YALE INDUSTRIAL PRODUCTS INC
Form 10-Q
August 05, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2009

or

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

For the transition period from to

Commission File Number: 0-27618

Columbus McKinnon Corporation
(Exact name of registrant as specified in its charter)

New York	16-0547600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
140 John James Audubon Parkway, Amherst, NY	14228-1197
(Address of principal executive offices)	(Zip code)

(716) 689-5400
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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. : [X] Yes [ ] 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 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act.

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	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   [X] No

The number of shares of common stock outstanding as of July 31, 2009 was: 19,079,305 shares.

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COLUMBUS McKINNON CORPORATION
June 30, 2009

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Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (unaudited)	March 31, 2009
	(In thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 44,198	$ 39,236
Trade accounts receivable	73,309	80,168
Inventories	94,943	100,621
Prepaid expenses	21,076	18,115
Total current assets	233,526	238,140
Property, plant, and equipment, net	61,913	62,102
Goodwill and other intangibles, net	127,800	125,080
Marketable securities	30,589	28,828
Deferred taxes on income	31,695	32,521
Other assets	5,583	4,993
Total assets	$ 491,106	$ 491,664
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Notes payable to banks	$ 6,327	$ 4,787
Trade accounts payable	25,171	33,298
Accrued liabilities	43,589	50,443
Restructuring reserve	3,995	1,302
Current portion of long-term debt	1,182	1,171
Total current liabilities	80,264	91,001
Senior debt, less current portion	7,086	7,073
Subordinated debt	124,855	124,855
Other non-current liabilities	92,013	86,881
Total liabilities	304,218	309,810
Shareholders' equity:		
Common stock	190	190
Additional paid-in capital	180,979	180,327
Retained earnings	39,493	41,891
ESOP debt guarantee	(2,193)	(2,309)
Accumulated other comprehensive loss	(31,581)	(38,245)
Total shareholders' equity	186,888	181,854
Total liabilities and shareholders' equity	$ 491,106	$ 491,664

See accompanying notes to condensed consolidated financial statements.

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COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended	
	June 30, 2009	June 29, 2008
	(In thousands, except per share data)	
Net sales	$ 119,008	$ 151,164
Cost of products sold	89,578	102,639
Gross profit	29,430	48,525
Selling expenses	16,477	18,202
General and administrative expenses	8,461	9,901
Restructuring charges	5,838	-
Amortization of intangibles	440	27
	31,216	28,130
(Loss) income from operations	(1,786)	20,395
Interest and debt expense	3,337	3,193
Investment income	(319)	(291)
Foreign currency exchange (gain) loss	(408)	50
Other (income) and expense, net	(41)	(822)
(Loss) income from continuing operations before income tax (benefit) expense	(4,355)	18,265
Income tax (benefit) expense	(1,824)	6,499
(Loss) income from continuing operations	(2,531)	11,766
Income (loss) from discontinued operations - net of tax	133	(2,096)
Net (loss) income	(2,398)	9,670
Retained earnings - beginning of period	41,891	122,400
Change in accounting principle (note 18)	-	(774)
Retained earnings - end of period	$ 39,493	$ 131,296
Average basic shares outstanding	18,915	18,819
Average diluted shares outstanding	18,915	19,221
Basic income per share:		
(Loss) income from continuing operations	$ (0.14)	$ 0.62
Income (loss) from discontinued operations	0.01	(0.11)
Net (loss) income	$ (0.13)	$ 0.51
Diluted income per share:		
(Loss) income from continuing operations	$ (0.14)	$ 0.61
Income (loss) from discontinued operations	0.01	(0.11)
Net (loss) income	$ (0.13)	$ 0.50

See accompanying notes to condensed consolidated financial statements.

