the consolidated financial statements. The April 30, 2009 comparative Consolidated Balance Sheet and related disclosures do not reflect assets held for sale, as the criteria for assets held for sale were not met as of April 30, 2009. See Note 19.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less.

Concentrations of credit risk – Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade accounts receivable and investments. The Company places its cash and cash equivalents in instruments held at high-quality financial institutions. Concentrations of credit risk with respect to trade accounts receivable are limited by the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. Approximately 68 percent of the Company's revenue in the fiscal year ended April 30, 2010 was generated by the Company's international operations. The Company evaluates customer creditworthiness prior to extending credit and, in some instances, requires letters of credit to support customer obligations. No individual customer accounted for more than 10 percent of consolidated revenue in any of the fiscal years ended April 30, 2010, 2009 or 2008. The Company's investments are held in a mutual fund that is traded on the open market.

Inventories – Inventories are stated at the lower of cost or market value, cost being determined primarily using the first-in, first-out (FIFO) cost method. Inventories held at the Company's Apparel and Industrial segment’s international non-manufacturing companies are valued on a weighted-average basis.

Property, plant and equipment – Property, plant and equipment are stated at cost. Major improvements and betterments to existing plant and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any gain or loss is included in the Consolidated Statements of Operations.

Depreciation expense is recorded on a straight-line basis over the assets' useful lives. Estimated useful lives are up to 50 years for buildings and 3 to 10 years for machinery, tools and other equipment. Leasehold improvements are amortized over the remaining

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minimum lease term or estimated useful life of the asset, whichever is shorter.

Direct development costs associated with internal-use software are capitalized within property, plant and equipment as construction in progress until ready for use and then transferred to machinery, tools and other equipment and amortized over the estimated useful life of the resulting software. Such software is typically amortized on a straight-line basis over a period that does not exceed 7 years for the Company's enterprise resource planning system and 3 years for all other software, beginning when the asset is substantially ready for use, as this is considered to approximate the usage pattern of the software. As of April 30, 2010 and 2009, the Company had capitalized $0.4 million and $4.8 million, respectively, in construction in progress. The Company has recognized $0.4 million in amortization expense related to these capitalized direct development costs in fiscal 2010 and none in fiscal 2009 or fiscal 2008.

Costs incurred for the development of software that will be sold, leased or otherwise marketed are capitalized from the point at which technological feasibility has been established. These costs are included within property, plant and equipment as construction in progress until the product is available for general release, at which point the asset is transferred to machinery, tools and other equipment and amortized over the estimated useful life of the resulting software. The Company amortizes capitalized software using the ratio of the product's gross revenue to the current and forecast gross revenue. Costs capitalized include direct labor and related overhead costs as well as external costs. Costs incurred prior to technological feasibility being established and after general release are expensed as incurred. As of April 30, 2010 and 2009, the Company had capitalized $3.2 million and $0.7 million, respectively, in construction in progress. The Company has not yet recognized any amortization expense related to these capitalized costs and expects to begin amortizing these projects as they are finalized in the fiscal year ending April 30, 2011.

Goodwill and other intangible assets –The Company reviews the value of goodwill for impairment annually during its fourth fiscal quarter, or sooner if a triggering event has occurred that indicates that the carrying amount of the assets may not be fully recoverable. The identification and measurement of goodwill impairment involves subjective estimation of the fair value of reporting units, using substantial estimates and assumptions that could affect whether an impairment charge is recognized and the amount thereof. To assess goodwill for impairment, internal valuation analyses are performed. Estimates of fair value are primarily determined using discounted cash flow analysis, which uses estimates and assumptions, including projected cash flows, and estimated discount rate assumptions and perpetual growth rates.

Intangible assets that have finite useful lives are amortized on a straight-line basis over their estimated useful lives. In addition, these assets are reviewed for potential impairment whenever a triggering event has occurred that indicates the carrying values may not be fully recoverable.

Valuation of long-lived assets – The Company evaluates the recoverability of long-lived assets, or asset groups, whenever events or changes in circumstances indicate that carrying amounts may not be fully recoverable. Should such evaluations indicate that the related future undiscounted cash flows are not sufficient to recover the carrying values of the assets, such carrying values would be reduced to fair value and this adjusted value would become the assets' new cost basis.

Income taxes – The Company recognizes deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. Deferred tax assets are required to be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Tax positions are recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement assuming the tax authority has full knowledge of the position and all relevant facts.

Warranty – A limited standard warranty is provided on certain of the Company's products for periods ranging from 90 days to one year and allowances for estimated warranty costs are recorded during the period of sale. The determination of such allowances requires management to make estimates of expected costs to repair and replace products under warranty. If actual return rates or repair and replacement costs differ significantly from management's estimates, adjustments to recognize additional expense may be required. Extended warranties are recorded as deferred revenue and recognized over the extended warranty contract period on a straight-line basis and the related costs are expensed as incurred.

Pension obligations – The overfunded or underfunded status of pension plans is recognized on the balance sheet. Actuarial losses, net of tax effects, are recognized in Accumulated Other Comprehensive Income (Loss) in Shareholders' Equity until they

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are amortized as a component of net periodic benefit cost.

Revenue recognition – product sales. Product sales consist primarily of equipment, including installation, training and extended warranty, as well as aftermarket supplies and software sales on the Company's equipment sales. Equipment sales are to the sign making and specialty graphics, apparel and industrial, and ophthalmic lens processing industries. Aftermarket supplies include spare parts and consumable materials needed by customers to maintain and use the Company's equipment. Software product sales consist of software products and licenses. The Company also licenses certain intellectual property and recognizes revenue when the earnings process is complete, which is typically upon inception of the license term, as the Company has no further involvement or performance obligations under the license.

The Company recognizes revenue on product sales when it is realized or realizable and earned, which occurs when the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the price is fixed or determinable; and
- collectability is reasonably assured.

