INTRUSION INC
Form 10QSB
August 11, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2006

OR

o **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 0-20191

INTRUSION INC.

(Exact name of small business issuer as specified in its charter)

Delaware	**75-1911917**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1101 East Arapaho Road, Richardson, Texas 75081
(Address of principal executive offices)
(Zip Code)

(972) 234-6400
(Issuer s telephone number, including area code)

Not Applicable
Former name, 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:

Yes x No o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act: Yes o No x

The number of shares outstanding of the Registrant s Common Stock, $0.01 par value, on August 4, 2006 was 7,046,213.

Transitional Small Business Disclosure Format (check one): Yes o No x

INTRUSION INC.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	June 30, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 319	$ 2,844
Short-term investments		500
Accounts receivable, less allowance for doubtful accounts of $89 in 2006 and $102 in 2005	838	443
Inventories, net	324	373
Prepaid expenses	144	191
Total current assets	1,625	4,351
Property and equipment, net	200	256
Other assets	41	41
TOTAL ASSETS	$ 1,866	$ 4,648
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 948	$ 1,142
Deferred revenue	283	527
Total current liabilities	1,231	1,669
Stockholders Equity:		
Preferred stock, $0.01 par value: Authorized Shares 5,000		
Series 1 shares issued and outstanding 260 in 2006 and 2005 Liquidation preference of $1,316 as of June 30, 2006	918	918
Series 2 shares issued and outstanding 460 in 2006 and 500 in 2005 Liquidation preference of $1,155 as of June 30, 2006	724	787
Series 3 shares issued and outstanding 469 in 2006 and 565 in 2005 Liquidation preference of $1,026 as of June 30, 2006	667	805
Common stock, $0.01 par value:		
Authorized shares 80,000		
Issued shares 7,056 in 2006 and 6,919 in 2005	71	69
Outstanding shares 7,046 in 2006 and 6,909 in 2005		
Common stock held in treasury, at cost 10 shares	(362)	(362)
Additional paid-in capital	53,469	52,994
Accumulated deficit	(54,673)	(52,053)
Accumulated other comprehensive loss	(179)	(179)
Total stockholders equity	635	2,979
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,866	$ 4,648

See accompanying notes.

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended June 30, 2006	June 30, 2005	Six Months Ended June 30, 2006	June 30, 2005
Net product revenue	$ 957	$ 1,323	$ 1,375	$ 2,194
Net customer support and maintenance revenue	247	386	680	700
Total revenue	1,204	1,709	2,055	2,894
Cost of product revenue	429	719	686	1,221
Cost of customer support and maintenance revenue	30	21	160	46
Total cost of revenue	459	740	846	1,267
Gross profit	745	969	1,209	1,627
Operating expenses:				
Sales and marketing	848	873	1,665	1,632
Research and development	615	703	1,407	1,405
General and administrative	385	304	733	532
Severance and related costs		55		55
Operating loss	(1,103)	(966)	(2,596)	(1,997)
Other income (expense), net	(53)	2	(65)	2
Interest income, net	11	29	41	33
Loss before income tax provision	(1,145)	(935)	(2,620)	(1,962)
Income tax provision				
Net loss	$ (1,145)	$ (935)	$ (2,620)	$ (1,962)
Preferred stock dividends accrued	(43)	(56)	(88)	(85)
Beneficial conversion feature on preferred stock				(919)
Net loss attributable to common stockholders	$ (1,188)	$ (991)	$ (2,708)	$ (2,966)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.17)	$ (0.16)	$ (0.39)	$ (0.49)
Weighted average common shares outstanding, basic and diluted	7,046	6,182	7,014	6,110

See accompanying notes.

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30, 2006	June 30, 2005
Operating Activities:		
Net loss	$ (2,620)	$ (1,962)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	59	94
Provision for doubtful accounts	(13)	(177)
Stock based compensation	363	
Changes in operating assets and liabilities:		
Accounts receivable	(382)	917
Inventories	49	110
Prepaid expenses and other assets	47	159
Accounts payable and accrued expenses	(176)	(248)
Deferred revenue	(244)	116
Net cash used in operating activities	(2,917)	(991)
Investing Activities:		
Purchases of short-term investments		(2,350)
Maturities of short-term investments	500	75
Purchases of property and equipment	(3)	(134)
Net cash provided by (used in) investing activities	497	(2,409)
Financing Activities:		
Proceeds from the exercise of employee stock options	1	
Dividends paid on preferred stock	(106)	(115)
Proceeds from the issuance of preferred stock and warrants, net		2,490
Net cash provided by (used in) financing activities	(105)	2,375
Effect of foreign currency translation adjustment on cash and cash equivalents		(6)
Net decrease in cash and cash equivalents	(2,525)	(1,031)
Cash and cash equivalents at beginning of period	2,844	2,315
Cash and cash equivalents at end of period	$ 319	$ 1,284
SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES:		
Fair value of warrants issued in connection with sale of preferred stock	$	$ 815
Amortization of preferred stock beneficial conversion feature	$	$ (919)
Preferred stock dividends accrued but not paid	$ 88	$ 85

See accompanying notes.

INTRUSION INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

We develop, market and support a family of regulated information compliance and data privacy protection products, entity identification systems along with network intrusion prevention and detection systems that address vital security issues facing organizations with mission critical business applications or housing classified, confidential, or customer information assets. Our products include Compliance Commander for regulated information and data privacy protection, TraceCop for entity identification and location, SpySnare for real-time inline blocking of spyware and unwanted peer-to-peer applications, and SecureNet for network intrusion prevention and detection.

We market and distribute our products through a direct sales force to end-users and distributors and by numerous domestic and international system integrators, managed service providers and value-added resellers. Our end-user customers include high technology, manufacturing, telecommunications, transportation, health care, insurance, government entities, financial institutions, academic institutions and e-commerce.

We were organized in Texas in September 1983 and reincorporated in Delaware in October 1995. For more than 15 years, we provided local area networking equipment and were known as Optical Data Systems or ODS Networks. On June 1, 2000, we changed our name from ODS Networks, Inc. to Intrusion.com, Inc., and our Nasdaq ticker symbol from ODSI to INTZ to reflect our focus on intrusion detection solutions. On November 1, 2001, we changed our name from Intrusion.com, Inc. to Intrusion Inc.

Our principal executive offices are located at 1101 East Arapaho Road, Richardson, Texas 75081, and our telephone number is (972) 234-6400. Our website URL is www.intrusion.com. Information contained in or linked to our website are not a part of this report. References to we, us and our in this report refer to Intrusion Inc. and its subsidiaries.

As of June 30, 2006, we had cash, cash equivalents and short-term investments in the amount of approximately $0.3 million, down from approximately $3.3 million as of December 31, 2005. The decrease in cash and short-term investments funded our operations for the first and the second quarter 2006. On March 29, 2006, we established a $1.0 million line of credit with Silicon Valley Bank. Our existing cash resources, line of credit and projections for increased revenues for the remainder of 2006, may not provide sufficient cash resources to finance our operations and expected capital expenditures for the next twelve months. It is likely that we may need to seek additional debt or equity financing to fund our operations for the next year. The sufficiency of our cash resources depends to a certain extent on general economic, financial, competitive or other factors beyond our control. Moreover, despite actions to reduce our costs and improve our profitability, our operating losses and net operating cash outflows may continue through at least the third quarter of 2006. We may not be able to achieve the revenue and gross margin objectives necessary to achieve positive cash flow or profitability without obtaining additional equity financing. We do not currently have any arrangements for additional financing and we may not be able to secure additional debt or equity financing on terms acceptable to us, or at all, at the time when we need such funding. Additionally, we may not have sufficient availability under our credit line when additional funds are needed. Furthermore, because our stockholders equity of $0.6 million as of June 30, 2006 is less than the $2.5 million required by Nasdaq, we currently face delisting by Nasdaq and must raise additional equity or generate at least $1.9 million of net income in order to meet continued listing requirements. Although we are currently exploring a range of alternatives to increase the amount of our equity, we may not be successful in time to avoid Nasdaq delisting.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The December 31, 2005 balance sheet was derived from audited financial statements, but does not include all the disclosures required by accounting principles generally accepted in the United States. However, we believe that the disclosures are adequate to make the information presented not misleading. In our opinion, all the adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. The results of operations for the three month period ending June 30, 2006 are not necessarily indicative of the results that may be achieved for the full fiscal year or for any future period. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s annual report on Form 10-KSB for the year ended December 31, 2005.

3. Inventories (In thousands)

	June 30, 2006	December 31, 2005
Inventories consist of:		
Finished goods	$ 232	$ 290
Work in progress	8	8
Demonstration systems	84	75
Net inventory	$ 324	$ 373

4. Accounting for Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)), which replaces SFAS 123 and supersedes APB Opinion No. 25. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition.

Prior to January 1, 2006, we accounted for employee stock-based compensation in accordance with APB 25 and followed the disclosure requirements in accordance with SFAS 148. No compensation cost was recorded for stock options, as all options granted under the plans have an exercise price equal (at minimum) to the market value of the underlying common stock on the date of grant.

We adopted SFAS 123(R) on January 1, 2006 using the modified prospective application method described in the statement. Results for prior periods have not been restated. Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the condensed consolidated statement of operations during the first quarter of 2006 included compensation expense for stock-based payment awards granted prior to, but not yet vested, as of December 31, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 148 and compensation expense for the stock-based payment awards granted subsequent to December 31, 2005, based on the grant date fair value estimated in accordance with SFAS 123(R). As stock-based compensation expense recognized in the statement of income for the first quarter of 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under SFAS 148 for the periods prior to 2006, we accounted for forfeitures as they occurred.

By adopting SFAS 123(R) we will record substantial non-cash stock compensation expenses. The adoption of SFAS 123(R) is not expected to have a significant effect on our financial condition or cash flows but is expected to have a significant, adverse effect on our results of operations.

At June 30, 2006, we had three stock-based compensation plans, which are described below. These plans were developed to retain and attract key employees and directors.

In 1995, we adopted our 1995 Stock Option Plan (the 1995 Plan), which provides for the issuance of up to 400,000 shares of common stock upon exercise of options granted pursuant to the 1995 Plan. On April 26, 2001, our stockholders increased the overall number of shares available for issuance pursuant to the plan to 825,000 shares of common stock. The 1995 Plan provides for the issuance of both non-qualified and incentive stock options to our employees, officers, and employee-directors. The 1995 Plan expired by its terms on March 21, 2005 and no options were available for future issuance after the expiration. At June 30, 2006, 67,365 employee options have been exercised and employee options to purchase a total of 517,380 shares of common stock are outstanding. A total of 2,290,295 options have been granted pursuant to the 1995 Plan, of which, 1,705,550 have been cancelled.

In 1995, we also adopted the 1995 Non-Employee Director Stock Option Plan (the 1995 Non-Employee Director Plan). The 1995 Non-Employee Director Plan provided for the issuance of non-qualified stock options to non-employee directors. The 1995 Non-Employee Director Plan was amended in April 2002 to increase the number of shares available for issuance to 65,000 from 40,000 shares. The 1995 Non-Employee Director Plan expired by its terms on March 21, 2005 and no options were available for future issuance after the expiration. No options have been exercised under the 1995 Non-Employee Director Plan. Non-employee options to purchase a total of 32,500 shares of common stock are outstanding at June 30, 2006. A total of 62,500 options have been granted to directors pursuant to the 1995 Non-Employee Director Plan, of which, 30,000 have been cancelled.

On March 17, 2005, the Board approved the 2005 Stock Incentive Plan (the 2005 Plan), which was approved by the stockholders on June 14, 2005. The 2005 Plan serves as a replacement for the 1995 Non-Employee Director Plan and the 1995 Option Plan which expired by their terms on March 21, 2005. The approval of the 2005 Plan had no effect on the 1995 Plans or any options granted pursuant to either plan. All options will continue with their existing terms and will be subject to the 1995 Non-Employee Director Plan or the 1995 Plan, as applicable. Further, the Company will not be able to re-issue any option which is cancelled or terminated under the 1995 Non-Employee Director Plan or the 1995 Option Plan. The 2005 Plan provides for the issuance of up to 750,000 shares of common stock upon exercise of options granted pursuant to the 2005 Plan. The 2005 Plan consists of three (3) separate equity incentive programs: the Discretionary Option Grant Program; the Stock Issuance Program; and the Automatic Option Grant Program for non-employee Board members. Officers and employees, non-employee Board members and independent contractors are eligible to participate in the Discretionary Option Grant and Stock Issuance Programs. Participation in the Automatic Option Grant Program is limited to non-employee members of the Board. Each non-employee Board member will receive an option grant for 10,000 shares of Common Stock upon initial election or appointment to the Board, provided that individual has not previously been employed by the Company in the preceding six (6) months. In addition, on the date of each annual stockholders meeting, each Board member will automatically be granted an option to purchase 5,000 shares of Common Stock, provided he or she has served as a non-employee Board member for at least six (6) months. At June 30, 2006, no 2005 plan options have been exercised and employee and non-employee Board member options to purchase a total of 327,000 shares of common stock are outstanding. A total of 348,000 options have been granted under the 2005 Plan, of which 21,000 have been cancelled and options for 423,000 shares remain available for future grant. No shares have been issued pursuant to the Stock Issuance Program.