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COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended June 30, 2009	Three Months Ended June 29, 2008
	(In thousands)	
OPERATING ACTIVITIES:		
Net (loss) income	$ (2,398)	$ 9,670
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
(Income) loss from discontinued operations	(133)	2,096
Depreciation and amortization	3,059	2,172
Deferred income taxes	(1,534)	1,180
Gain on sale of real estate/investments	(49)	(48)
Stock-based compensation	501	408
Amortization/write-off of deferred financing costs	148	133
Changes in operating assets and liabilities net of effects of business acquisitions and divestitures:		
Trade accounts receivable	7,163	247
Inventories	6,434	(4,613)
Prepaid expenses	(556)	(1,236)
Other assets	(584)	1,244
Trade accounts payable	(8,069)	(551)
Accrued and non-current liabilities	889	1,347
Net cash provided by operating activities from continuing operations	4,871	12,049
Net cash used by operating activities from discontinued operations	-	(2,218)
Net cash provided by operating activities	4,871	9,831
INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	135	170
Purchases of marketable securities	(1,122)	(667)
Capital expenditures	(1,250)	(2,118)
Net cash used by investing activities from continuing operations	(2,237)	(2,615)
Net cash provided by investing activities from discontinued operations	133	139
Net cash used by investing activities	(2,104)	(2,476)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	176	221
Net borrowings (payments) under revolving line-of-credit agreements	1,552	(8)
Repayment of debt	-	(74)
Other	(72)	317
Net cash provided by financing activities from continuing operations	1,656	456
Net cash provided by financing activities from discontinued operations	-	579
Net cash provided by financing activities	1,656	1,035
Effect of exchange rate changes on cash	539	450
Net change in cash and cash equivalents	4,962	8,840
Cash and cash equivalents at beginning of period	39,236	75,994
Cash and cash equivalents at end of period	$ 44,198	$ 84,834

See accompanying notes to condensed consolidated financial statements.

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COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended	
	June 30, 2009	June 29, 2008
	(In thousands)	
Net (loss) income	$ (2,398)	$ 9,670
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	5,889	947
Unrealized loss on investments:		
Unrealized holding gain (loss) arising during the period, net of deferred taxes (benefit) of $417 and ($110)	774	(206)
Reclassification adjustment for loss included in net income, net of deferred taxes of $0 and $1	1	2
	775	(204)
Total other comprehensive income	6,664	743
Comprehensive income	$ 4,266	$ 10,413

See accompanying notes to condensed consolidated financial statements.

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COLUMBUS McKINNON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(Dollar amounts in thousands, except share data)
June 30, 2009

1. Description of Business

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at June 30, 2009 and the results of its operations and its cash flows for the three month periods ended June 30, 2009 and June 29, 2008, have been included. Results for the period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending March 31, 2010. The balance sheet at March 31, 2009 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2009.

The Company is a leading designer, marketer and manufacturer of material handling products, systems and services which efficiently and ergonomically move, lift, position and secure material. Key products include hoists, cranes, rigging tools including chain and forged attachments, and actuators. The Company's material handling products are sold, domestically and internationally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users.

2. Acquisitions

On October 1, 2008, the Company acquired Pfaff Beteiligungs GmbH ("Pfaff-silberblau" or "Pfaff"), a Kissing, Germany based company with a leading European position in lifting, material handling and actuator products. Pfaff had revenue of approximately $90,000 USD in calendar 2007. This strategic acquisition continues the execution of the Company's strategic plan to grow its revenue in complimentary product lines and also broaden that revenue in international markets. Pfaff-silberblau complements the Company's existing material handling business in Europe and the U.S. and creates a more global actuator business when combined with the U.S. based Duff Norton actuator company. The Company is creating value from this acquisition through integrating the Pfaff business with the Columbus McKinnon European and U.S. based material handling businesses and Duff Norton. Value is being created by cross selling products among these groups as well as reducing costs through business integration and procurement activities. The results of Pfaff-silberblau are included in the Company's consolidated financial statements from the date of acquisition.

This transaction was accounted for under the purchase method of accounting in accordance with SFAS No. 141 "Business Combinations." The aggregate purchase consideration for the acquisition of Pfaff-silberblau was $52,779 in cash and acquisition costs. The acquisition was funded with existing cash. The purchase price was allocated to the assets acquired and liabilities assumed based upon a valuation of respective fair values. The identifiable intangible assets consisted of trademarks with a value of $6,101 (18 year estimated useful life), customer relationships with a value of $15,092 (11 year estimated useful life), and technology with a value of $806 (14 year estimated useful life). The excess consideration over fair value was recorded as goodwill and approximated $27,769, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows:

Working capital	$	13,340
Property, plant and equipment		8,321
Other long term liabilities, net		(18,650)
Identifiable intangible assets		21,999
Goodwill		27,769
Total	$	52,779

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3. Discontinued Operations

As part of its continuing evaluation of its businesses, the Company determined that its integrated material handling conveyor systems business (Univeyor A/S) no longer provided a strategic fit with its long-term growth and operational objectives. On July 25, 2008, the Company completed the sale of Univeyor A/S, which business represented the majority of the Company's former "Solutions" segment. In accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" the results of operations of Univeyor A/S have been classified as discontinued operations in the condensed statements of operations and statements of cash flows presented herein. In connection with the sale of Univeyor A/S on July 25, 2008, the Company used cash on hand to repay $15,191 in amounts outstanding on Univeyor's lines of credit and fixed term bank debt.