The Company recognizes revenue on product sales at the time of shipment, which is when title and the risks and rewards of ownership of the product transfer to the Company's customers and all of the above revenue recognition criteria are considered to have been met. If any of these criteria are not met at shipment, which is infrequent, revenue recognition is deferred until such time as all required conditions of revenue recognition above have been completed.

Certain equipment sales may provide a payment plan that allows for the final payment to be due upon installation of the equipment. The Company recognizes revenue when it meets the criteria outlined above, including that collectability is reasonably assured. These conditions are met at the time of shipment. Additionally, in very limited circumstances, certain equipment sales may provide for customer acceptance provisions that include incremental measures or product performance criteria. These provisions are evaluated on a case by case basis. To the extent these provisions are deemed to be substantive, the Company defers revenue until acceptance has occurred and all other criteria outlined above are met. Instances of equipment returns are infrequent and can be reasonably and reliably estimated.

The Company's software products are "off-the-shelf" and do not require modification or customization by the Company. Software license revenue is recognized upon shipment using the same revenue recognition criteria above; however, collectability must be probable rather than reasonably assured on software and software-related deliverables in order to recognize revenue.

Revenue on extended warranty contracts is recognized on a straight-line basis over the contractual period.

Service sales – Service sales are derived primarily from separately priced maintenance contracts on the Company's equipment sales, software subscriptions and labor and parts sold through the service channel. Revenue on these items is recognized on a straight-line basis over the contractual period or when services are performed.

Sales with multiple elements – The Company's equipment and software is sometimes sold with other elements, such as installation, training, and/or service agreements. The installation and training elements are routine in nature and the average length of time between shipment of the equipment and completion of the installation and/or training typically occurs within two months depending on the equipment type. Service agreement terms typically range from six months to sixty months. Instances of equipment returns because the Company could not complete installation and training are infrequent and the contracts do not specify a refund amount if the equipment is not successfully installed.

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In situations where there are multiple elements, the Company recognizes revenue equal to the allocated value of the equipment at the time of shipment, which is when the elements meet the criteria specified as follows:

- The equipment the Company sells has value on a stand-alone basis. The Company's customers may resell equipment on a stand-alone basis and there is an observable market for the equipment. The Company also may sell the equipment without installation, training or service agreements. In these cases, the overall sales price is reduced by an amount equal to the fair value of any undelivered elements, as applicable.
- There is objective and reliable evidence of the fair value of the undelivered items, as applicable. The Company calculates the fair value of these elements based on the same, or similar, services provided to customers on a stand-alone basis.
- There are no general rights of return relating to the equipment. The Company has no obligation to accept the return of products sold other than for repair or replacement of defective products, which must be authorized in advance.

If these three criteria are not met, which is a rare occurrence, equipment revenue is deferred until delivery of the other elements. Installation, training and service agreement revenue is deferred at fair value and recorded as the services are performed. Arrangements for software and software-related elements of an arrangement are accounted for in accordance with the above guidance related to multiple element arrangements, except that vendor-specific objective evidence of fair value must exist for undelivered elements rather than the objective and reliable evidence specified above.

Return policy – The Company has no obligation to accept the return of products sold other than for repair or replacement of defective products, which must be authorized in advance, except for certain aftermarket supplies sales in the Ophthalmic Lens Processing segment. The Company recognizes gross revenue from those aftermarket supplies sales upon shipment and during the same period reduces gross revenue and the associated cost of sales by an estimate for sales returns based upon historical experience and current economic factors.

Distribution – The Company's Apparel and Industrial segment's sales are primarily made through its domestic and international in-house direct distribution and service network. Independent agents and third-party distributors are used in certain foreign countries. The Ophthalmic Lens Processing segment's sales are primarily made through its in-house sales force and through independent agents in certain foreign countries. The Sign Making and Specialty Graphics segment's sales are made through both third-party distributors and the Company's wholly-owned subsidiary, Spandex. The Company's sales of third-party purchased products are recorded on a gross revenue basis as the Company is the primary obligor in these transactions, bears general inventory and credit risks and sets the pricing terms with its customers.

The Company's distributor sales are not contingent on resale by the distributor to the end-user customer and the Company has no obligation to repurchase distributor inventory.

Discounts – Sales discounts are negotiated with customers prior to billing and sales invoices are prepared net of negotiated sales discounts at the time of billing. These discounts are reflected as a reduction in revenue.

Rebates – In the Sign Making and Specialty Graphics segment, the Company offers volume rebates entitling customers to receive refunds or reductions of prior purchase prices in certain instances. When rebates are offered, a liability is recorded based on estimated amounts of customer purchases at the later of the date that the revenue was recognized or the incentive was offered. The reduction in, or refund of, the selling price from a sales incentive is classified as a reduction of product sales.

Recourse obligations – The Company, in connection with certain product sales, may provide assistance to its customers in obtaining lease financing from third-party financial services institutions. These sales have been determined to be direct sales to the third-party financial services institutions. These arrangements may contain recourse provisions, under which the Company is liable to the third-party financial services institutions in the event of default by the lessee. These leases typically have terms ranging from two to six years. The Company records an estimated recourse liability based upon its historical experience and current economic factors.

Shipping and handling fees and costs – The Company includes shipping and handling fees billed to customers in product sales. Shipping and handling costs associated with inbound and outbound freight are included in cost of products sold.

Sales, use and value-added taxes – The Company records sales, use and value-added taxes on a net basis.

Research and development – Research and development costs are charged to expense as incurred, except for development costs that are capitalized. Research and development costs that are expensed are primarily comprised of development personnel salaries, prototype material costs and testing and trials of new products.

Earnings per share – Basic earnings per common share are equal to net income divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are equal to net income divided by the weighted-average number of common shares outstanding during the period, including the effect of stock-based compensation awards, if such effect is dilutive.