The Compensation Committee of our Board of Directors determines for all employee options, the term of each option, option exercise price within limits set forth in the plans, number of shares for which each option is granted and the rate at which each option is exercisable (generally ratably over one, three or five years from grant date). However, the exercise price of any incentive stock option may not be less than the fair market value of the shares on the date granted (or less than 110% of the fair market value in the case of optionees holding more than 10% of our voting stock of the Company), and the term cannot exceed ten years (five years for incentive stock options granted to holders of more than 10% of our voting stock).

Effect of Adopting SFAS No. 123(R)

The following is the effect of adopting SFAS No. 123(R) as of January 1, 2006 for the three and six months ended June 30, 2006 (in thousands, except per share data).

	For Three Months Ended June 30, 2006	**For Six Months Ended June 30, 2006**
Stock-option compensation expense recognized (for stock options only):		
Cost of revenue	$ 22	$ 46
Research and development	36	79
Sales and marketing	56	125
General and administrative	51	113
Effect on net loss	$ 165	$ 363
Effect on basic and diluted earnings per common share	$ (0.02)	$ (0.05)

Valuation Assumptions

The fair values of option awards were estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	For Three Months Ended June 30, 2006	**For Three Months Ended June 30, 2005**	**For Six Months Ended June 30, 2006**	**For Six Months Ended June 30, 2005**
Weighted average grant date fair value	$ 0.50	$ 2.33	$ 1.03	$ 2.35
Weighted average assumptions used:				
Expected dividend yield	0.0 %	0.0 %	0.0 %	0.0 %

Risk-free interest rate	5.1 %	3.7 %	4.6 %	3.9 %
Expected volatility	101.0 %	111.0 %	98.6 %	113.1 %
Expected life (in years)	5.0	4.1	5.0	4.4

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Expected volatility is based on historical volatility and in part on implied volatility. The expected term considers the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate is based on the rates in effect on the grant date for U.S. Treasury instruments with maturities matching the relevant expected term of the award.

Stock Incentive Plan Activity

Stock option activity under the Company s various long-term incentive and director compensation plans during the six months ended June 30, 2006, were as follows:

	Number of Options (in thousands)	**Weighted Average Exercise Price**
Outstanding at December 31, 2005	891	$ 5.48
Granted	48	1.37
Exercised	(1)	0.76
Forfeited	(44)	2.71
Expired	(17)	11.81
Outstanding at June 30, 2006	877	$ 5.27

Stock Options Outstanding and Exercisable

Summarized information about outstanding stock options as of June 30, 2006, that are fully vested and those that are expected to vest in the future as well as stock options that are fully vested and currently exercisable, are as follows:

As of June 30, 2006	**Outstanding Stock Options (Fully Vested and Expected to Vest)***	**Options that are Exercisable**
Number of outstanding options	877	690
Weighted average remaining contractual life	7.73	7.41
Weighted average exercise price per share	$ 5.27	$ 6.03
Intrinsic value	$ 0	$ 0

* Includes effects of expected forfeitures

The options detailed in the table above have a $0 intrinsic value as the fair market value on June 30, 2006 is less than the exercise prices of all of the options vested and expected to vest. As of June 30, 2006, the total unrecognized compensation cost related to non-vested options not yet recognized in the statement of operations totaled approximately $159 thousand and the weighted period over which these awards are expected to be recognized was 1.25 years.

Pro Forma Presentation for Periods Prior to the Adoption of SFAS 123(R)

Under the modified prospective application method, results for prior periods have not been restated to reflect the effects of implementing SFAS No. 123(R). The following pro forma information was reported, as required by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure for the quarter and six months ended June 30, 2005.

	Quarter Ended June 30, 2005	Six Months June 30, 2005
Net loss attributable to common stockholders	$ (991)	$ (2,966)
Deduct: Total stock-based compensation determined under fair value-based method for all awards	(175)	(306)
Pro forma net loss attributable to common stockholders	$ (1,166)	$ (3,272)
Net loss per share attributable to common stockholders:		
(basic and diluted)		
as reported	$ (0.16)	$ (0.49)
pro forma	$ (0.19)	$ (0.54)
Weighted-average shares used in computation:		
Basic and diluted	6,182	6,110

5. Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders for the period by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares and common stock equivalents outstanding for the period. Our common stock equivalents include all common stock issuable upon conversion of preferred stock and the exercise of outstanding options and warrants. The aggregate number of common stock equivalents excluded from the loss per share calculation for the three and six month periods ended June 30, 2006 and 2005 are 3,742,472 and 3,471,285, respectively. Our common stock equivalents are not included in the diluted loss per share for the six month periods ended June 30, 2006 and 2005, as they are antidilutive.

6. Commitments and Contingencies

We are subject to legal proceedings and claims that arise in the ordinary course of business. We do not believe that the outcome of those matters will have a material adverse affect on our consolidated financial position, operating results or cash flows. However, there can be no assurance such legal proceedings will not have a material impact**.**

7. Preferred Stock and Common Stock

During the six months ended June 30, 2006, 40,000 shares of our Series 2 5% preferred stock were converted into 40,000 shares of common stock and 95,872 shares of Series 3 5% preferred stock were converted into 95,872 shares of common stock. At June 30, 2006, there are 259,696 shares of 5% preferred stock outstanding, 460,000 shares of Series 2 5% preferred stock outstanding and 468,735 shares of Series 3 5% preferred stock outstanding. In addition, an employee exercised stock options to purchase 834 shares of common stock during the six months ended June 30, 2006.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that involve risks and uncertainties, such as statements concerning: the difficulties in forecasting future sales caused by current economic and market conditions, the effect of military actions on government and corporate spending on information security products, spending patterns of, and appropriations to, U.S. government departments, the impact of our cost reduction programs and our refocused product line, the difficulties and uncertainties in successfully developing and introducing new products, market acceptance of our products, the impact of sustained losses on our ability to successfully operate and grow our business, our stock price and our ongoing Nasdaq eligibility, the highly competitive market for our products, the effects of sales and implementation cycles for our new products on our quarterly results, difficulties in accurately estimating market growth, the consolidation of the information security industry, the impact of changing economic conditions, business conditions in the information security industry, our ability to manage acquisitions effectively, our ability to manage discontinued operations effectively, the impact of market peers and their products as well as risks concerning future technology and others identified in our Annual Report on Form 10-KSB and other Securities and Exchange Commission filings. Such forward-looking statements are generally accompanied by words such as plan, estimate, expect, believe, should, would, could, anticipate, may or convey uncertainty of future events or outcomes. These forward-looking statements and other statements made elsewhere in this report are made in reliance on the Private Securities Litigation Reform Act of 1995. The section below entitled Factors That May Affect Future Results of Operations sets forth and incorporates by reference certain factors that could cause actual future results of the Company to differ materially from these statements.

Critical Accounting Policies and Estimates

Management s discussion and analysis of financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to product returns, bad debts, inventories, income taxes, warranty obligations, restructuring, maintenance contracts and contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements.

Revenue Recognition

We generally recognize product revenue upon shipment of product. We accrue for estimated warranty costs and sales returns at the time of shipment based on our experience. Revenue from maintenance contracts is deferred and recognized over the contractual period the services are performed, generally one year. There is a risk that technical issues on new products could result in unexpected warranty costs and returns. However, as we migrate to more of a software-based business model, the warranty costs should continue to decline. To the extent that they do decline, our warranty reserve from current sales will decrease. To the extent that our warranty costs exceed our expectations, we will increase our warranty reserve to compensate for the additional expense expected to be incurred. We review these estimates periodically and determine the appropriate reserve percentage. However, to date, warranty costs and sales returns have not been material. Historically, our estimates for these items have not differed materially from actual results. Significant or subjective estimates associated with our revenue recognition policy include our estimate of warranty cost and sales returns.

We recognize software revenue from the licensing of our software products in accordance with Statement of Position (SOP) No. 97-2 Software Revenue Recognition , SOP 98-9 Modification of 97-2, Software Revenue Recognition, with respect to certain transactions and Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition whereby revenue from the licensing of our products is not recognized until all four of the following criteria have been met: (1) execution of a written agreement; (2) delivery of the product has occurred; (3) the fee is fixed and determinable; and (4) collectibility is probable. Bundled hardware and perpetual software product sales are recognized at time of delivery, as our licenses are not sold on a subscription basis. In the case of multiple product and service sales, we perform a Vendor Specific Objective Evidence analysis to appropriately determine the amount of revenue derived from each deliverable. If our license strategy changes and we begin to offer licenses on a subscription basis, we would perform this analysis in a similar manner. Under these circumstances, the revenue related to the license would be recognized ratably over the subscription period. Market values are easily obtained for all of our product offerings, as we have historical sales information on our product offerings. We defer and recognize maintenance and support revenue over the term of the contract period, which is generally one year.

We have signed distribution agreements with distributors in the United States, Europe and Asia. In general, these relationships are non-exclusive. Distributors typically maintain an inventory of our products. Under these agreements, we provide certain protection to the distributors for their inventory of our products for price reductions as well as products that are slow moving or have been discontinued by us. Historically, returns from our distributors and charges related to price reductions on inventory held by distributors have not been material. Recognition of sales to distributors and related gross profits are deferred until the distributors resell the merchandise. However, since we have legally sold the inventory to the distributor and we no longer have care, custody or control over the inventory, we recognize the trade accounts receivable and reduce inventory related to the sale at the time of shipment to the distributor. Revenue, offset by deferred cost of sales, is included in deferred revenue in the accompanying financial statements. Since the net balance in deferred revenue represents the sales price less the cost of the product maintained by the distributors, the deferred costs of these products are included in our obsolescence and slow-moving analysis and are written down according to their estimated current value. This transaction effectively recognizes expense for the write-down, if any, and increases the net liability in the deferred revenue account.

We generally recognize service revenue upon delivery of the contracted service. Service revenue, primarily including maintenance, training and installation, are recognized upon delivery of the service and typically are unrelated to product sales. These services are not essential to the functionality of the delivered product. To date, training and installation revenue has not been material.

Allowance for Doubtful Accounts and Returns

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Our receivables are uncollaterized and we expect to continue this policy in the future. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Historically, our estimates for sales returns and doubtful accounts have not differed materially from actual results.

Inventory

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Historically, our estimates for inventory obsolescence have not differed materially from actual results.

Stock-based Compensation

Beginning on January 1, 2006, we began accounting for stock options under the provisions of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123(R)), which requires the recognition of the fair value of stock-based compensation. Under the fair value recognition provisions for FAS 123(R), stock-based compensation cost is estimated at the grant date based on the fair value of the awards expected to vest and recognized as expense ratably over the requisite service period of the award. We have used the Black-Scholes valuation model, to estimate fair value of our stock-based awards which requires various judgmental assumptions including estimating stock price volatility, forfeiture rates, and expected life. Our computation of expected volatility is based on a combination of historical and market-based implied volatility. In addition, we consider many factors when estimating expected forfeitures and expected life, including types of awards, employee class, and historical experience. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

We adopted FAS 123(R) using the modified prospective method which requires the application of the accounting standard as of January 1, 2006. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of FAS 123(R).

Results of Operations

The following table sets forth, for the periods indicated, certain financial data as a percentage of net revenues. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended				**Six Months Ended**					
	June 30, 2006		**June 30, 2005**		**June 30, 2006**		**June 30, 2005**			
Net product revenue	79.5	%	77.4	%	66.9	%	75.8	%		
Net customer support and maintenance revenue	20.5		22.6		33.1		24.2			
Total revenue	100.0		100.0		100.0		100.0			
Cost of product revenue	35.6		42.1		33.4		42.2			
Cost of customer support and maintenance revenue	2.5		1.2		7.8		1.6			
Total cost of revenue	38.1		43.3		41.2		43.8			
Gross profit	61.9		56.7		58.8		56.2	$	17,942	$14,450

1 Interest commitments under interest bearing debt consist of interest under the Company's primary loan agreement and capitalized lease agreements. Amounts outstanding under the Company's revolving credit facility, $10 million at April 30, 2016, bear a variable interest rate determined by the London Interbank Offered Rate (LIBOR) plus 1.5%. Interest under the Company's capitalized lease agreements is fixed at rates between 2% and 6.5%. Interest commitments under interest bearing debt for the Company's revolving credit facility are at LIBOR plus the spread as of April 30, 2016, throughout the remaining term of the facility.