Income from discontinued operations presented herein also includes payments received on a note receivable related to our fiscal 2002 disposal of Automatic Systems, Inc. Due to the uncertainty surrounding the financial viability of the debtor, the note has been recorded at the estimated net realizable value of $0.

Summarized statements of operations for discontinued operations follows:

	Three Months Ended	
	June 30, 2009	June 29, 2008
Net sales	$ -	$ 8,982
Gain (loss) from operations before income tax	214	(1,441)
Income tax expense	81	75
Gain (loss) from operations, net of tax	133	(1,516)
Loss on sale of discontinued operations	-	(14,627)
Gain (loss) from discontinued operations	133	(16,143)
Tax benefit from sale	-	14,047
Gain (loss) from discontinued operations, net of tax	$ 133	$ (2,096)

4. Fair Value Measurements

On April 1, 2008, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements," ("SFAS 157") for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The adoption of SFAS 157 did not have a material impact on our consolidated financial position or results of operations.

Relative to SFAS No. 157, the FASB issued FASB Staff Position (FSP) 157-2. FSP 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Accordingly, we apply the provisions of SFAS 157 in determining the fair value of our nonfinancial assets and nonfinancial liabilities on a nonrecurring basis effective April 1, 2009.

SFAS 157 establishes a hierarchy for inputs that may be used to measure fair value. Level 1 is defined as quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. The fair value of the Company's marketable securities is based on Level 1 inputs. Level 2 is defined as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company's derivatives is based on Level 2 inputs. As of June 30, 2009, the Company's assets and liabilities measured at fair value on recurring bases were as follows:

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		Fair value measurements at reporting date using		
Description	At June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/(Liabilities):				
Marketable securities	$ 30,589	$ 30,589	$ -	$ -
Derivative liabilities	(1,889)	-	(1,889)	-

Assets that are measured on a nonrecurring basis include our reporting units that we use to test goodwill for impairment on an annual or interim basis under the provisions of SFAS 142, as well as property, plant and equipment in circumstances when we determine that those assets are impaired under the provisions of SFAS 144. No non-recurring fair value measurements were made during the three months ended June 30, 2009.

5. Inventories

Inventories consisted of the following:

	June 30, 2009	March 31, 2009
At cost - FIFO basis:		
Raw materials	$ 46,011	$ 49,697
Work-in-process	10,616	12,497
Finished goods	59,117	59,896
	115,744	122,090
LIFO cost less than FIFO cost	(20,801)	(21,469)
Net inventories	$ 94,943	$ 100,621

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, estimated interim results are subject to change in the final year-end LIFO inventory valuation.

6. Marketable Securities

All of the Company's marketable securities, which consist of equity securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders' equity section of the balance sheet unless unrealized losses are deemed to be other than temporary. In such instance, the unrealized losses are reported in the consolidated statements of operations and retained earnings within investment income. Estimated fair value is based on published trading values at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the consolidated statements of operations and retained earnings.

The marketable securities are carried as long-term assets since they are held for the settlement of the Company's general and products liability insurance claims filed through CM Insurance Company, Inc., a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” the Company reviews its marketable securities for declines in market value that may be considered other than temporary. The Company generally considers market value declines to be other than temporary if they are declines for a period longer than six months and in excess of 20% of original cost, or when other evidence indicates impairment. There were no other than temporary impairments for the three months ended June 30, 2009 or June 29, 2008.