In June 2008, the Financial Accounting Standards Board ("FASB") issued new guidance regarding the treatment of unvested share-based payment awards with rights to receive non-forfeitable dividends that need to be considered participating securities and must be included in the computation of basic earnings per common share. This application must be applied retrospectively at the date of adoption. The Company adopted this guidance, which is now a part of Accounting Standards Codification ("ASC") 260, Earnings per Share, on May 1, 2009 as unvested restricted stock grants include non-forfeitable dividend rights. Approximately 1,252,376 shares, 978,159 shares and 308,281 shares of unvested restricted stock were outstanding as of April 30, 2010, 2009 and 2008, respectively. Reported basic and diluted earnings per common share after adoption of the new guidance for the fiscal years ended April 30, 2009 and 2008 were not impacted as a result of including these shares.

Stock options and share grants – The Company measures stock-based compensation cost at the grant date of the award, based on the calculated fair value of the award, and expenses the fair value using the straight-line method over the employee's requisite service period (generally the vesting period of the equity grant).

In each of the fiscal years ended April 30, 2010, 2009 and 2008, the Company did not recognize windfall tax benefits from direct awards in the amount of $0.2 million, because the benefit did not reduce income taxes payable in the current year utilizing the with-and-without approach to intra-period tax allocation. When and if the Company is able to realize a benefit, an adjustment will be made to paid-in capital.

Foreign currency translation – Assets and liabilities of foreign subsidiaries are translated to the reporting currency of the Company, which is the United States dollar, at exchange rates prevailing at the balance sheet date. Translation adjustments and gains and losses on intercompany foreign currency balances of a long-term investment nature, as designated by management, are deferred and accumulated as a separate component of Shareholders' Equity. Revenue and expenses are translated at average exchange rates prevailing during the year. Transaction gains and losses are included in the Consolidated Statement of Operations. Foreign currency transaction gains (losses) included in Other income (expense), net were $(0.1) million, $0.4 million and $(1.3) million for the fiscal years ended April 30, 2010, 2009 and 2008, respectively.

Hedging activity – The Company uses derivative instruments, including interest rate swaps and forward contracts, to manage certain interest rate and foreign currency exposures. Derivative instruments are viewed as risk management tools and are not used for trading or speculative purposes. Derivatives used for hedging purposes may be designated and effective as a hedge of the identified risk exposure at the inception of the contract.

All derivative instruments are recorded on the balance sheet at fair value. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted interest payments may be accounted for as cash flow hedges, as deemed appropriate. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

Investments – The Company's investments are comprised of money market and mutual funds held in a rabbi trust that are directed by the Company to be used to fund benefit payments under the Company's nonqualified supplemental pension plan. The mutual fund portfolios primarily consist of common stocks, fixed income securities and money market instruments. These investments are held in the custody of a major financial services institution. Realized gains and losses are reclassified from Accumulated Other Comprehensive Loss into the Consolidated Statements of Operations using the specific identification cost method. As of April 30, 2010 and 2009, the Company's investments were classified as available for sale. These investments are recorded in the Consolidated Balance Sheets at fair value and are included in Other assets. Unrealized holding gains and losses are recorded within Accumulated Other

Comprehensive Loss within Shareholders' Equity, net of tax. Losses resulting from other-than-temporary impairments are recorded within Other income (expense), net on the Consolidated Statements of Operations. The Company monitors its investment portfolio for impairment on an ongoing basis. The fair value of investments is determined using quoted market prices for those securities. See Note 7.

Asset retirement obligations – Asset retirement obligations are recognized for legal obligations associated with the retirement of tangible long-lived assets that have contingent timing or settlement based upon a future event. The fair value of a liability for a conditional asset retirement obligation is recognized in the period in which it occurred if a reasonable estimate of fair value can be made. The Company has determined that conditional legal obligations exist for certain of its worldwide owned and leased

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facilities related primarily to leasehold improvements. The liability for asset retirement obligations was $0.7 million and $0.8 million as of April 30, 2010 and 2009, respectively. The Company settled $0.1 million of obligations during the fiscal year ended April 30, 2010 associated with lease terminations.

Deferred financing costs – The Company amortizes capitalized financing costs over the life of the associated debt using the effective interest method. The unamortized amounts are included in Other assets on the Consolidated Balance Sheets.

Legal fees – Legal costs expected to be incurred that are associated with a loss contingency are expensed as incurred.

Reclassifications - Certain reclassifications have been made to conform to the presentation for the fiscal year ended April 30, 2010 that included the reclassification of severance and other costs from Selling, general and administrative expenses and patent impairment expenses from Other income (expense) to Restructuring and other expenses on the accompanying Consolidated Statements of Operations. United States defined benefit pension expenses were reclassified to the Corporate segment from other operating segments as the plans were frozen as of April 30, 2009. The results of operations for five businesses were reported as discontinued operations for the fiscal years ended April 30, 2010, 2009 and 2008 within the consolidated financial statements (see Note 19.)

New accounting pronouncements – In October 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-13, Multiple-Deliverable Revenue Arrangements (“ASU 2009-13”). ASU 2009-13 amends the accounting and reporting guidance for arrangements including multiple revenue-generating activities. ASU 2009-13 amends the criteria for separating deliverables and measuring and allocating arrangement consideration to one or more units of accounting. The amendment also establishes a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures will also be required to provide information about the Company’s multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and performance within arrangements. ASU 2009-13 also requires information to be provided about significant judgments made, changes to those judgments and how the application of the relative selling-price method affects the timing or amount of revenue recognition.

In October 2009, the FASB issued ASU 2009-14, Certain Revenue Arrangements That Include Software Elements (“ASU 2009-14”). ASU 2009-14 changes the accounting model for revenue arrangements that include both tangible products and software elements that are “essential to the functionality,” and removes these products from current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered “essential to the functionality.” ASU 2009-14 subjects software-enabled products to other revenue guidance and disclosure requirements, such as guidance relating to revenue arrangements with multiple-deliverables.