2 The estimated cost of the Company's two defined benefit pension plans is determined annually based upon the discount rate and other assumptions at fiscal year end. Future pension funding contributions beyond fiscal 2022 have not been determined at this time.

SEASONALITY

The Company's business has historically been subjected to seasonal influences, with higher sales typically realized in the second and fourth fiscal quarters.

For additional discussion of risks that could affect the Company and its business, see "Forward-Looking Statements" above, as well as Item 1A. "Risk Factors" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2016 and 2015, the Company had no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

Management has chosen accounting policies that are necessary to give reasonable assurance that the Company's operational results and financial position are accurately and fairly reported. The significant accounting policies of the Company are disclosed in Note A to the Consolidated Financial Statements included in this annual report. The following discussion addresses the accounting policies that management believes have the greatest potential impact on the presentation of the financial condition and operating results of the Company for the periods being reported and that require the most judgment.

Management regularly reviews these critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Revenue Recognition. The Company utilizes signed sales agreements that provide for transfer of title to the customer upon delivery. The Company must estimate the amount of sales that have been transferred to third-party carriers but not delivered to customers. The estimate is calculated using a lag factor determined by analyzing the actual difference between shipment date and delivery date of orders over the past 12 months. Revenue is only recognized on those shipments which the Company believes have been delivered to the customer.

The Company recognizes revenue based on the invoice price less allowances for sales returns, cash discounts and other deductions as required under U.S. generally accepted accounting principles (GAAP). Collection is reasonably assured as determined through an analysis of accounts receivable data, including historical product returns and the evaluation of each customer's ability to pay. Allowances for sales returns are based on the historical relationship between shipments and returns. The Company believes that its historical experience is an accurate reflection of future returns.

Self Insurance. The Company is self-insured for certain costs related to employee medical coverage, workers' compensation liability, general liability, auto liability and property insurance. The Company maintains stop-loss coverage with third-party insurers to limit total exposure. The Company establishes a liability at each balance sheet date based on estimates for a variety of factors that influence the Company's ultimate cost. In the event that actual experience is substantially different from the estimates, the financial results for the period could be adversely affected. The Company believes that the methodologies used to estimate insurance liabilities are an accurate reflection of the liabilities as of the date of the balance sheet.

Pensions. The Company has two non-contributory defined benefit pension plans covering many of the Company's employees hired prior to April 30, 2012.

Effective April 30, 2012, the Company froze all future benefit accruals under the Company's hourly and salaried defined benefit pension plans.

The estimated expense, benefits and pension obligations of these plans are determined using various assumptions. The most significant assumptions are the long-term expected rate of return on plan assets and the discount rate used to determine the present value of the pension obligations. The long-term expected rate of return on plan assets reflects the current mix of the plan assets invested in equities and bonds.

Beginning with the April 30, 2016 measurement, the Company refined the method used to determine the service and interest cost components of its net periodic benefit cost. Previously, the cost was determined using a single weighted-average discount rate derived from the yield curve. Under the refined method, known as the spot rate approach, individual spot rates along the yield curve that correspond with the timing of each benefit payment will be used. The Company believes this change provides a more precise measurement of service and interest costs by improving the correlation between projected cash outflows and corresponding spot rates on the yield curve. Compared to the previous method, the spot rate approach will decrease the service and interest components of the benefit costs in fiscal 2017. There is no impact on the total benefit obligation.

The following is a summary of the potential impact of a hypothetical 1% change in actuarial assumptions for the discount rate, expected return on plan assets and consumer price index:

(in millions)	IMPACT OF 1% INCREASE	IMPACT OF 1% DECREASE
(decrease) increase		
Effect on annual pension expense	$ (1.3)	$ 1.2
Effect on projected pension benefit obligation	$ (24.3)	$ 31.5

Pension expense for fiscal 2016 and the assumptions used in that calculation are presented in Note H of the Consolidated Financial Statements. At April 30, 2016, the discount rate was 4.06% compared with 4.19% at April 30, 2015. The expected return on plan assets was 7.5% at both April 30, 2016, and April 30, 2015. The rate of compensation increase is not applicable for periods beyond April 30, 2012 because the Company froze its pension plans as of that date.

The projected performance of the Company's pension plans is largely dependent on the assumptions used to measure the obligations of the plans and to estimate future performance of the plans' invested assets. Over the past two measurement periods, the most material deviations between results based on assumptions and the actual plan performance have resulted from changes to the discount rate used to measure the plans' benefit obligations and the actual return on plan assets. Accounting guidelines require the discount rate to be set to a current market rate at each annual measurement date. From the fiscal 2014 to fiscal 2015 measurement dates, the discount rate decreased from 4.56% at April 30, 2014 to 4.19% at April 30, 2015, which caused an actuarial loss of $24.2 million. From the fiscal 2015 to fiscal 2016 measurement dates, the discount rate decreased from 4.19% to 4.06%, which caused an actuarial loss of $1.9 million.

The Company strives to balance expected long-term returns and short-term volatility of pension plan assets. Favorable and unfavorable differences between the assumed and actual returns on plan assets are generally amortized over a period no longer than the average life expectancy of the plans' active participants. The actual rates of return on plan assets realized, net of investment manager fees, were (1.6)%, 6.6% and 9.4% for fiscal 2016, 2015 and 2014, respectively.

The fair value of plan assets at April 30, 2016 was $107.0 million compared with $108.7 million at April 30, 2015. The Company's projected benefit obligation exceeded plan assets by $67.1 million in fiscal 2016 and by $61.3 million in fiscal 2015. The $5.8 million increase in the Company's net under-funded position during fiscal 2016 was primarily driven by the Company's $1.9 million actuarial loss and asset returns that were less than expected, offset by increased Company contributions. The Company expects its pension expense to decrease from $0.3 million in fiscal 2016 to $(0.5) million in fiscal 2017, due primarily to the change to the new mortality tables, decrease in the discount rate and the spot rate approach. The Company expects to contribute $7.3 million to its pension plans in fiscal 2017, which represents required and discretionary funding. The Company made contributions of $5.0 million to its pension plans in fiscal 2016.

Valuation of Deferred Tax Assets. The Company regularly considers the need for a valuation allowance against its deferred tax assets. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The Company has recorded a valuation allowance related to deferred tax assets for certain state investment tax credit (ITC) carryforwards. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The gross amount of state tax credit carryforwards related to state ITCs as of April 30, 2016 was $5.8 million. These credits expire in various years beginning in fiscal 2020. Net of the federal impact and related valuation allowance, the Company has recorded $1.8 million of deferred tax assets related to these credits. The Company accounts for ITCs under the deferral method, under which the tax benefit from the ITC is deferred and amortized into income tax expense over the book life of the related property. As of April 30, 2016, a deferred credit balance of $1.8 million is included in other liabilities on the balance sheet.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers: Topic 606.” ASU 2014-09 supersedes the revenue recognition requirements in “Accounting Standard Codification 605 - Revenue Recognition” and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." ASU 2015-14 defers the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that period. The Company is currently assessing the impact ASU 2014-09 and ASU 2015-14 will have on its financial position and results of operations.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes (Topic 740)." ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The Company retrospectively adopted this guidance on April 30, 2016.

As a result of the retrospective adoption of this ASU, current assets decreased and noncurrent assets increased by $9.6 million as of April 30, 2015. The adoption of ASU 2015-17 did not impact net income or any other amounts previously reported on the consolidated statements of income or comprehensive income or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Among other things, ASU 2016-02 requires lessees to recognize most leases on-balance sheet, which will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 supersedes "Topic 840 - Leases." ASU 2016-02 is effective for public companies for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method for all entities. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Shares-Based Payment Accounting." ASU 2016-09 is intended to improve the accounting for share-based payment transactions as part of the FASB’s simplification initiative. ASU 2016-09 changes several aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public companies. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. Even if an entity early adopts the amendments after the first interim period, the adoption date is as of the beginning of the year for the issues adopted by the cumulative-effect and prospective methods. Any adjustments to previously reported interim periods of that fiscal year should be included in the year-to-date results. If those previously reported interim results appear in any future filings, they are reported on the revised basis. The Company is currently assessing the impact that ASU 2016-09 will have on its consolidated financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The costs of the Company’s products are subject to inflationary pressures and commodity price fluctuations. The Company has generally been able, over time, to recover the effects of inflation and commodity price fluctuations through sales price increases.

On April 30, 2016, the Company had no material exposure to changes in interest rates for its debt agreements.

The Company does not currently use commodity or interest rate derivatives or similar financial instruments to manage its commodity price or interest rate risks.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	APRIL 30 2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$174,463	$149,541
Investments - certificates of deposit	25,750	35,500
Customer receivables, net	55,813	46,142
Inventories	39,319	35,988
Prepaid expenses and other	6,864	4,758
Total Current Assets	302,209	271,929
Property, plant and equipment, net	99,332	85,516
Investments - certificates of deposit	18,250	—
Promotional displays, net	5,377	4,348
Deferred income taxes	32,574	33,387
Other assets	8,951	3,724
TOTAL ASSETS	$466,693	$398,904
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$35,011	$34,288
Current maturities of long-term debt	1,574	1,457
Accrued compensation and related expenses	35,389	30,120
Accrued marketing expenses	8,075	6,471
Other accrued expenses	12,264	12,454
Total Current Liabilities	92,313	84,790
Long-term debt, less current maturities	22,478	21,498
Defined benefit pension liabilities	67,131	61,325
Other long-term liabilities	4,010	1,449
Shareholders' Equity		
Preferred stock, $1.00 par value; 2,000,000 shares authorized, none issued	—	—
Common stock, no par value; 40,000,000 shares authorized; issued and outstanding shares: at April 30, 2016: 16,244,041, at April 30, 2015: 16,079,671	163,290	150,001
Retained earnings	164,756	120,698
Accumulated other comprehensive loss -		
Defined benefit pension plans	(47,285)	(40,857)
Total Shareholders' Equity	280,761	229,842
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$466,693	$398,904

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	FISCAL YEARS ENDED APRIL 30 2016	2015	2014
Net sales	$947,045	$825,465	$726,515
Cost of sales and distribution	747,351	672,933	602,338
Gross Profit	199,694	152,532	124,177
Selling and marketing expenses	66,489	64,304	59,536
General and administrative expenses	40,045	33,773	30,881
Restructuring charges, net	—	(240)	(234)
Insurance proceeds	—	—	(94)
Operating Income	93,160	54,695	34,088
Interest expense	378	515	728
Other (income) expense	996	(207)	(310)
Income Before Income Taxes	91,786	54,387	33,670
Income tax expense	33,063	18,888	13,209
Net Income	$58,723	$35,499	$20,461
SHARE INFORMATION			
Earnings per share			
Basic	$3.61	$2.25	$1.34
Diluted	3.57	2.21	1.31

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	FISCAL YEARS ENDED APRIL 30 2016	2015	2014
Net income	$58,723	$35,499	$20,461
Other comprehensive income (loss) net of tax:			
Change in pension benefits, net of deferred taxes of $4,110, $9,510 and ($3,944), respectively	(6,428)	(14,877)	6,170
Total Comprehensive Income	$52,295	$20,622	$26,631

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share data)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL SHAREHOLDERS' EQUITY
Balance, May 1, 2013	14,822,580	$ 107,165	$ 71,180	$ (32,150)	$ 146,195
Net income			20,461		20,461
Other comprehensive loss, net of tax				6,170	6,170
Stock-based compensation		3,295			3,295
Adjustments to excess tax benefit from stock-based compensation		600			600
Exercise of stock-based compensation awards, net of amounts withheld for taxes	643,558	13,122			13,122
Stock repurchases	(100,000)	(654)	(2,487)		(3,141)
Employee benefit plan contributions	110,160	3,843			3,843
Balance, April 30, 2014	15,476,298	$ 127,371	$ 89,154	$ (25,980)	$ 190,545
Net income			35,499		35,499
Other comprehensive income, net of tax				(14,877)	(14,877)
Stock-based compensation		3,497			3,497
Adjustments to excess tax benefit from stock-based compensation		1,172			1,172
Exercise of stock-based compensation awards, net of amounts withheld for taxes	599,124	12,842			12,842
Stock repurchases	(163,326)	(1,098)	(3,955)		(5,053)
Employee benefit plan contributions	167,575	6,217			6,217
Balance, April 30, 2015	16,079,671	$ 150,001	$ 120,698	$ (40,857)	$ 229,842
Net income			58,723		58,723
Other comprehensive loss, net of tax				(6,428)	(6,428)
Stock-based compensation		3,609			3,609
Adjustments to excess tax benefit from stock-based compensation		4,559			4,559
Exercise of stock-based compensation awards, net of amounts withheld for taxes	375,928	5,288			5,288
Stock repurchases	(243,143)	(1,928)	(14,665)		(16,593)
Employee benefit plan					

contributions	31,585	1,761			1,761
Balance, April 30, 2016	16,244,041	$ 163,290	$ 164,756	$ (47,285)	$ 280,761