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The following is a summary of available-for-sale securities at June 30, 2009:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 29,885	$ 943	$ 239	$ 30,589

The aggregate fair value of investments and unrealized losses on available-for-sale securities in an unrealized loss position at June 30, 2009 are as follows:

	Aggregate Fair Value	Unrealized Losses
Securities in a continuous loss position for less than 12 months	$ 1,592	$ 16
Securities in a continuous loss position for more than 12 months	13,234	223
	$ 14,826	$ 239

The Company considered the nature of the investments, causes of previous impairments, the severity and duration of unrealized losses and other factors when determining whether or not the unrealized losses at June 30, 2009 were temporary in nature. The primary cause for certain portions of our equity securities trading below cost at June 30, 2009 is due to the general volatility in the underlying equity markets and the continued weakness in the global economy. We believe the underlying investments in the mutual funds and exchange-traded funds that we hold in our portfolio are sound and we expect that our equity securities which are currently trading below cost will recover to or above cost within a reasonable period of time. Because of these and other factors, the Company believes that the unrealized losses at June 30, 2009 are temporary.

Net realized gains related to sales of marketable securities (excluding other-than-temporary impairments) were $1 and $2 in the three-months ended June 30, 2009 and June 29, 2008, respectively.

The following is a summary of available-for-sale securities at March 31, 2009:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 29,315	$ 394	$ 881	$ 28,828

7. Goodwill and Intangible Assets

Goodwill is not amortized but is periodically tested for impairment, in accordance with the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company’s reporting units are determined based upon whether discrete financial information is available and regularly reviewed, whether those units constitute a business, and the extent of economic similarities between those reporting units for purposes of aggregation. The Company’s reporting units identified under SFAS 142 are at the component level, or one level below the reporting segment level as defined under SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information.” The Company has four reporting units. Only two of the four reporting units carry goodwill at June 30, 2009 and March 31, 2009.

Under SFAS 142, the measurement of impairment of goodwill consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. As part of the impairment analysis, the Company determines the fair value of each of its reporting units with goodwill using the income approach. The income approach uses a discounted cash flow methodology to determine fair value. This methodology recognizes value based on the expected receipt of future economic benefits. Key assumptions in the income approach include a free cash flow projection, an estimated discount rate, a long-term growth rate and a terminal value. These assumptions are based upon the Company's historical experience, current market trends and future expectations. During fiscal 2009, the generally weak economic conditions resulted in a rapid decline in business, a reduction in forecast cash flows, and an increase in capital costs as a result of tightening credit markets. Based on this evaluation, the Company determined that the fair value of its rest of products reporting unit was less than its carrying value in the fourth quarter of fiscal 2009. Following this assessment, SFAS 142 required the Company to perform a second step in order to determine the implied fair value of goodwill in this reporting unit and to compare it to its carrying value. The activities in the second step included hypothetically valuing all of the tangible and intangible assets of the impaired reporting unit using market participant assumptions, as if the reporting unit had been acquired in a business combination.

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As a result of this assessment, the Company recorded a goodwill impairment charge of $107,000 in the fourth quarter of fiscal 2009. None of the charges related to goodwill were deductible for tax purposes. No impairment charges related to goodwill or intangible assets were recorded during the first quarter of fiscal 2010. However, future impairment indicators, such as declines in forecasted cash flows, may cause additional significant impairment charges. Impairment charges could be based on such factors as the Company's stock price, forecasted cash flows, assumptions used, control premiums or other variables.

A summary of changes in goodwill during the first quarter of fiscal 2010 is as follows:

Balance at April 1, 2009	$	104,744
Currency translation		1,970
Balance at June 30, 2009	$	106,714

Identifiable intangible assets acquired in a business combination are amortized over their useful lives unless their useful lives are indefinite, in which case those intangible assets are tested for impairment annually and not amortized until their lives are determined to be finite.

Intangible assets are summarized as follows:

	June 30, 2009			March 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademark	$ 6,082	$ 250	$ 5,832	$ 5,743	$ 157	$ 5,586
Customer relationships	15,047	1,036	14,011	14,208	652	13,556
Other	1,431	188	1,243	1,342	148	1,194
Total	$ 22,560	$ 1,474	$ 21,086	$ 21,293	$ 957	$ 20,336

Based on the current amount of intangible assets, the estimated amortization expense for each of the fiscal years 2010 through 2014 is expected to be approximately $1,800.

8. Derivative Instruments

The Company uses derivative instruments to manage selected foreign currency exposures. The Company does not use derivative instruments for speculative trading purposes. All derivative instruments must be recorded on the balance sheet at fair value. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded as accumulated other comprehensive loss, or AOCL, and is reclassified to earnings when the underlying transaction has an impact on earnings. The ineffective portion of changes in the fair value of the derivative is reported in cost of products sold. For derivatives not classified as cash flow hedges, all changes in market value are recorded to earnings.