Both ASU 2009-13 and ASU 2009-14 are effective prospectively for revenue arrangements entered into or materially modified beginning May 1, 2011 for the Company, although early application is permitted. The Company plans to early adopt these provisions on May 1, 2010 using the prospective adoption methodology and does not anticipate a significant change to its current revenue recognition accounting practices.

Note 2. Accounts Receivable

The Company sells products and services to customers in a variety of industries and geographic areas and continually monitors customer creditworthiness and payments from its customers. The Company requires, in some instances, bank letters of credit to support customer obligations. Allowances for doubtful accounts are maintained for estimated losses resulting from the customers' inability to make required payments. When evaluating the adequacy of its allowance for doubtful accounts, the Company considers various factors including accounts receivable agings, customer credit worthiness and historical bad debt experience.

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The allowance for doubtful accounts rollforward for the three fiscal years in the period ended April 30, 2010 was as follows:

In thousands	Balance at Beginning of Fiscal Year	Charges to Costs and Expenses1	Deductions2	Impact of Business Dispositions	Balance at End of Fiscal Year
Fiscal 2010	$ 6,741	$ 4,305	$ (3,233)	$ (57)	$ 7,756
Fiscal 2009	$ 6,384	$ 2,733	$ (2,376)	$ ---	$ 6,741
Fiscal 2008	$ 7,012	$ 2,524	$ (3,152)	$ ---	$ 6,384

1 Includes bad debt expense and foreign currency translation adjustments.

2 Deductions include accounts receivable written off and recoveries.

Note 3. Inventories

Inventories were as follows:

In thousands	April 30, 2010	2009
Raw materials and purchased parts	$ 49,400	$ 58,779
Work in process	1,774	3,510
Finished goods	8,649	9,819
Total inventories	$ 59,823	$ 72,108

Note 4. Property, Plant and Equipment

The components of property, plant and equipment were as follows:

In thousands	April 30, 2010	2009
Land	$ 1,036	$ 1,020
Buildings	33,128	35,166
Machinery, tools and equipment	84,908	96,457
	119,072	132,643
Accumulated depreciation	(90,454)	(101,091)
	28,618	31,552
Construction in progress	3,605	5,567
Total property, plant and equipment, net	$ 32,223	$ 37,119

Construction in progress included capitalized interest of $0.1 million for the fiscal year ended April 30, 2010 and $0.2 million for the fiscal year ended April 30, 2009. Depreciation expense was $7.9 million, $9.0 million, and $8.8 million for the fiscal years ended April 30, 2010, 2009 and 2008, respectively.

Note 5. Business Acquisitions

Acquisition During the Fiscal Year Ended April 30, 2010 – On November 25, 2009, the Company acquired for cash 100 percent of the stock of Yunique, a software development company for apparel and flexible materials markets, located in New York. The acquisition of this business is expected to enhance the Apparel and Industrial segment's product lifecycle management software product offerings. Under the terms of the stock purchase agreement, the

Company paid $2.0 million to the former owners of Yunique and is liable for future contingent payments based upon Yunique's annual revenue for the three full fiscal years following the acquisition date. The contingent payments could range from $3.3 million to $4.0 million and were estimated as approximately $3.8 million on an undiscounted basis using probability-based forecasted revenue as of the acquisition date. The contingent future payments were recorded at estimated fair value and classified as Other long-term liabilities on the accompanying Consolidated Balance Sheet. The Company funded the initial payment for this acquisition with borrowings under its credit facility. As of April 30, 2010, there has been no change to the expected (undiscounted) range of contingent payments. The Company incurred and expensed $0.6 million in acquisition costs associated with Yunique during the fiscal year ended April

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30, 2010. These costs were recognized within Restructuring and other expenses on the accompanying Consolidated Statements of Operations.

The assets and liabilities of Yunique were recorded at fair value under the purchase method of accounting. The Company determined the fair value of acquired intangible assets through the use of valuation models. The acquired amortizable intangible assets included $1.8 million attributable to customer relationships with an estimated useful life of ten years, $0.9 million attributable to developed technology assets with an estimated useful life of five years, and a trade name valued at $0.1 million with an estimated useful life of ten years. The unallocated purchase price of $3.7 million was recorded as goodwill, none of which is anticipated to be tax deductible. The recorded goodwill is primarily attributable to expected synergies between the Company and Yunique.

The following table summarizes the assets acquired and liabilities assumed:

In thousands	November 25, 2009
Assets acquired:	
Accounts receivable	$194
Prepaid expenses and other current assets	12
Goodwill	3,653
Other assets	2,796
Total assets acquired	$6,655
Liabilities assumed:	
Accounts payable	33
Other accrued liabilities	158
Deferred revenue	257
Other long-term liabilities	1,021
Total liabilities assumed	$1,469
Net assets acquired	$5,186
Consideration:	
Cash payment	$2,012
Estimated fair value of contingent consideration	3,174
Total consideration	$5,186

For comparative purposes, the Company believes that its results of operations for the fiscal years ended April 30, 2010, April 30, 2009 and April 30, 2008 would not have been materially different had the acquisition of Yunique occurred at May 1, 2009, May 1, 2008 or May 1, 2007, respectively.

Acquisitions During the Fiscal Year Ended April 30, 2009 - The Company completed acquisitions of two companies during the fiscal year ended April 30, 2009. In September 2008, the Company acquired for cash the capital stock of Gamma and in October 2008, the Company acquired for cash the capital stock of Virtek. The acquisitions were funded through borrowings under the Company's revolving credit facility.