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FISCAL YEARS ENDED APRIL 30		
(in thousands)	2016	2015	2014
OPERATING ACTIVITIES			
Net income	$58,723	$35,499	$20,461
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization	16,456	14,526	14,545
Net loss on disposal of property, plant and equipment	1,576	153	123
Gain on sales of assets held for sale	—	(250)	(323)
Gain on insurance recoveries	—	—	(94)
Stock-based compensation expense	3,609	3,497	3,295
Deferred income taxes	11,629	4,335	7,978
Pension contributions in excess of expense	(4,732)	(4,604)	(2,039)
Excess tax benefit from stock-based compensation	(4,968)	(1,887)	(854)
Contributions of employer stock to employee benefit plan	1,761	6,217	3,843
Other non-cash items	(3,489)	(1,211)	(2,634)
Changes in operating assets and liabilities:			
Customer receivables	(9,938)	288	(7,546)
Inventories	(4,276)	(5,605)	(2,875)
Prepaid expenses and other assets	(4,585)	126	(1,236)
Accounts payable	723	5,113	5,869
Accrued compensation and related expenses	5,269	1,963	1,943
Income taxes payable	(1,791)	1,201	526
Marketing and other accrued expenses	5,811	(624)	(447)
Net Cash Provided by Operating Activities	71,778	58,737	40,535
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment	(28,685)	(20,015)	(7,903)
Proceeds from sales of property, plant and equipment	846	22	81
Proceeds from sales of assets held for sale	—	1,250	1,644
Proceeds from insurance recoveries	—	—	94
Purchases of certificates of deposit	(46,750)	(40,750)	—
Maturities of certificates of deposit	38,250	5,250	—
Investment in promotional displays	(4,434)	(2,363)	(3,499)
Net Cash Used by Investing Activities	(40,773)	(56,606)	(9,583)
FINANCING ACTIVITIES			
Payments of long-term debt	(1,547)	(1,309)	(4,516)
Proceeds from long-term debt	3,196	1,500	—
Excess tax benefit from stock-based compensation	4,968	1,887	854
Proceeds from issuance of common stock and other	8,114	14,268	15,330
Repurchase of common stock	(16,593)	(5,053)	(3,141)
Notes receivable, net	(4,221)	417	(750)
Net Cash Provided (Used) by Financing Activities	(6,083)	11,710	7,777
Net Increase in Cash and Cash Equivalents	24,922	13,841	38,729

Cash and Cash Equivalents, Beginning of Year	149,541	135,700	96,971
Cash and Cash Equivalents, End of Year	$174,463	$149,541	$135,700

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A -- Summary of Significant Accounting Policies

The Company manufactures and distributes kitchen cabinets and vanities for the remodeling and new home construction markets. The Company's products are sold across the United States through a network of independent dealers and distributors and directly to home centers and major builders.

The following is a description of the Company's significant accounting policies:

Principles of Consolidation and Basis of Presentation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition: The Company recognizes revenue when product is delivered to the customer and title has passed. Revenue is based on invoice price less allowances for sales returns, cash discounts and other deductions.

Cost of Sales and Distribution: Cost of sales and distribution includes all costs associated with the manufacture and distribution of the Company's products including the costs of shipping and handling.

Advertising Costs: Advertising costs are expensed as incurred. Advertising expenses for fiscal years 2016, 2015 and 2014 were $38.1 million, $34.3 million and $30.4 million, respectively.

Cash and Cash Equivalents: Cash in excess of operating requirements is invested in money market accounts which are carried at cost (which approximates fair value). The Company considers all highly liquid short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents were $34.0 million and $33.0 million at April 30, 2016 and 2015, respectively.

Investments in Certificates of Deposit: The Company invests excess cash in certificates of deposit which are carried at cost (which approximates fair value). Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as long-term assets.

Inventories: Inventories are stated at lower of cost or market. Inventory costs are determined by the last-in, first-out (LIFO) method.

The LIFO cost reserve is determined in the aggregate for inventory and is applied as a reduction to inventories determined on the first-in, first-out method (FIFO). FIFO inventory cost approximates replacement cost.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost less accumulated depreciation. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets, which range from 15 to 30 years for buildings and improvements and 3 to 10 years for machinery and equipment. Assets under capital leases are amortized over the shorter of their estimated useful lives or the term of the related lease.

Impairment of Long-Lived Assets: The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During fiscal years 2016, 2015 and 2014, the Company concluded no impairment existed, except for impairments related to restructuring activities.

Promotional Displays: The Company invests in promotional displays in retail stores to demonstrate product features, product and quality specifications and serve as a training tool for retail kitchen designers. The Company invests in these long-lived productive assets to provide the aforementioned benefits. The Company's investment in promotional displays is carried at cost less applicable amortization. Amortization is provided by the straight-line method on an individual display basis over periods of 30 to 36 months (the estimated period of benefit). Promotional display amortization expense for fiscal years 2016, 2015 and 2014 was $3.4 million, $3.6 million and $3.7 million, respectively, and is included in selling and marketing expenses.

Income Taxes: The Company accounts for deferred income taxes utilizing the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the tax effects of temporary differences between the financial statement amounts and the tax basis of assets and liabilities, using enacted tax rates in effect for the year in which these items are expected to reverse. At each reporting date, the Company evaluates the need for a valuation allowance to adjust deferred tax assets and liabilities to an amount that more likely than not will be realized.

Pensions: The Company has two non-contributory defined benefit pension plans covering many of the Company's employees hired before April 30, 2012. Both defined benefit pension plans were frozen effective April 30, 2012. The Company recognizes the overfunded or underfunded status of its defined benefit pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, in its consolidated balance sheets. The Company also recognizes the actuarial gains and losses and the prior service costs, credits and transition costs as a component of other comprehensive income (loss), net of tax.

Stock-Based Compensation: The Company recognizes stock-based compensation expense based on the grant date fair value over the requisite service period.

Self Insurance: The Company is self-insured for certain costs related to employee medical coverage, workers' compensation liability, general liability, auto liability and property insurance. The Company maintains stop-loss coverage with third-party insurers to limit total exposure. The Company establishes a liability at each balance sheet date based on estimates for a variety of factors that influence the Company's ultimate cost. In the event that actual experience is substantially different from the estimates, the financial results for the period could be adversely affected. The Company believes that the methodologies used to estimate insurance liabilities are an accurate reflection of the liabilities as of the date of the balance sheet.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers: Topic 606." ASU 2014-09 supersedes the revenue recognition requirements in "Accounting Standard Codification 605 - Revenue Recognition" and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." ASU 2015-14 defers the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that period. The Company is currently assessing the impact ASU 2014-09 and ASU 2015-14 will have on its financial position and results of operations.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes (Topic 740)." ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The Company retrospectively adopted this guidance on April 30, 2016. As a result of the retrospective adoption of this ASU, current assets decreased and noncurrent assets increased by $9.6 million as of April 30, 2015. The adoption of ASU 2015-17 did not impact net income or any other amounts previously reported on the consolidated statements of income or comprehensive income or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Among other things, ASU 2016-02 requires lessees to recognize most leases on-balance sheet, which will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 supersedes "Topic 840 - Leases." ASU 2016-02 is effective for public companies for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method for all entities. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.
In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Shares-Based Payment Accounting." ASU 2016-09 is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. ASU 2016-09 changes several aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an

employer withholds shares for tax-withholding purposes. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years for public companies. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. Even if an entity early adopts the amendments after the first interim period, the adoption date is as of the beginning of the year for the issues adopted by the cumulative-effect and prospective methods. Any adjustments to previously reported interim periods of that fiscal year should be included in the year-to-date results. If those previously reported interim results appear in any future filings, they are reported on the revised basis. The Company is currently assessing the impact that ASU 2016-09 will have on its consolidated financial statements.

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

Reclassifications: Certain reclassifications have been made to prior period balances to conform to the current year presentation.

Note B -- Customer Receivables

The components of customer receivables were:

	APRIL 30	
(in thousands)	2016	2015
Gross customer receivables	$58,593	$48,655
Less:		
Allowance for doubtful accounts	(171)	(173)
Allowance for returns and discounts	(2,609)	(2,340)
Net customer receivables	$55,813	$46,142

Note C -- Inventories

The components of inventories were:

	APRIL 30	
(in thousands)	2016	2015
Raw materials	$17,634	$17,199
Work-in-process	18,414	18,095
Finished goods	17,475	14,797
Total FIFO inventories	53,523	50,091
Reserve to adjust inventories to LIFO value	(14,204)	(14,103)
Total LIFO inventories	$39,319	$35,988

Note D -- Property, Plant and Equipment

The components of property, plant and equipment were:

	APRIL 30	
(in thousands)	2016	2015
Land	$2,311	$5,929
Buildings and improvements	80,042	69,412
Buildings and improvements - capital leases	11,202	11,202
Machinery and equipment	182,937	159,680
Machinery and equipment - capital leases	29,357	29,052
Construction in progress	2,556	12,581
	308,405	287,856
Less accumulated amortization and depreciation	(209,073)	(202,340)
Total	$99,332	$85,516

Amortization and depreciation expense on property, plant and equipment amounted to $11.6 million, $9.5 million and $9.5 million in fiscal years 2016, 2015 and 2014, respectively. Accumulated amortization on capital leases included in the above table amounted to $29.6 million and $28.6 million as of April 30, 2016 and 2015, respectively.

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Note E -- Loans Payable and Long-Term Debt

Maturities of long-term debt are as follows:

	FISCAL YEARS ENDING APRIL 30						
(in thousands)	2017	2018	2019	2020	2021	2022 AND THERE- AFTER	TOTAL OUTSTANDING
Revolving credit facility	$—	$—	$10,000	$—	$—	$ —	$ 10,000
Economic development loans	—	—	2,189	—	—	1,500	3,689
Capital lease obligations	1,574	1,265	917	710	617	2,082	7,165
Other long-term debt	—	—	—	—	—	3,198	3,198
Total	$1,574	$1,265	$13,106	$710	$617	$ 6,780	$ 24,052
Less current maturities							$ 1,574
Total long-term debt							$ 22,478

The Company's primary loan agreement is a $35 million unsecured revolving credit facility which expires on December 31, 2018 with Wells Fargo Bank, N.A. (Wells Fargo). At April 30, 2016 and 2015, $10 million of loans were outstanding under this facility, and the Company had additional borrowing base availability of $25 million. The Company incurs a fee for amounts not used under the revolving credit facility. Fees paid by the Company related to non-usage of its current and former credit facilities have been included in interest expense and were insignificant in each of fiscal years 2016, 2015 and 2014, respectively.

The Company can borrow under the revolving credit facility up to the lesser of $35 million or the maximum borrowing base (which equals 75% of eligible accounts receivable, 50% of eligible pre bill reserves and up to $20 million for equipment value, each as defined in the agreement) less any outstanding loan balance. Any outstanding loan balance bears interest at the London Interbank Offered Rate (LIBOR) (0.495% at April 30, 2016) plus 1.5%. Under the terms of the revolving credit facility, the Company must: (1) maintain at the end of each fiscal quarter a ratio of total liabilities to tangible net worth of not greater than 1.4 to 1.0; (2) maintain at the end of each fiscal quarter a ratio of cash flow to fixed charges of not less than 1.5 to 1.0 measured on a rolling four-quarter basis; and (3) comply with other customary affirmative and negative covenants.

The Company was in compliance with all covenants specified in the amended revolving credit facility as of April 30, 2016, including as follows: (1) the Company's ratio of total liabilities to tangible net worth at April 30, 2016 was 0.67 to 1.0; and (2) cash flow to fixed charges for its most recent four quarters was 3.41 to 1.0.

The revolving credit facility does not limit the Company's ability to pay dividends or repurchase its common stock as long as the Company is in compliance with these covenants.