The Company has forward agreements in place to hedge changes in the value of intercompany loans to certain foreign subsidiaries due to changes in foreign exchange rates. The notional amount of these derivatives is $25,070, and all contracts mature by September 30, 2013.

In relation to certain of the derivative transactions discussed above, the Company issued a guarantee to a third party lender which secures any obligations of one of the Company's wholly-owned foreign subsidiaries under the subsidiary's agreement with the third party lender, regarding those derivative transactions. The fair value of the derivative liability of the foreign subsidiary at June 30, 2009 relating to this guarantee was $1,761.

The Company is exposed to credit losses in the event of nonperformance by the counterparties on its financial instruments. All counterparties have investment grade credit ratings. The Company anticipates that these counterparties will be able to fully satisfy their obligations under the contracts.

The following is the pretax effect of derivative instruments on the condensed consolidated statement of operations for the three months ended June 30, 2009:

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Derivatives Not Designated as Hedging Instruments under SFAF No. 133	Location of (Gain) or Loss Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives
Foreign exchange contracts	Foreign currency exchange (gain) loss	$ 882

As of June 30, 2009, the Company had no derivatives designated as cash flow hedges, net investments or fair value hedges in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities."

The following is information relative to our derivative instruments in the condensed consolidated balance sheet as of June 30, 2009:

Derivatives Not Designated as Hedging Instruments under SFAF No. 133	Balance Sheet Location	Fair Value
Foreign exchange contracts	Accrued Liabilities	$ 1,889

9. Debt

The Company's Revolving Credit Facility, which expires February 22, 2011, provides availability up to a maximum of $75,000. Provided there is no default, the Company may request an increase in the availability of the Revolving Credit Facility by an amount not exceeding $50,000, subject to lender approval. The unused Revolving Credit Facility totaled $66,087, net of outstanding borrowings of $0 and outstanding letters of credit of $8,913, as of June 30, 2009. Interest on the revolver is payable at varying Eurodollar rates based on LIBOR or prime plus a spread determined by our leverage ratio amounting to 87.5 or 0 basis points, respectively, at June 30, 2009. The Revolving Credit Facility is secured by all domestic inventory, receivables, equipment, real property, subsidiary stock (limited to 65% of foreign subsidiaries) and intellectual property.

The corresponding credit agreement associated with the Revolving Credit Facility places certain debt covenant restrictions on the Company, including certain financial requirements and restrictions on dividend payments, with which the Company was in compliance as of June 30, 2009. The Company amended its Revolving Credit Facility on May 19, 2009. The credit facility was amended to increase the amount of restructuring charges to be excluded from the fixed charge coverage ratio covenant calculation as a result of the amendment.

The carrying amount of the Company's revolving credit facility, notes payable to banks and other senior debt approximate their fair values based on current market rates. The Company's Senior Subordinated Notes, which have a carrying value of $124,855 at June 30, 2009, have an approximate fair value of $124,243, based on quoted market prices.

The Company's Notes payable to banks consist primarily of secured and unsecured international lines of credit. The Company's Senior debt consists primarily of any borrowings under the Company's Revolving Credit Facility as well as capital lease obligations.

Refer to our consolidated financial statements included in our annual report on Form 10-K for the year ended March 31, 2009 for further information on our debt arrangements.

10. Restructuring Charges

In the first quarter of fiscal 2010, the Company implemented a business reorganization plan. As part of that plan, the Company consolidated its North American sales force and offered certain of its employees an incentive to voluntarily retire early. The early retirement program consists of two benefits: a paid leave of absence and an enhanced pension benefit. Charges for the paid leave of absence of $3,392 were recorded as restructuring reserves in the first quarter of fiscal 2010. The payments are being made to the employees in installments on their regular pay date. Charges for the enhanced pension benefit of $2,012 were recorded in long-term pension liabilities in the first quarter of fiscal 2010. Long-term pension liabilities are included in other non-current liabilities on the consolidated balance sheets. Involuntary terminations resulted in severance costs of $434 which related to salaried workforce reductions.