Gamma, a manufacturer of equipment for the Apparel and Industrial segment, was acquired to expand the Company's position within China. Under the terms of the stock purchase agreement, the Company paid $5.5 million to the stockholders of Gamma, which included the settlement of amounts held in escrow in the fiscal year ended April 30, 2010. The assets and liabilities of Gamma were recorded at fair value on the date of acquisition under the purchase method of accounting. The Company determined the fair value of acquired intangible assets of $1.4 million through the use of valuation models. The unallocated purchase price of $4.7 million was recorded as goodwill.

Virtek is a manufacturer of precision laser-based templating and inspection solutions for industrial material. Virtek serves customers in the prefabricated construction and transportation industries worldwide, and its operations are located primarily in Canada. The Company intends to utilize its global reach, service and customer relationships to increase sales of Virtek's products, as well as to provide products and services to customers in the Apparel and Industrial segment. Prior to the acquisition, the common stock of Virtek was publicly listed on the Toronto Stock Exchange. The Company purchased all of the outstanding common stock of Virtek for an aggregate purchase price of approximately $29.0 million.

The assets and liabilities of Virtek were recorded at fair value under the purchase method of accounting. The Company determined the fair value of acquired intangible assets through the use of valuation models. The acquired amortizable intangible assets included $3.0 million of developed technology with an estimated useful life of 10 years and trade names valued at $0.1 million with an estimated useful life of 3 years. The unallocated purchase price of $16.0 million was recorded as goodwill, none of which is anticipated to be tax deductible.

The table below summarizes the assets acquired and liabilities assumed. The acquisition included assets and liabilities of FOBA, which was subsequently sold. See Note 19. The amount reported for Goodwill included capitalized transaction costs of approximately $3.4 million.

In thousands	October 21, 2008
Assets acquired:	
Cash and cash equivalents	$4,128
Accounts receivable	6,940
Inventories	8,756
Prepaid and other assets	615
Property, plant and equipment	1,831
Goodwill	15,968
Deferred tax assets	3,030
Other assets	3,135
Total assets acquired	$44,403
Liabilities assumed:	
Accounts payable	$2,499
Accrued compensation and benefits	2,893
Other liabilities	5,599
Deferred revenue	959
Total liabilities assumed	$11,950
Net assets acquired	$32,453

As a result of the Virtek acquisition, the Company planned to consolidate Virtek production facilities for certain product lines within its United States and Canadian locations. Included in this plan were workforce reductions and plans to exit certain leased facilities that were executed in the fiscal years ended April 30, 2009 and 2010. The Company's purchase price allocation of accrued compensation and benefits and other liabilities included $1.6 million of estimated costs for workforce reductions and lease termination costs as of the acquisition date.

For comparative purposes, the Company believes that its results of operations for the fiscal years ended April 30, 2009 and April 30, 2008 would not have been materially different had the acquisition of Virtek occurred at May 1, 2008 or May 1, 2007, respectively.

Acquisition During the Year Ended April 30, 2008 - In May 2007, the Company acquired for cash the stock of Data Technology, Inc. ("Data Technology"), a manufacturer of automated cutting hardware for the design, die making and short run production segments of the packaging and graphics industries, located in Massachusetts. Under the terms of the stock purchase agreement, the purchase price was $6.2 million, which included the settlement of a hold back amount in the fiscal year ended April 30, 2010. The operating results of this business are included within the Sign Making and Specialty Graphics segment in the Company's Consolidated Financial Statements from the effective date of the acquisition on May 1, 2007.

The assets and liabilities of Data Technology were recorded at fair value on the date of acquisition under the purchase method of accounting. The Company determined the intangible asset fair value of the acquired order backlog through the use of a valuation model. The unallocated purchase price was recorded as goodwill of the Sign Making and Specialty Graphics segment.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed, including capitalized transaction costs, and related deferred income taxes as of the acquisition date:

In thousands		May 1, 2007
Assets acquired:		
Cash and cash equivalents	$	500
Accounts receivable		701
Inventories		2,106
Prepaid expenses and other current assets		71
Property, plant and equipment		450
Goodwill		5,954
Other assets		68
Total assets acquired	$	9,850
Liabilities assumed:		
Accounts payable	$	1,447
Accrued compensation and benefits		139
Other accrued liabilities		841
Deferred revenue		1,038
Deferred income taxes		223
Long-term debt		1,012
Total liabilities assumed	$	4,700
Net assets acquired	$	5,150

Note 6. Goodwill and Intangible Assets

The table below presents the gross carrying amount and accumulated amortization of the Company's acquired intangible assets other than goodwill included in Other assets on the Company's Consolidated Balance Sheets:

	April 30, 2010				April 30, 2009			
In thousands	Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization	
Amortized intangible assets:								
Patents	$	7,732	$	3,641	$	7,603	$	3,210
Other		8,346		1,136		5,131		739
Total amortized intangible assets	$	16,078	$	4,777	$	12,734	$	3,949

Total amortized intangible assets as of April 30, 2010 included gross acquired intangible assets of $2.8 million from the Yunique acquisition. See Note 5.

Intangible asset amortization expense was $1.5 million, $1.0 million and $0.7 million for the fiscal years ended April 30, 2010, 2009 and 2008, respectively. It is estimated that such expense will be $1.6 million for the fiscal year ending April 30, 2011, $1.5 million for the fiscal year ending April 30, 2012, $1.3 million for the fiscal year ending April 30, 2013, and $1.1 million annually for the fiscal years ending April 30, 2014 and 2015 based on the amortized intangible assets as of April 30, 2010.

The Company settled $1.5 million in contingent obligation commitments during the fiscal year ended April 30, 2010 related to past acquisitions with the former owners of Data Technology and Gamma. In connection with the sale of certain businesses, the Company recorded a charge of $2.7 million for the write-off of goodwill as part of the Loss from discontinued operations in the accompanying Consolidated Statements of Operations (see Note 19).