In 2009, the Company entered into a loan agreement with the Board of County Commissioners of Garrett County as part of the Company's capital investment in land located in Garrett County, Maryland. This loan agreement was secured by a Deed of Trust on the property and bears interest at a fixed rate of 3%. The agreement deferred principal and interest during the term of the obligation and forgives any outstanding balance at December 31, 2019, if the Company complied with certain employment levels. The value of the land and associated site improvements totaled $3.5 million. During the fourth quarter of fiscal 2016, the Company conveyed the property for full settlement of the loan and accrued interest totaling $1.6 million. The Company recorded a loss on the transaction of $1.9 million. The loss was included in other (income) expense on the Company's statements of income. The outstanding balance as of April 30, 2016 and 2015 was $0 and $1.3 million, respectively.

In 2005, the Company entered into two separate loan agreements with the Maryland Economic Development Corporation and the County Commissioners of Allegany County as part of the Company's capital investment and operations at the Allegany County, Maryland site. These loan agreements were amended in 2013 and 2008. The aggregate balance of these loan agreements was $2.2 million as of April 30, 2016 and 2015. The loan agreements expire at December 31, 2018 and bear interest at a fixed rate of 3% per annum. These loan agreements are secured by mortgages on the manufacturing facility constructed in Allegany County, Maryland. These loan agreements defer principal and interest during the term of the obligation and forgive any outstanding balance at December 31, 2018, if the Company complies with certain employment levels at the facility.

From 2012 through 2016, the Company entered into a total of eighteen capitalized lease agreements in the aggregate amount of $2.5 million with First American Financial Bancorp related to financing computer equipment. Each lease has a term of 48 months and an interest rate of 6.5%. The leases require quarterly rental payments. The aggregate outstanding amount under all of these leases as of April 30, 2016 and 2015 was $1.1 million and $1.3 million, respectively.

From 2013 through 2016, the Company entered into a total of seventeen capitalized lease agreements in the aggregate amount of $1.9 million with e-Plus Group related to financing computer equipment. Each lease has a term of 51 months and an interest rate of 6.5%. The leases require monthly rental payments. The aggregate outstanding amount under all of these leases as of April 30, 2016 and 2015 was $1.0 million and $1.0 million, respectively.

In 2004, the Company entered into a lease agreement with the West Virginia Economic Development Authority as part of the Company's capital investment and operations at the South Branch plant located in Hardy County, West Virginia. This capital lease agreement is a $10 million term obligation, which expires June 30, 2024, bearing interest at a fixed rate of 2% per annum. The lease requires monthly rental payments. The outstanding amounts owed as of April 30, 2016 and 2015 were $5.0 million and $5.6 million, respectively.

In 2015, the Company entered into a $1.5 million loan agreement with the West Virginia Economic Development Authority as part of the Company's capital investment and operations at the South Branch plant located in Hardy County, West Virginia. The loan agreement expires on February 1, 2025 and bears interest at a fixed rate of 3% per annum. The loan agreement is secured by certain equipment. It defers principal and interest during the term of the obligation and forgives any outstanding balance at December 31, 2018 if the Company complies with certain employment levels at the facility.

On January 25, 2016 the Company entered into a New Markets Tax Credit ("NMTC") financing agreement, pursuant to section 45D of the Internal Revenue Code of 1986, as amended, and Kentucky Revised Statutes Sections 141.432 through 141.434, to take advantage of a tax credit related to working capital and capital improvements at its Monticello, Kentucky facility. This financing agreement was structured with unrelated third party financial institutions (the Investors), their wholly-owned investment funds ("Investment Funds") and their wholly-owned community development entities ("CDEs") in connection with our participation in qualified transactions under the NMTC program. In exchange for substantially all of the benefits derived from the tax credits, the Investors made a contribution of $2.3 million, net of syndication fees, to the project. Upon closing the transaction, a wholly owned subsidiary of the Company provided a $4.3 million loan receivable to the Investment Funds, which is included in other long term assets in the accompanying consolidated balance sheets. The Company also entered into loan agreements aggregating $6.6 million payable to the CDEs sponsoring the project. The loans have a term of thirty years with an aggregate interest rate of approximately 1.2%. As of April 30, 2016 the Company had drawn $3.2 million of the loan proceeds, which is included in long-term debt in the accompanying consolidated balance sheets. The NMTC is subject to recapture for a period of seven years, the compliance period. During the compliance period, the Company is required to comply with various regulations and contractual provisions that apply to the NMTC arrangement. We do not anticipate any credit recaptures will be required in connection with this arrangement. This transaction also includes a put/call feature which becomes enforceable at the end of the compliance period whereby we may be obligated or entitled to repurchase the Investors' interest in the Investment Funds. The value attributable to the put/call is nominal. Direct costs of $0.3 million incurred in structuring the financing arrangement are deferred and will be recognized as expense over the term of the loans (30 years).

Certain of the Company's loan agreements limit the amount and type of indebtedness the Company can incur and require the Company to maintain specified financial ratios measured on a quarterly basis. In addition to the assets previously discussed, certain of the Company's property, plant and equipment are pledged as collateral under a loan agreement and the capital lease arrangements. The Company was in compliance with all covenants contained in its loan agreements and capital leases at April 30, 2016.

Interest paid under the Company's loan agreements and capital leases during fiscal years 2016, 2015 and 2014 was $0.5 million, $0.5 million and $0.7 million, respectively.

Note F -- Earnings Per Share

The following table summarizes the computations of basic and diluted earnings per share:

(in thousands, except per share amounts)	FISCAL YEARS ENDED APRIL 30 2016	2015	2014
Numerator used in basic and diluted earnings per common share:			
Net income	$58,723	$35,499	$20,461
Denominator:			
Denominator for basic earnings per common share - weighted-average shares	16,256	15,764	15,299
Effect of dilutive securities:			
Stock options and restricted stock units	186	273	354
Denominator for diluted earnings per common share - weighted-average shares and assumed conversions	16,442	16,037	15,653
Net earnings per share			
Basic	$3.61	$2.25	$1.34
Diluted	$3.57	$2.21	$1.31

There were no potentially dilutive securities for the fiscal year ended April 30, 2016, which were excluded from the calculation of net earnings per share. Potentially dilutive shares of 0.1 million issuable under the Company's stock incentive plans have been excluded from the calculation of net earnings per share for each of the fiscal years ended April 30, 2015 and 2014, as the effect would be anti-dilutive.

Note G – Stock-Based Compensation

The Company has two types of stock-based compensation awards in effect for its employees and directors. The Company has issued stock options since 1986 and restricted stock units ("RSUs") since fiscal 2010. Total compensation expense related to stock-based awards for the fiscal years ended April 30, 2016, 2015 and 2014 was $3.6 million, $3.5 million and $3.3 million, respectively. The Company recognizes stock-based compensation costs net of an estimated forfeiture rate for those shares expected to vest on a straight-line basis over the requisite service period of the award. The Company estimates the forfeiture rates based upon its historical experience.

Stock Incentive Plans

At April 30, 2016, the Company had stock option and RSU awards outstanding under four different plans: (1) second amended and restated 2004 stock incentive plan for employees; (2) 2006 non-employee directors equity ownership plan; and (3) 2011 non-employee directors equity ownership plan. As of April 30, 2016, there were 935,626 shares of common stock available for future stock-based compensation awards under the Company's stock incentive plans.

Methodology Assumptions

For purposes of valuing stock option grants, the Company has identified one employee group and one non-employee director group, based upon observed option exercise patterns. The Company uses the Black-Scholes option-pricing model to value the Company's stock options for each of the groups. Using this option-pricing model, the fair value of each stock option award is estimated on the date of grant. The fair value of the Company's stock option awards is expensed on a straight-line basis over the vesting period of the stock options. The expected volatility assumption is based on the historical volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from the Company's historical exercise experience and represents the period of time that stock option awards granted are expected to be outstanding for each of the identified groups. The expected term assumption incorporates the contractual term of an option grant, which is generally ten years for employees and from four to ten years for non-employee directors, as well as the vesting period of an award, which is typically three years. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the expected term of the option granted.

For purposes of determining the fair value of RSUs, the Company uses the closing stock price of its common stock as reported on the NASDAQ Global Select Market on the date of grant. The fair value of the Company's RSU awards is expensed on a straight-line basis over the vesting period of the RSUs to the extent the Company believes it is probable the related performance criteria, if any, will be met. The risk-free interest rate is based on the implied yield on a U.S. Treasury constant maturity with a remaining term equal to the vesting period of the RSU grant.

The weighted-average assumptions and valuation of the Company's stock options were as follows:

	FISCAL YEARS ENDED APRIL 30		
	2016	2015	2014
Weighted-average fair value of grants	$18.59	$9.25	$14.46
Expected volatility	29.8 %	27.4 %	38.2 %
Expected term in years	5.8	5.9	6.1
Risk-free interest rate	2.16 %	2.19 %	1.59 %
Expected dividend yield	— %	— %	— %

Stock Option Activity

Stock options granted and outstanding under each of the Company's plans vest evenly over a three-year period and have contractual terms of ten years. The exercise price of all stock options granted is equal to the fair market value of the Company's common stock on the option grant date.

The following table presents a summary of the Company's stock option activity for the fiscal years ended April 30, 2016, 2015 and 2014 (remaining contractual term in years and exercise prices are weighted-averages):

	NUMBER OF OPTIONS	REMAINING CONTRACTUAL TERM	WEIGHTED AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE (in thousands)
Outstanding at April 30, 2013	1,401,813	4.8	$27.27	$ 9,272
Granted	60,500	9.1	36.74	—
Exercised	(551,485)	—	26.61	5,156
Cancelled or expired	(59,514)	—	30.17	—
Outstanding at April 30, 2014	851,314	4.3	$28.16	$ 3,121
Granted	66,600	9.1	29.92	—
Exercised	(508,639)	—	28.05	7,209
Cancelled or expired	(11,200)	—	32.64	—
Outstanding at April 30, 2015	398,075	5.0	$28.46	$ 8,851
Granted	30,700	9.1	57.11	—
Exercised	(287,975)	—	27.99	11,089
Cancelled or expired	(14,167)	—	40.43	—
Outstanding at April 30, 2016	126,633	5.8	$35.15	$ 4,773
Vested and expected to vest in the future at April 30, 2016	120,715	5.7	$34.97	$ 4,572
Exercisable at April 30, 2016	46,599	1.7	$26.72	$ 2,149

The aggregate intrinsic value in the previous table of the outstanding options on April 30, 2016 represents the total pre-tax intrinsic value (the excess, if any, of the Company's closing stock price on the last trading day of fiscal 2016 over the exercise price, multiplied by the number of in-the-money options) of the shares of the Company's common stock that would have been received

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by the option holders had all option holders exercised their options on April 30, 2016. This amount changes based upon the fair market value of the Company’s common stock. The total fair value of options vested for the fiscal years ended April 30, 2016, 2015 and 2014 was $0.7 million, $0.7 million and $0.7 million, respectively.

As of April 30, 2016, there was $0.6 million of total unrecognized compensation expense related to unvested stock options granted under the Company’s stock-based compensation plans. This expense is expected to be recognized over a weighted-average period of 1.7 years.

Cash received from option exercises for the fiscal years ended April 30, 2016, 2015 and 2014, was an aggregate of $8.1 million, $14.3 million and $14.7 million, respectively. The actual tax benefit realized for the tax deduction from option exercises of stock option awards totaled $4.3 million, $2.8 million and $2.0 million for the fiscal years ended April 30, 2016, 2015 and 2014, respectively.

The following table summarizes information about stock options outstanding at April 30, 2016 (remaining lives in years and exercise prices are weighted-averages):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
OPTION PRICE PER SHARE	OPTIONS	REMAINING LIFE	EXERCISE PRICE	OPTIONS	EXERCISE PRICE
$22.77-$23.96	27,900	2.2	$23.32	27,900	$23.32
$29.92-$34.11	57,766	5.8	30.52	18,633	31.79
$36.74-$36.74	14,867	7.1	36.74	66	36.74
$57.11-$57.11	26,100	9.1	57.11	—	—
	126,633			46,599	

Restricted Stock Unit Activity:

The Company’s RSUs granted to employees cliff-vest over a three-year period from date of grant, while RSUs granted to non-employee directors vest daily over a two-year period from date of grant. Directors were granted service-based RSUs only, while employees were awarded both service-based and performance-based RSUs ("PBRSUs") in fiscal years 2016, 2015 and 2014. The PBRSUs granted in fiscal 2016 are earned based on achievement of a number of goals pertaining to the Company’s operational and financial performance during the performance period of fiscal 2016. Employees who satisfy the vesting criteria will receive a proportional amount of PBRSUs based upon the Compensation Committee’s assessment of the Company’s achievement of the performance criteria.