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In addition, the Company is continuing with the execution of its rationalization of North American hoist and rigging operations. The process includes the closure of two manufacturing facilities and the significant downsizing of a third facility. The Company is currently engaged with the labor unions at each facility in bargaining unit negotiations. The closures will result in a reduction of 500,000 square feet of manufacturing space and generation of annual savings estimated at approximately $9 - $11 million with 80% of the total $8 - $10 million of charges expected in fiscal 2010. These costs will be recorded beginning in the second quarter of fiscal 2010 and continue into fiscal 2011.

The liability as of June 30, 2009 was $3,995, consisting of accrued severance costs. The majority of the severance costs will be paid during fiscal 2010.

The following table provides a reconciliation of the fiscal 2010 activity related to restructuring reserves:

Reserve at April 1, 2009	$	1,302
Restructuring charges		5,838
Cash payments		(1,133)
Reclassification of long-term pension liability		(2,012)
Reserve at June 30, 2009	$	3,995

11. Net Periodic Benefit Cost

The following table sets forth the components of net periodic pension cost for the Company's defined benefit pension plans:

	Three Months Ended			
		June 30, 2009		June 29, 2008
Service costs	$	983	$	1,106
Interest cost		2,431		2,206
Expected return on plan assets		(1,717)		(2,299)
Net amortization		1,169		294
Net periodic pension cost	$	2,866	$	1,307

The increase in net periodic pension cost for the three months ended June 30, 2009 compared to the three months ended June 29, 2008 is primarily the result of an increase in the amortization of unrecognized losses due to the difference between the actual return on investments compared to the expected return from depressed asset values during fiscal 2009.

The following table sets forth the components of net periodic postretirement benefit cost for the Company's defined benefit postretirement plans:

	Three Months Ended			
		June 30, 2009		June 29, 2008
Service costs	$	-	$	1
Interest cost		144		167
Amortization of plan net losses		73		115
Net periodic postretirement cost	$	217	$	283

We currently plan to contribute approximately $18,300 to our pension plans in fiscal 2010.

For additional information on the Company's defined benefit pension and postretirement benefit plans, refer to Note 12 in the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended March 31, 2009.

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12. Income Taxes

Income tax (benefit) expense as a percentage of (loss) income from continuing operations before income tax (benefit) expense was 41.9% and 35.6% in the fiscal 2010 and 2009 quarters, respectively. The percentages vary from the U.S. statutory rate due to varying effective tax rates at the Company's foreign subsidiaries, and the jurisdictional mix of taxable income forecasted for these subsidiaries. We estimate that our effective tax rate related to continuing operations will be approximately 41%-42% for fiscal 2010 based on the forecasted jurisdictional mix of taxable income.

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended	
	June 30, 2009	June 29, 2008
Numerator for basic and diluted earnings per share:		
Net (loss) income	$ (2,389)	$ 9,670
Denominators:		
Weighted-average common stock outstanding -denominator for basic EPS	18,915	18,819
Effect of dilutive employee stock options and awards	-	402
Adjusted weighted-average common stock outstanding and assumed conversions – denominator for diluted EPS	18,915	19,221

During the first three-months of fiscal 2010, a total of 32,375 shares of stock were issued upon the exercising of stock options related to the Company's stock option plans. Options, RSUs, and performance shares with respect to approximately 853,000 and 165,000 shares were not included in the computation of diluted earnings per share for the three-months ended June 30, 2009 and June 29, 2008, respectively, because they were anti-dilutive.

14. Business Segment Information

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes the standards for reporting information about operating segments in financial statements. Historically, the Company had two operating and reportable segments, Products and Solutions. The Solutions segment engaged primarily in the design, fabrication and installation of integrated material handling conveyor systems and service and in the design and manufacture of tire shredders, lift tables and light-rail systems. In fiscal 2009, the Company re-evaluated its operating and reportable segments in connection with the discontinuation of its integrated material handling conveyor systems and service business. With this divestiture, and in consideration of the quantitative contribution of the remaining portions of the Solutions segment to the Company as a whole and our products-orientated strategic growth initiatives, the Company determined that it now has only one operating and reportable segment for both internal and external reporting purposes. As part of the organizational restructuring announced in response to adverse market conditions, we have reevaluated our reportable segments and we continue to believe that we have only one reportable and operating segment.

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15. Summary Financial Information

The following information sets forth the condensed consolidating summary financial information of the parent and guarantors, which guarantee the 8 7/8% Senior Subordinated Notes, and the nonguarantors. The guarantors are wholly owned and the guarantees are full, unconditional, joint and several.

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
As of June 30, 2009					
Current assets:					