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Balances and changes in the carrying amount of goodwill for the fiscal years ended April 30, 2010 and 2009 were:

In thousands	Sign Making & Specialty Graphics	Apparel & Industrial	Ophthalmic Lens Processing	Total
Balance as of April 30, 2008				
Gross goodwill	$ 123,652	$ 14,149	$ 38,696	$ 176,497
Accumulated impairment losses	(92,953)	---	(21,700)	(114,653)
Net balance as of April 30, 2008	$ 30,699	$ 14,149	$ 16,996	$ 61,844
Goodwill acquired during the year from acquisitions	---	20,245	---	20,245
Adjustment to previously reported goodwill	92	---	---	92
Effects of currency translation	(5,054)	(187)	---	(5,241)
Net balance as of April 30, 2009	$ 25,737	$ 34,207	$ 16,996	$ 76,940
Goodwill acquired during the year from acquisitions	1,086	4,021	---	5,107
Goodwill related to the sale of a business	(1,009)	(1,581)	(108)	(2,698)
Effects of currency translation	1,541	2,764	---	4,305
Net balance as of April 30, 2010	$ 27,355	$ 39,411	$ 16,888	$ 83,654
Net balance as of April 30, 2010 was comprised of:				
Gross goodwill	120,308	39,411	38,588	198,307
Accumulated impairment losses	(92,953)	---	(21,700)	(114,653)
Net balance as of April 30, 2010	$ 27,355	$ 39,411	$ 16,888	$ 83,654

Note 7. Investments

Investments are primarily comprised of a mutual fund held in a rabbi trust that are used to fund benefit payments under the nonqualified supplemental pension plan. Investments in available-for-sale securities included in Other assets for the fiscal years ended April 30, 2010 and 2009 were:

	For the Fiscal Years Ended April 30,					
	2010			2009		
In thousands	Cost	Unrealized Gains	Estimated Fair Value	Cost	Unrealized Gains	Estimated Fair Value
Mutual fund	$ 2,707	$ 1,099	$ 3,806	$ 2,796	$ 159	$ 2,955

Gross realized gains of $0.1 million were included in Other income (expense), net for the fiscal year ended April 30, 2010. Gross realized losses of $0.1 million were included in Other income (expense), net for the fiscal year ended April 30, 2009. Additionally, an other-than-temporary impairment charge of $2.3 million was recognized in the fiscal year ended April 30, 2009 and included within Other income (expense), net on the accompanying Consolidated Statements of Operations. Realized gains and losses for the fiscal year ended April 30, 2008 were not significant.

Note 8. Income Taxes

Components of the provision for income taxes attributable to continuing operations were:

	For the Fiscal Years Ended April 30,		
In thousands	2010	2009	2008
Current:			
Federal	$ (83)	$ (270)	$ (1,602)
State and local	85	95	273
Foreign	3,499	1,895	6,201
Total current	3,501	1,720	4,872
Deferred:			
Federal	(4,312)	(3,134)	900
State and local	(194)	(106)	128
Foreign	1,537	(2,501)	143
Total deferred	(2,969)	(5,741)	1,171
Income tax expense (benefit)	$ 532	$ (4,021)	$ 6,043

The following reconciles the statutory United States federal income tax rate to the consolidated effective income tax rate:

	For the Fiscal Years Ended April 30,		
	2010	2009	2008
Statutory U.S. federal income tax rate	35.0%	35.0 %	35.0%
State income taxes, net of US federal tax benefit	(7.4)	8.1	1.2
Reversal of valuation allowance in France	---	(415.8)	---
Foreign tax differences and other valuation allowance adjustments	(50.7)	(23.8)	(4.6)
Impact of repatriation of foreign earnings	(25.8)	31.7	4.0
Belgian notional interest deduction	(14.2)	(43.5)	---
Research and development tax credits	(13.2)	(45.5)	(1.9)
Prior years' adjustments	75.2	(74.2)	(6.8)
Nondeductible cost of acquisitions	10.4	---	---
Equity based compensation adjustments	8.6	18.8	---
Other foreign taxes	7.0	9.5	0.9
Other, net	3.5	(15.8)	0.8
Effective income tax rate	28.4%	(515.5)%	28.6%

A valuation allowance is established if, based upon all available evidence, it is "more likely than not" that all or a portion of deferred tax assets may not be realized. A review of all available evidence includes, but is not limited to, Company performance, the market environment in which the Company operates, the length of carryback and carryforward periods, and objectively verifiable evidence concerning future profitability.

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Deferred tax assets and liabilities as of April 30, 2010 and 2009 were:

	April 30, 2010		April 30, 2009	
In thousands	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ 1,022	$ 1,599	$ 1,159	$ 1,265
Patents	---	1,471	---	1,519
Employee benefit plans	14,765	565	12,097	154
Inventory	6,254	145	5,610	---
Asset valuations	13,921	7,733	13,691	6,799
Provisions for estimated expenses	4,435	---	3,417	---
Net operating losses	19,075	---	20,630	---
Credit carryforwards	10,491	270	7,133	270
Other	4,455	1,134	1,804	805
	74,418	12,917	65,541	10,812
Valuation allowance	(17,118)	---	(14,182)	---
	$ 57,300	$ 12,917	$ 51,359	$ 10,812

United States income and foreign withholding taxes have not been provided on $89.6 million of foreign subsidiaries excesses of financial reporting over investment tax basis differences, including unremitted foreign earnings, because the differences are considered to be reinvested indefinitely outside the United States. The basis differences could become taxable upon the sale or liquidation of these foreign subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when reinvestment or repatriation would be tax effective through the utilization of foreign tax credits. Determination of the related amount of the unrecognized deferred income tax liability is not practicable.