The following table contains a summary of the Company's RSU activity for the fiscal years ended April 30, 2016, 2015 and 2014:

	PERFORMANCE-BASED RSUs	SERVICE-BASED RSUs	TOTAL RSUs	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Issued and outstanding, April 30, 2013	279,105	155,000	434,105	$17.96
Granted	75,600	44,092	119,692	$36.09
Cancelled due to non-achievement of performance goals	(23,384)	—	(23,384)	$17.62
Settled in common stock	(74,935)	(60,310)	(135,245)	$19.75
Forfeited	(20,591)	(15,407)	(35,998)	$23.12
Issued and outstanding, April 30, 2014	235,795	123,375	359,170	$22.79
Granted	79,500	40,100	119,600	$30.82
Cancelled due to non-achievement of performance goals	(16,218)	—	(16,218)	$36.18
Settled in common stock	(79,407)	(54,861)	(134,268)	$17.45
Forfeited	(8,726)	(4,764)	(13,490)	$27.78
Issued and outstanding, April 30, 2015	210,944	103,850	314,794	$27.15
Granted	48,201	22,349	70,550	$57.83
Cancelled due to non-achievement of performance goals	(19,657)	—	(19,657)	$29.92
Settled in common stock	(89,665)	(46,950)	(136,615)	$19.57
Forfeited	(9,056)	(3,537)	(12,593)	$40.99
Issued and outstanding, April 30, 2016	140,767	75,712	216,479	$40.88

As of April 30, 2016, there was $3.3 million of total unrecognized compensation expense related to unvested RSUs granted under the Company's stock-based compensation plans. This expense is expected to be recognized over a weighted-average period of 1.7 years.

For the fiscal years ended April 30, 2016, 2015 and 2014 stock-based compensation expense was allocated as follows:

(in thousands)	2016	2015	2014
Cost of sales and distribution	$608	$518	$505
Selling and marketing expenses	1,079	954	801
General and administrative expenses	1,922	2,025	1,989
Stock-based compensation expense, before income taxes	$3,609	$3,497	$3,295

Restricted Stock Tracking Units:

During fiscal 2016, the Board of Directors of the Company approved grants of 7,616 cash-settled performance-based restricted stock tracking units ("RSTUs") and 2,499 cash-settled service-based RSTUs for more junior level employees who previously received RSU grants under the Company's shareholder approved plan. Each performance-based RSTU entitles the recipient to receive a payment in cash equal to the fair market value of a share of the Company's common stock as of the payment date if applicable performance conditions are met and the recipient remains continuously employed with the Company until the units vest. The service-based RSTUs entitle the recipients to receive a payment in cash equal to the fair market value of a share of our common stock as of the payment date if they remain continuously employed with the Company until the units vest. The RSTUs cliff-vest three years from the grant date. Since the RSTUs will be settled in cash, the grant date fair value of these awards is recorded as a liability until the date of payment. The fair value of each cash-settled RSTU award is remeasured at the end of each reporting period and the liability is adjusted, and related expense recorded, based on the new fair value. The Company recognized expense of $0.8 million, $0.4 million and $0.1 million related to RSTUs for the fiscal years ended April 30, 2016, 2015 and 2014, respectively. A liability for payment of the RSTUs is included in the Company's balance sheets in the amount of $1.2 million and $0.4 million as of April 30, 2016 and 2015, respectively.

Note H – Employee Benefit and Retirement Plans

Employee Stock Ownership Plan

In fiscal 1990, the Company instituted the American Woodmark Investment Savings Stock Ownership Plan. Effective January 1, 2016 the plan name was changed to the American Woodmark Corporation Retirement Savings Plan. Under this plan, all employees who are at least 18 years old and have been employed by the Company for at least six consecutive months are eligible to receive Company stock through a discretionary profit-sharing contribution and a 401(k) matching contribution based upon the employee's contribution to the plan.

Discretionary profit-sharing contributions ranging from 0-5%, based on predetermined net income levels of the Company, may be made annually in the form of Company stock. The Company recognized expenses for profit-sharing contributions of $2.9 million, $1.8 million and $0.8 million in fiscal years 2016, 2015 and 2014, respectively.

In fiscal 2013, as part of the realignment of its retirement plans, the Company increased the match on 401(k) contributions in the form of Company stock to 100% of an employee’s annual contribution to the plan up to 4% of annual compensation. Effective May 1, 2015, matching contributions are made in cash by the Company. The expense for 401(k) matching contributions for this plan was $6.6 million, $5.6 million and $4.1 million, in fiscal years 2016, 2015 and 2014, respectively.

Pension Benefits

The Company has two defined benefit pension plans covering many of the Company’s employees hired prior to April 30, 2012. These plans provide defined benefits based on years of service and final average earnings (for salaried employees) or benefit rate (for hourly employees).

Effective April 30, 2012, the Company froze all future benefit accruals under the Company’s hourly and salaried defined benefit pension plans.

Included in accumulated other comprehensive loss at April 30, 2016 is $77.5 million ($47.3 million net of tax) related to net unrecognized actuarial losses that have not yet been recognized in net periodic pension benefit costs. The Company expects to recognize $1.8 million ($1.1 million net of tax) in net actuarial losses in net periodic pension benefit costs during fiscal 2017. The Company uses an April 30 measurement date for its benefit plans.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the Company's non-contributory defined benefit pension plans as of April 30:

	APRIL 30	
(in thousands)	2016	2015
CHANGE IN PROJECTED BENEFIT OBLIGATION		
Projected benefit obligation at beginning of year	$169,986	$144,142
Interest cost	7,014	6,466
Actuarial losses	1,921	24,168
Benefits paid	(4,825)	(4,790)
Projected benefit obligation at end of year	$174,096	$169,986
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$108,661	$102,599
Actual return on plan assets	(1,887)	6,583
Company contributions	5,016	4,269
Benefits paid	(4,825)	(4,790)
Fair value of plan assets at end of year	$106,965	$108,661
Funded status of the plans	$(67,131)	$(61,325)
Unrecognized net actuarial loss	77,514	66,975
Prepaid benefit cost	$10,383	$5,650

The accumulated benefit obligation for both pension plans was $174.1 million and $170.0 million at April 30, 2016 and 2015, respectively.

	PENSION BENEFITS		
(in thousands)	2016	2015	2014
COMPONENTS OF NET PERIODIC PENSION BENEFIT COST			
Interest cost	$7,014	$6,466	$6,203
Expected return on plan assets	(8,142)	(7,666)	(7,113)
Recognized net actuarial loss	1,412	865	1,129
Pension benefit cost	$284	$(335)	$219

The components of net periodic pension benefit cost do not include service costs or prior service costs due to the plans being frozen.

Actuarial Assumptions: The discount rate at April 30 was used to measure the year-end benefit obligations and the earnings effects for the subsequent year. Actuarial assumptions used to determine benefit obligations and earnings effects for the pension plans follow:

	FISCAL YEARS ENDED APRIL 30	
	2016	2015
WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE BENEFIT OBLIGATIONS		
Discount rate	4.06 %	4.19 %

	FISCAL YEARS ENDED APRIL 30		
	2016	2015	2014
WEIGHTED-AVERAGE ASSUMPTIONS TO DETERMINE NET PERIODIC PENSION BENEFIT COST			
Discount rate	4.19 %	4.56 %	4.21%
Expected return on plan assets	7.5 %	7.5 %	7.5 %

The Company bases the discount rate on a current yield curve developed from a portfolio of high-quality fixed-income investments with maturities consistent with the projected benefit payout period. The long-term rate of return on assets is determined based on consideration of historical and forward-looking returns and the current and expected asset allocation strategy.

Beginning with the April 30, 2016 measurement, the Company refined the method used to determine the service and interest cost components of its net periodic benefit cost. Previously, the cost was determined using a single weighted-average discount rate derived from the yield curve. Under the refined method, known as the spot rate approach, individual spot rates along the yield curve that correspond with the timing of each benefit payment will be used. The Company believes this change provides a more precise measurement of service and interest costs by improving the correlation between projected cash outflows and corresponding spot rates on the yield curve. Compared to the previous method, the spot rate approach will decrease the service and interest components of the benefit costs in fiscal 2017. There is no impact on the total benefit obligation. The Company will account for this change prospectively as a change in accounting estimate.

In developing the expected long-term rate of return assumption for the assets of the defined benefit pension plans, the Company evaluated input from its third party pension plan asset managers, including their review of asset class return expectations and long-term inflation assumptions.

The Company amortizes experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average remaining lifetime of the active participants.

Contributions: The Company funds the pension plans in amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax laws plus additional amounts the Company deems appropriate.

The Company expects to contribute $7.3 million to its pension plans in fiscal 2017. The Company made contributions of $5.0 million and $4.3 million to its pension plans in fiscal 2016 and 2015, respectively.

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, are expected to be paid:

FISCAL YEAR	BENEFIT PAYMENTS (in thousands)
2017	$ 5,547
2018	5,903
2019	6,334
2020	6,696
2021	7,147
Years 2022-2026	41,024

Plan Assets: Pension assets by major category and the type of fair value measurement as of April 30, 2016 and 2015 are presented in the following tables:

FAIR VALUE MEASUREMENTS AT APRIL 30, 2016

(in thousands)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Cash Equivalents	$10	$ 10	$ —	$ —
Equity Funds:				
Mutual Fund Equity	61,338	61,338	—	—
Fixed Income Funds:				
Mutual Fund Tax Income	27,681	27,681	—	—
Common and Collective Funds:[1]				
Capital Preservation Fund	17,936	—	17,936	—
Total	$106,965	$ 89,029	$ 17,936	$ —

FAIR VALUE MEASUREMENTS AT APRIL 30, 2015

(in thousands)	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Cash Equivalents	$8	$ 8	$ —	$ —
Equity Funds:				
Mutual Fund Equity	62,533	62,533	—	—
Fixed Income Funds:				
Mutual Fund Tax Income	28,408	28,408	—	—
Common Collective Funds:[1]				
Capital Preservation Fund	17,712	—	17,712	—
Total	$108,661	$ 90,949	$ 17,712	$ —

[1]The Collective Trust Funds are valued by applying each plan's ownership percentage in the fund to the fund's net assets at fair value at the valuation date.

Investment Strategy: The Company has established formal investment policies for the assets associated with its pension plans. The objectives of the investment strategies include preservation of capital and long-term growth of capital while avoiding excessive risk. Target allocation percentages are established at an asset class level by the Company's Pension Committee. Target allocation ranges are guidelines, not limitations, and the Pension Committee may approve allocations above or below a target range.

During a period of uncertainty in the equity and fixed income markets, the Pension Committee may suspend the Target Asset Allocation and manage the investment mix as it sees reasonable, prudent and in the best interest of the plans to better protect the value of the plan assets.

The Company's pension plans' weighted-average asset allocations at April 30, 2016 and 2015, by asset category, were as follows:

	PLAN ASSET ALLOCATION		
	2016	2016	2015

APRIL 30	TARGET	ACTUAL	ACTUAL
Equity Funds	50.0 %	57.0 %	58.0 %
Fixed Income Funds	50.0 %	43.0 %	42.0 %
Total	100.0 %	100.0 %	100.0 %

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Within the broad categories outlined in the preceding table, the Company has the following specific allocations as a percentage of total funds invested: 17% Capital Preservation, 26% Bond and 57% Equity.

Note I -- Income Taxes

Income tax expense was comprised of the following:

	FISCAL YEARS ENDED APRIL 30		
(in thousands)	2016	2015	2014
CURRENT EXPENSE			
Federal	$18,239	$12,663	$4,825
State	3,195	1,890	406
Total current expense	21,434	14,553	5,231
DEFERRED EXPENSE			
Federal	10,179	3,024	6,076
State	1,450	1,311	1,902
Total deferred expense	11,629	4,335	7,978
Total expense	33,063	18,888	13,209
Other comprehensive income (loss)	(4,110)	(9,510)	3,944
Total comprehensive income tax expense	$28,953	$9,378	$17,153

The Company's effective income tax rate varied from the federal statutory rate as follows:

	FISCAL YEARS ENDED APRIL 30		
	2016	2015	2014
Federal statutory rate	35.0 %	35.0 %	35.0 %
Effect of:			
Research and experimentation tax credit	— %	(2.3)%	— %
Meals and entertainment	0.3	0.5	0.8
Domestic production deduction	(2.5)	(2.4)	(1.8)
Other	(0.1)	0.1	0.7
Total	(2.3)%	(4.1)%	(0.3)%
Effective federal income tax rate	32.7 %	30.9 %	34.7 %
State income taxes, net of federal tax effect	3.3	3.8	4.5
Effective income tax rate	36.0 %	34.7 %	39.2 %

Included in the fiscal year 2015 effective income tax rate are research and experimentation tax credits for fiscal years 2011 through 2014. The research and experimentation tax credit for fiscal year 2016 is not estimated to be significant.