The sources of income from continuing operations before income taxes were:

	For the Fiscal Years Ended April 30,		
In thousands	2010	2009	2008
United States	$ (14,680)	$ (11,963)	$ 439
Foreign	16,554	12,743	20,718
Income from continuing operations before income taxes	$ 1,874	$ 780	$ 21,157

As of April 30, 2010, the Company has approximately $227.9 million of tax net operating loss carryforwards, primarily state and foreign, of which $200.5 million expire as follows: $5.3 million from the fiscal years ended or ending April 30, 2010 through 2014, $0.8 million during the fiscal years ending April 30, 2015 through 2020, and $194.4 million from the fiscal years ending April 30, 2021 through 2030. In addition, the Company has approximately $13.3 million of federal tax credit carryforwards, of which $11.7 million expire beginning in the fiscal year ending April 30, 2014.

As of April 30, 2010 and 2009, the Company had valuation allowances of $17.1 million and $14.2 million, respectively, related primarily to foreign and state loss carryforwards, which do not meet the standard of being more likely than not to be realized. The net increase in the valuation allowance of $2.9 million for the fiscal year ended April 30, 2010 relates principally to valuation allowances established for other losses not benefited. The Company expects future operations will generate sufficient earnings to realize its remaining deferred tax assets.

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A rollforward of the valuation allowance on deferred tax assets for each of the three fiscal years in the three-year period ended April 30, 2010 was as follows:

In thousands	Balance at Beginning of Fiscal Year	Charges to Income Tax Expense	Acquired Valuation Allowances	Deductions 1	Balance at End of Fiscal Year
Fiscal 2010	$ 14,182	$ 3,573	$ ---	$ (637)	$ 17,118
Fiscal 2009	$ 15,182	$ 1,142	$ 1,176	$ (3,318)	$ 14,182
Fiscal 2008	$ 14,427	$ 842	$ ---	$ (87)	$ 15,182

1 Included in the amount for the fiscal year ended April 30, 2009 is $3.2 million associated with the reversal of the valuation allowance in France.

Charges to income tax expense relate primarily to net operating losses in state and foreign jurisdictions, the effect of which has been included in the effective tax rate reconciliation in the adjustment for state income taxes and within foreign tax rate differences.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties within income tax expense. During the fiscal years ended April 30, 2010, 2009 and 2008, the Company recorded interest and penalties charges of approximately $0.1 million in each respective period in the accompanying Consolidated Statement of Operations. The Company had no accrued interest and penalties as of April 30, 2010, and, as of April 30, 2009 total accrued interest, which related to uncertain tax positions, was $0.1 million. As of April 30, 2010, the Company had gross tax-effected unrecognized tax benefits of $5.0 million, of which $3.6 million, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows for the fiscal years ended April 30, 2010, 2009 and 2008:

In thousands	2010	2009	2008
Beginning balance	$3,422	$4,064	$5,061
Additions for tax positions related to the current year	786	140	74
Additions for tax positions of prior years	98	37	292
Reductions for tax positions of prior years	(652)	(196)	(374)
Reductions for lapse of applicable statutes of limitation	(58)	(623)	(989)
Ending balance	$3,596	$3,422	$4,064

The Company conducts business globally and, as a result, Gerber or one or more of its subsidiaries file income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Austria, Belgium, Canada, China, France, Germany, Hong Kong, Italy, the Netherlands, Singapore, Spain, Switzerland, the United Kingdom and the United States. With few exceptions, the Company is no longer subject to United States federal, state and local, or non-United States income tax examinations for years before 2004.

It is reasonably possible that a reduction in the range of $0.4 million to $0.7 million of unrecognized tax benefits may occur within 12 months as a result of the filing of amended tax returns and expirations of statutes of limitation.

Note 9. Borrowings

The Company's outstanding debt is comprised of the following:

April 30,

In thousands	April 30, 2010 Effective rates		2010		2009
Short-term lines of credit	4.30%	$	1,146	$	189
Revolving credit facility	6.12%		45,000		67,500
Industrial development bonds	N/A		---		6,000
			46,146		73,689
Less portion due within one year			(1,146)		(189)
Total long-term debt		$	45,000	$	73,500

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All of the Company's outstanding debt accrued interest at variable interest rates as of April 30, 2010. As the underlying interest rates are believed to represent market rates, the carrying amounts are considered to approximate fair value. The Company has used interest rate swaps to manage certain market rate exposures. See Note 10.

Credit Facility – The Company entered into a credit agreement on January 31, 2008 (the "Credit Agreement"), amended during March 2009 and November 2009, with several banks and other financial institutions and lenders specified in the agreement and RBS Citizens, N.A., in its capacity as administrative agent for the lenders. The facility is a $75.0 million senior secured credit facility, which may be borrowed under revolving credit loans. In addition, the Company may elect, subject to compliance with specified conditions, to solicit the lenders under the Credit Agreement to increase by up to $50.0 million the total principal amount of borrowings available under the credit facility. The facility matures on January 31, 2012. The Credit Agreement is among Gerber and certain of its subsidiaries and JP Morgan Chase Bank N.A., HSBC Bank USA, National Association, Merrill Lynch Capital Corporation, Bank of America, N.A., Sovereign Bank and RBS Citizens, N.A. The credit facility is collateralized by first-priority liens on selected assets and the pledge of capital stock of certain of Gerber’s subsidiaries.

Outstanding borrowings under the Credit Agreement accrue interest at an annual rate equal to the defined Applicable Base Rate ("ABR") or the London Interbank Offered Rate ("LIBOR"), plus a variable margin, which varies based upon certain financial measurements. An annual commitment fee is payable quarterly based upon the unused amount of the Credit Agreement at a specified margin. The specified margins and commitment fees are based on the Company's ratio of Total Funded Debt to Consolidated EBITDA (as defined for purposes of the Credit Agreement), as shown in the table below:

Total Funded Debt to Consolidated EBITDA Ratio	ABR Margin (basis points)	LIBOR Margin (basis points)	Commitment Fee (basis points)
3.00x and greater	300.0	400.0	50.0
2.25x to less than 3.00x	225.0	325.0	50.0
1.50x to less than 2.25x	175.0	275.0	37.5
0.75x to less than 1.50x	137.5	237.5	25.0
Less than 0.75x	100.0	200.0	25.0

The Credit Agreement contains customary representations and warranties, affirmative and negative covenants, financial covenants and events of default. The financial covenants in the Credit Agreement require the Company to maintain a maximum ratio of Total Funded Debt to Consolidated EBITDA, a minimum ratio of Consolidated EBIT to Consolidated Interest Expense, a maximum capital expenditures covenant of $10 million and a minimum asset coverage ratio covenant (all as defined for purposes of the Credit Agreement).