Income taxes paid were $24.5 million, $13.3 million and $4.3 million for fiscal years 2016, 2015 and 2014, respectively.

The significant components of deferred tax assets and liabilities were as follows:

	APRIL 30	
(in thousands)	2016	2015
Deferred tax assets:		
Pension benefits	$24,930	$23,074
Accounts receivable	5,981	5,523
Product liability	1,141	1,031
Employee benefits	7,101	7,429
State tax credit carryforwards	4,867	—
Other	353	266
Gross deferred tax assets, before valuation allowance	44,373	37,323
Valuation allowance	(3,061)	—
Gross deferred tax assets, after valuation allowance	41,312	37,323
Deferred tax liabilities:		
Inventory	440	451
Depreciation	8,298	3,485
	8,738	3,936
Net deferred tax asset	$32,574	$33,387

The Company has recorded a valuation allowance related to deferred tax assets for certain state investment tax credit (ITC) carryforwards. Deferred tax assets are reduced by a valuation allowance when, after considering all positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The gross amount of state tax credit carryforwards related to state ITCs as of April 30, 2016 was $5.8 million. These credits expire in various years beginning in fiscal 2020. Net of the federal impact and related valuation allowance, the Company has recorded $1.8 million of deferred tax assets related to these credits. The Company accounts for ITCs under the deferral method, under which the tax benefit from the ITC is deferred and amortized into income tax expense over the book life of the related property. As of April 30, 2016, a deferred credit balance of $1.8 million is included in other liabilities on the balance sheet.

Note J -- Accounting for Uncertainty in Income Taxes

The Company accounts for its income tax uncertainties in accordance with ASC Topic 740, “Income Taxes.” The Company had recorded a liability relating to uncertain tax positions for the years ended April 30, 2016 and 2015 of $30,000 and $0, respectively.

With minor exceptions, the Company is currently open to audit by tax authorities for tax years ending April 30, 2013 through April 30, 2016. The Company is currently not under federal audit.

Note K -- Commitments and Contingencies

Legal Matters

The Company is involved in suits and claims in the normal course of business, including without limitation product liability and general liability claims, and claims pending before the Equal Employment Opportunity Commission. On at least a quarterly basis, the Company consults with its legal counsel to ascertain the reasonable likelihood that such claims may result in a loss. As required by ASC Topic 450, “Contingencies” (ASC 450), the Company categorizes the various suits and claims into three categories according to their likelihood for resulting in potential loss: those that are probable, those that are reasonably possible and those that are deemed to be remote. Where losses are deemed to be probable and estimable, accruals are made. Where losses are deemed to be reasonably possible, a range of loss estimates is determined and considered for disclosure. In determining these loss range estimates, the Company considers known values of similar claims and consultation with independent counsel.

The Company believes that the aggregate range of loss stemming from the various suits and asserted and unasserted claims which were deemed to be either probable or reasonably possible is not material as of April 30, 2016.

Product Warranty

The Company estimates outstanding warranty costs based on the historical relationship between warranty claims and revenues. The warranty accrual is reviewed monthly to verify that it properly reflects the remaining obligation based on the anticipated expenditures over the balance of the obligation period. Adjustments are made when actual warranty claim experience differs from estimates. Warranty claims are generally made within two months of the original shipment date.

The following is a reconciliation of the Company's warranty liability:

	APRIL 30	
(in thousands)	2016	2015
PRODUCT WARRANTY RESERVE		
Beginning balance	$2,643	$1,910
Accrual for warranties	16,279	14,738
Settlements	(15,996)	(14,005)
Ending balance at fiscal year end	$2,926	$2,643

Lease Agreements

The Company leases certain office buildings, manufacturing buildings, service centers and equipment. Total rental expenses under operating leases amounted to approximately $9.8 million, $8.8 million and $8.0 million, in fiscal years 2016, 2015 and 2014, respectively. Minimum rental commitments as of April 30, 2016, under noncancelable leases with terms in excess of one year are as follows:

FISCAL YEAR	OPERATING (in thousands)	CAPITAL thousands)	(in
2017	$ 3,143	$ 1,781	
2018	2,533	1,402	
2019	2,330	1,008	
2020	2,090	774	
2021	559	666	
2022 (and thereafter)	16	2,152	
	$ 10,671	$ 7,783	
Less amounts representing interest (2%)		(618	)
Total obligations under capital leases		$ 7,165	

Related Parties

During fiscal 1985, prior to becoming a publicly held corporation, the Company entered into an agreement with a partnership which includes certain former executive officers and current significant shareholders of the Company, including one current member of the Board of Directors of the Company, to lease the Company's headquarters building which was constructed and is owned by the partnership. The Company has subsequently renewed this lease in accordance with Company policy and procedures which includes approval by the Board of Directors. In considering the renewal of this lease, the Company assesses the lease terms in relation to market terms for comparable properties. Based upon this review, the Company believes that the rent under the lease is in line with market rates that could be obtained at arm's length from unaffiliated third parties. As of April 30, 2016, the Company is in the first year of the latest five-year renewal period, which expires in 2021. Under this agreement, rental expense was $0.5 million, $0.5 million and $0.5 million, in fiscal years 2016, 2015 and 2014, respectively. Rent due during the remaining term of the lease is approximately $2.5 million (included in the preceding table).

Note L -- Credit Concentration

Credit is extended to customers based on an evaluation of each customer's financial condition and generally collateral is not required. The Company's customers operate in the new home construction and home remodeling markets.

The Company maintains an allowance for bad debt based upon management's evaluation and judgment of potential net loss. The allowance is estimated based upon historical experience, the effects of current developments and economic conditions and of each customer’s current and anticipated financial condition. Estimates and assumptions are periodically reviewed and updated. Any resulting adjustments to the allowance are reflected in current operating results.

At April 30, 2016, the Company's two largest customers, Customers A and B, represented 12.4% and 21.0% of the Company's gross customer receivables, respectively. At April 30, 2015, Customers A and B represented 14.4% and 21.9% of the Company’s gross customer receivables, respectively.

The following table summarizes the percentage of sales to the Company's two largest customers for the last three fiscal years:

	PERCENT OF ANNUAL GROSS SALES		
	2016	2015	2014
Customer A	23.9%	26.5%	28.6%
Customer B	17.2%	18.6%	20.6%

Note M -- Fair Value Measurements

The Company utilizes the hierarchy of fair value measurements to classify certain of its assets and liabilities based upon the following definitions:

Level 1 – Investments with quoted prices in active markets for identical assets or liabilities. The Company’s cash equivalents are invested in money market funds, mutual funds and certificates of deposit. The Company’s mutual fund investment assets represent contributions made and invested on behalf of the Company’s named executive officers in a supplementary employee retirement plan.

Level 2 – Investments with observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company has no Level 2 assets or liabilities.

Level 3 – Investments with unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company has no Level 3 assets or liabilities.

The fair value measurement of assets held by the Company’s defined benefit pension plans is discussed in Note H.

The Company's financial instruments include cash and equivalents, marketable securities and other investments; accounts receivable and accounts payable; and short- and long-term debt. The carrying values of cash and equivalents, accounts receivable and payable and short- and long-term debt on the Consolidated Balance Sheets approximate their fair value. The following table summarizes the fair value of assets that are recorded in the Company's consolidated financial statements as of April 30, 2016 and 2015 at fair value on a recurring basis:

	FAIR VALUE MEASUREMENTS AS OF APRIL 30, 2016		
(in thousands)	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS:			
Money market funds	$ 30,490	$ —	$ —
Mutual funds	998	—	—
Certificates of deposit	47,500	—	—
Total assets at fair value	$ 78,988	$ —	$ —

	FAIR VALUE MEASUREMENTS AS OF APRIL 30, 2015		
(in thousands)	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS:			
Money market funds	$ 30,480	$ —	$ —
Mutual funds	1,048	—	—
Certificates of deposit	38,000	—	—
Total assets at fair value	$ 69,528	$ —	$ —

Note N -- Restructuring Charges

In the third quarter of fiscal 2012, the Company announced a restructuring initiative ("2012 Restructuring Plan") that committed to the closing of two of the Company's manufacturing plants located in Hardy County, West Virginia and Hazard, Kentucky, offering its previously idled plant in Tahlequah, Oklahoma for sale, and realigning its retirement program, including freezing the Company's defined benefit pension plans. Operations ceased at the Hazard plant in April 2012 and at the Hardy County plant in May 2012. The 2012 Restructuring Plan was adopted to reduce costs and increase the Company's capacity utilization rates.

During fiscal years 2015 and 2014, the Company recognized total pre-tax restructuring charges for the 2012 Restructuring Plan of $(0.2) million and $(0.2) million, respectively. The Company did not recognize any restructuring charges during fiscal year 2016.

During the fourth quarter of fiscal 2015, the Company sold its closed plant located in Hardy County, West Virginia and recognized a gain of $0.3 million on the sale. During the fourth quarter of fiscal 2014, the Company sold its closed plant located in Hazard, Kentucky and recognized a gain of $0.3 million on the sale. The gains were included in restructuring charges on the Company's statements of income.

Note O -- Quarterly Financial Data (Unaudited)

FISCAL 2016	07/31/15	10/31/2015	01/31/16	04/30/16
(in thousands, except per share amounts)				
Net sales	$231,198	$ 256,292	$218,632	$240,923
Gross profit	50,173	56,052	44,598	48,871
Income before income taxes	23,721	28,533	18,683	20,849
Net income	15,158	18,180	12,013	13,372
Earnings per share				
Basic	$0.94	$ 1.12	$0.74	$0.82
Diluted	$0.92	$ 1.10	$0.73	$0.81

FISCAL 2015	07/31/14	10/31/2014	01/31/15	04/30/15
(in thousands, except per share amounts)				
Net sales	$211,917	$ 217,693	$188,963	$206,892
Gross profit	37,114	36,981	35,117	43,320
Income before income taxes	13,054	12,322	10,976	18,035
Net income	9,238	7,671	7,282	11,308
Earnings per share				
Basic	$0.59	$ 0.49	$0.46	$0.71
Diluted	$0.59	$ 0.48	$0.45	$0.69

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of American Woodmark Corporation:

We have audited the accompanying consolidated balance sheets of American Woodmark Corporation and subsidiary (the Company), as of April 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended April 30, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects the financial position of American Woodmark Corporation and subsidiary as of April 30, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three year period ended April 30, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of April 30, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 29, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
June 29, 2016

Management's Annual Report on Internal Control over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of April 30, 2016. In making its assessment, Management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Management concluded that based on its assessment, American Woodmark Corporation's internal control over financial reporting was effective as of April 30, 2016. The Company's internal control over financial reporting as of April 30, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which appears in this Annual Report on Form 10-K.

/s/ S. CARY DUNSTON

S. Cary Dunston
President and Chief Executive Officer

/s/ M. SCOTT CULBRETH

M. Scott Culbreth
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm –
Internal Control over Financial Reporting

The Board of Directors and Shareholders of American Woodmark Corporation:

We have audited American Woodmark Corporation's (the Company) internal control over financial reporting as of April 30, 2016, based on criteria established in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, American Woodmark Corporation maintained, in all material respects, effective internal control over financial reporting as of April 30, 2016, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of American Woodmark Corporation and subsidiary as of April 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended April 30, 2016 and our report dated June 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

McLean, Virginia
June 29, 2016

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Senior Management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of April 30, 2016. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Management's Annual Report on Internal Control over Financial Reporting. Management has conducted an assessment of the Company's internal control over financial reporting as of April 30, 2016. Management's report regarding that assessment is included with the Consolidated Financial Statements included in this report under Item 8, "Financial Statements and Supplementary Data," and is incorporated in this Item by reference.

Report of Registered Public Accounting Firm. The Company's independent registered public accounting firm, KPMG LLP (KPMG), audited the Consolidated Financial Statements included in this report and has issued an audit report on the effectiveness of the Company's internal control over financial reporting. KPMG's report is included with the Consolidated Financial Statements included in this report under Item 8, "Financial Statements and Supplementary Data," and is incorporated in this Item by reference.