The definition of EBITDA in the Credit Agreement excludes, among other items, certain gains and expenses, including other-than-temporary impairment asset charges, non-cash stock compensation, non-recurring fees and expenses associated with the Credit Agreement amendments, and non-cash purchase accounting adjustments that amortize into EBITDA, and includes, among other items, pro forma EBITDA from acquired companies. The Company’s financial covenant ratio of Total Funded Debt to Consolidated EBITDA, as amended in November 2009, is a maximum of 3.00 to 1 for the twelve month period ended April 30, 2010 and thereafter.

The Company’s financial covenant ratio of Consolidated EBIT to Consolidated Interest Expense, as amended in November 2009, is shown in the table below:

Twelve Month Period Ended	Covenant
April 30, 2010	Minimum 2.25:1
July 31, 2010	Minimum 2.50:1

October 31, 2010 and thereafter	Minimum 3.00:1

The asset coverage covenant ratio requires at least a 1:1 ratio of specified assets to total funded debt. Such assets include cash in the United States and Canada, plus 55 percent of consolidated net accounts receivable plus 25 percent of consolidated inventories and $20 million for consolidated fixed assets. The asset coverage covenant was amended in November 2009 to phase out the $20.0 million allowance for consolidated net fixed assets over periods ending October 31, 2010 and thereafter. Additionally, the measurement of compliance with this covenant will change from being tested monthly to being tested quarterly

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after October 31, 2010. As of April 30, 2010, the Company maintained an asset coverage ratio of 1.62:1.

The March 2009 amendment fee and related costs were $1.2 million and were capitalized. In conjunction with the credit facility amendment in March 2009, the Company incurred a $0.3 million loss for the write-off of certain deferred financing costs. The November 2009 amendment fee and related costs were $0.5 million and were capitalized. In conjunction with the credit facility amendment in November 2009, the Company incurred a $0.3 million loss for the write-off of certain deferred financing costs.

The Company's future compliance with the financial covenants under the credit facility will depend primarily on its success in generating sufficient operating cash flows. Future compliance with the financial covenants may be adversely affected by various economic, financial and industrial factors. Noncompliance with the covenants would constitute an event of default under the credit facility, potentially allowing the lenders to accelerate repayment of any outstanding borrowings. In the event of failure by the Company to continue to be in compliance with any covenants, the Company would seek to negotiate amendments to the applicable covenants or obtain compliance waivers from its lenders. The Company was in compliance with its financial covenants as of April 30, 2010. As of April 30, 2010, $21.3 million was available for borrowings under the revolving credit facility, based on facility financial covenants.

The Credit Agreement also contains subjective acceleration clauses; under which, upon the occurrence of a change in the Company's financial condition, business or operations considered by the lenders to be materially adverse to the Company, the lenders may cause amounts due under the agreement to become immediately due and payable. Additionally, the Credit Agreement contains certain cross-default provisions, which provide that default by the Company under other lending arrangements could cause the Company to be in default under the Credit Agreement.

Under the terms of its credit facility, the Company is restricted from making cash dividend payments in excess of 25 percent of the preceding year's net income.

Weighted-average interest rates under the Company's primary credit facility, inclusive of deferred debt issue costs amortized and interest allocated to discontinued operations, were 7.2 percent in the fiscal year ended April 30, 2010, 5.7 percent in the fiscal year ended April 30, 2009 and 8.6 percent in the fiscal year ended April 30, 2008.

Industrial Development Bonds – As of April 30, 2009, the Company had outstanding $6.0 million of Industrial Development Bonds. This debt was extinguished in advance of the maturity date during the fiscal year ended April 30, 2010.

Short-term Lines of Credit – The Company had short-term bank lines of credit available with several international banks of approximately $1.2 million as of April 30, 2010 and $2.7 million as of April 30, 2009.

Note 10. Derivative Instruments

The Company has used derivative instruments in the fiscal years ended April 30, 2010 and 2009, including interest rate swaps and forward contracts, to manage certain interest rate and foreign currency exposures. Derivative instruments are viewed as risk management tools and are not used for trading or speculative purposes.

The Company holds debt that is indexed at variable market interest rates and operates internationally. Therefore, the Company is exposed to fluctuations in interest rates and foreign exchange rates in the normal course of business. These fluctuations can increase the costs of financing, investing and operating the business. By nature, all financial instruments involve market and credit risks. The Company enters into derivative and other financial instruments with major investment grade financial institutions and has procedures to monitor the credit risk of those counterparties. The Company limits its counterparty exposure and concentration of risk by diversifying counterparties. While there can be no assurance in this regard, the Company does not anticipate any non-performance by any of these counterparties.

All derivative instruments are recorded on the balance sheet at fair value. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted interest payments may be accounted for as cash flow hedges, as deemed appropriate. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

Interest Rate Swaps – The Company is subject to market risk exposure from changes to interest rates due to the variable nature of the credit facility market interest rates. The Company manages these exposures by periodically assessing the market environments and swapping variable interest payments for fixed interest payments at an acceptable level for a portion of its debt. These derivative instruments are accounted for as cash flow hedges. The fair value of the interest rate swap is classified as an other asset or other liability at fair value on the accompanying Consolidated Balance Sheets. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, and otherwise meet the hedge accounting criteria, changes in the derivatives' fair v