Changes in Internal Control over Financial Reporting. There has been no change in the Company's internal control over financial reporting during the fiscal quarter ended April 30, 2016, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K:

(1)the information concerning the Company's directors is set forth under the caption "Information Regarding Nominees" in the Company's Proxy Statement for its Annual Meeting of Shareholders to be held on August 25, 2016 ("Proxy Statement") and is incorporated in this Item by reference;

(2)the information concerning the Company's executive officers is set forth under the caption "Executive Officers of the Registrant" in Part I of this report and is incorporated in this Item by reference;

(3)the information concerning compliance with Section 16(a) of the Exchange Act is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated in this Item by reference;

(4)the information concerning the Code of Business Conduct and Ethics governing the Company's Chief Executive Officer, Chief Financial Officer, Controller, and Treasurer is set forth under the caption "Corporate Governance – Codes of Business Conduct and Ethics" in the Proxy Statement and is incorporated in this Item by reference;

(5)the information concerning material changes, if any, in the procedures by which security holders may recommend nominees to the Company's Board of Directors is set forth under the caption "Corporate Governance – Procedures for Shareholder Nominations of Directors" in the Proxy Statement and is incorporated in this Item by reference; and

(6)the information concerning the Audit Committee of the Company's Board of Directors, including the members of the Audit Committee and the Board's determination concerning whether certain members of the Audit Committee are "audit committee financial experts" as that term is defined under Item 407(d)(5) of Regulation S-K is set forth under the captions "Corporate Governance – Board of Directors and Committees" and "Audit Committee" in the Proxy Statement and is incorporated in this Item by reference.

Item 11. EXECUTIVE COMPENSATION

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information set forth under the captions “Executive Compensation,” “Report of the Compensation Committee” and "Non-Management Directors' Compensation" in the Proxy Statement is incorporated in this Item by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information set forth under the captions “Security Ownership” and "Equity Compensation Plan Information" in the Proxy Statement is incorporated in this Item by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information set forth under the captions “Certain Related Party Transactions,” “Audit Committee” and “Corporate Governance – Director Independence” in the Proxy Statement and is incorporated in this Item by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

In response to this Item, and in accordance with General Instruction G(3) of Form 10-K, the information concerning fees and services of the Company’s principal accounting firms is set forth under the captions “Independent Auditor Fee Information” and “Pre-Approval Policies and Procedures” in the Proxy Statement and is incorporated in this Item by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)1. Financial Statements

The following consolidated financial statements of American Woodmark Corporation are incorporated by reference to Item 8 of this report:

Consolidated Balance Sheets as of April 30, 2016 and 2015

Consolidated Statements of Income – for each year of the three-year period ended April 30, 2016.

Consolidated Statements of Comprehensive Income – for each year of the three-year period ended April 30, 2016.

Consolidated Statements of Shareholders’ Equity – for each year of the three-year period ended April 30, 2016.

Consolidated Statements of Cash Flows – for each year of the three-year period ended April 30, 2016.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

Management’s Annual Report on Internal Control over Financial Reporting.

Report of Independent Registered Public Accounting Firm – Internal Control over Financial Reporting.

(a)2. Financial Statement Schedules

The following financial statement schedule is filed as a part of this Form 10-K:

Schedule II – Valuation of Qualifying Accounts for each year of the three-year period ended April 30, 2016.

Schedules other than the one listed above are omitted either because they are not required or are inapplicable.

(a)3. Exhibits

3.1

Articles of Incorporation as amended effective September 10, 2004 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended July 31, 2004; Commission File No. 000-14798).

3.2	Bylaws - as amended and restated November 4, 2015 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K as filed on November 9, 2015; Commission File No. 000-14798).
4.1	The Articles of Incorporation and Bylaws of the Registrant as currently in effect (incorporated by reference to Exhibits 3.1 and 3.2).
4.2	Amended and Restated Stockholders' Agreement (incorporated by reference to Exhibit 4.2 to the Registrant's Form S-1 for the fiscal year ended April 30, 1986; Commission File No. 33-6245).
	Pursuant to Regulation S-K, Item 601(b)(4)(iii), instruments that define the rights of holders of the Registrant's long-term debt securities, where the long-term debt securities authorized under each such instrument do not exceed 10% of the Registrant's total assets, have been omitted and will be furnished to the Securities and Exchange Commission upon request.
10.1 (a)	Credit Agreement, dated as of December 2, 2009, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended October 31, 2009; Commission File No. 000-14798).
10.1 (b)	Revolving Line of Credit Note, dated as of December 2, 2009, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended October 31, 2009; Commission File No. 000-14798).
10.1 (c)	Amendment to Revolving Line of Credit Note and Credit Agreement, dated as of January 3, 2012, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended January 31, 2012; Commission File No. 000-14798).
10.1 (d)	Second Amendment to Revolving Line of Credit Note and Credit Agreement, dated as of May 29, 2012, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1(e) of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798).
10.1 (e)	Third Amendment to Revolving Line of Credit Note and Credit Agreement, dated as of March 18, 2013, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on March 19, 2013; Commission File No. 000-14798).
10.1 (f)	Security Agreement (Financial Assets), dated as of April 26, 2012, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2012; Commission File No. 000-14798).
10.1 (g)	Addendum to Security Agreement (Financial Assets), effective as of April 26, 2012, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1(i) of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798).
10.1 (h)	Security Agreement, dated as of May 29, 2012, made by the Company in favor of Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1(j) of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798).
10.1 (i)	Fifth Amendment to Revolving Line of Credit Note and Fourth Amendment to Credit Agreement, dated as of September 26, 2014, effective as of September 1, 2014, between the Company and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K as filed on September 30, 2014;

	Commission File No. 000-14798).
10.1 (j)	Loan Agreement, dated as of February 9, 2005, by and between the Company and the Maryland Economic Development Corporation (incorporated by reference to Exhibit 10.1(n) to the Registrant's Form 10-K for the fiscal year ended April 30, 2005; Commission File No. 000-14798).
10.1 (k)	First Amendment to Loan Agreement, dated as of April 4, 2008, by and between the Company and Maryland Economic Development Corporation (incorporated by reference to Exhibit 10.1(d) to the Registrant's Form 10-K for the fiscal year ended April 30, 2008; Commission File No. 000-14798).
10.1 (l)	Second Amendment to Loan Agreement, dated as of April 23, 2013, by and between the Company and Maryland Economic Development Corporation (incorporated by reference to Exhibit 10.1(k) to the Registrant's Form 10-K for the fiscal year ended April 30, 2013; Commission File No. 000-14798).
10.6 (a)(i)	Lease and Agreement, dated as of November 1, 1984, between the Company and Amwood Associates (incorporated by reference to Exhibit 10.6(a) to the Registrant's Form S-1 for the fiscal year ended April 30, 1986; Commission File No. 33-6245).
10.6 (a)(ii)	Fourth Amendment to Lease and Agreement, dated as of April 1, 2011, between the Company and Amwood Associates (incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-K for the fiscal year ended April 30, 2012; Commission File No. 000-14798).

10.6 (b)	Lease, dated as of December 15, 2000, between the Company and the Industrial Development Board of The City of Humboldt, Tennessee (incorporated by reference to Exhibit 10.6(d) to the Registrant’s Form 10-K for the fiscal year ended April 30, 2001; Commission File No. 000-14798).
10.7 (a)	Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Appendix A to the Registrant’s DEF-14A as filed on June 28, 2013; Commission File No. 000-14798).*
10.7 (b)	2006 Non-Employee Directors Equity Ownership Plan (incorporated by reference to Appendix A to the Registrant's DEF-14A as filed on July 12, 2006; Commission File No. 000-14798).*
10.7 (c)	Amendment to 2006 Non-Employee Directors Equity Ownership Plan, dated as of August 27, 2009 (incorporated by reference to Exhibit 10.4 to the Registrant’s Form 10-Q for the quarter ended July 31, 2009; Commission File No. 000-14798).*
10.7 (d)	2011 Non-Empoyee Directors Equity Ownership Plan (incorporated by reference to Appendix A to the Registrant's DEF-14A as filed on June 30, 2011; Commission File No. 000-14798).*
10.7(e)	2015 Non-Employee Directors Restricted Stock Unit Plan (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A as filed on June 30, 2015; Commission File No. 000-14798).
10.8 (a)	Form of Grant Letter used in connection with awards of stock options granted under the Company’s Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.5 to the Registrant’s Form 8-K as filed on June 5, 2013; Commission File No. 000-14798).*
10.8 (b)	Form of Grant Letter used in connection with awards of service-based restricted stock units granted under the Company’s Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.6 to the Registrant’s Form 8-K as filed on June 5, 2013; Commission File No. 000-14798).*
10.8 (c)	Form of Grant Letter used in connection with awards of performance-based restricted stock units granted under the Company’s Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.7 to the Registrant’s Form 8-K as filed on June 5, 2013; Commission File No. 000-14798).*
10.8 (d)	Form of Grant Letter used in connection with restricted stock unit awards granted under the Company's Second Amended and Restated 2004 Stock Incentive Plan for Employees (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K as filed on June 10, 2016; Commission File No. 000-14798).*
10.8 (e)	Form of Grant Letter used in connection with awards of service-based restricted stock units granted under the Company’s 2011 Non-Employee Directors Equity Ownership Plan (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 10-Q for the quarter ended October 31, 2011; Commission File No. 000-14798).*
10.8 (f)	Employment Agreement for Mr. M. Scott Culbreth (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K as filed on August 27, 2014; Commission File No. 000-14798).*
10.8 (g)	Employment Agreement for Mr. R. Perry Campbell (incorporated by reference to Exhibit 10.2 to the Registrant’s Form 8-K as filed on August 27, 2014; Commission File No. 000-14798).*

10.8(h)	Employment Agreement for Mr. S. Cary Dunston (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K as filed on August 31, 2015; Commission File No. 000-14798).*
10.8(i)	Letter of Understanding for Mr. Kent Guichard (incorporated by reference to Exhibit 10.2 to the Registrant’s Form 8-K as filed on August 31, 2015; Commission File No. 000-14798).*
10.8(j)	Employment Agreement for Mr. Robert Adams (incorporated by reference to Exhibit 10.3 to the Registrant’s Form 8-K as filed on August 31, 2015; Commission File No. 000-14798).*
10.10 (a)	Promissory Note, dated July 30, 1998, made by the Company in favor of Amende Cabinet Corporation, a wholly owned subsidiary of the Company (incorporated by reference to Exhibit 10.10(f) to the Registrant’s Form 10-K for the fiscal year ended April 30, 1999; Commission File No. 000-14798).
10.10 (b)	Loan Agreement, dated as of December 31, 2001, between the Company and Amende Cabinet Corporation, a wholly owned subsidiary of the Company (incorporated by reference to Exhibit 10.8(k) to the Registrant’s Form 10-K for the fiscal year ended April 30, 2002; Commission File No. 000-14798).
10.10 (c)	Equipment Lease, dated as of June 30, 2004, between the Company and the West Virginia Economic Development Authority (incorporated by reference to Exhibit 10.1(l) to the Registrant's Form 10-Q for the quarter ended July 31, 2004; Commission File No. 000-14798).
10.10 (d)	West Virginia Facility Lease, dated as of July 30, 2004, between the Company and the West Virginia Economic Development Authority (incorporated by reference to Exhibit 10.1(m) to the Registrant’s Form 10-Q for the quarter ended July 31, 2004; Commission File No. 000-14798).

21	Subsidiary of the Company (Filed Herewith).
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm (Filed Herewith).
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act (Filed Herewith).
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act (Filed Herewith).
32.1	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished Herewith).
101	Interactive Data File for the Registrant's Annual Report on Form 10-K for the year ended April 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements (Filed Herewith).

*Management contract or compensatory plan or arrangement.

Schedule II - Valuation and Qualifying Accounts

AMERICAN WOODMARK CORPORATION
(In Thousands)

Description (a)	Balance at Beginning of Year	Additions (Reductions) Charged to Cost and Expenses	Other	Deductions	Balance at End of Year
Year ended April 30, 2016:					
Allowance for doubtful accounts	$ 173	$ 108	$ —	$ (110) (b)	$ 171
Reserve for cash discounts	$ 746	$ 9,570 (c)	$ —	$ (9,489) (d)	$ 827
Reserve for sales returns and allowances	$ 1,594	$ 7,833 (c)	$ —	$ (7,645)	$ 1,782
Year ended April 30, 2015:					
Allowance for doubtful accounts	$ 102	$ 184	$ —	$ (113) (b)	$ 173
Reserve for cash discounts	$ 727	$ 8,859 (c)	$ —	$ (8,840) (d)	$ 746
Reserve for sales returns and allowances	$ 1,639	$ 7,326 (c)	$ —	$ (7,371)	$ 1,594
Year ended April 30, 2014:					
Allowance for doubtful accounts	$ 148	$ 31	$ —	$ (77) (b)	$ 102
Reserve for cash discounts	$ 669	$ 8,529 (c)	$ —	$ (8,471) (d)	$ 727
Reserve for sales returns and allowances	$ 1,536	$ 7,245 (c)	$ —	$ (7,142)	$ 1,639

(a) All reserves relate to accounts receivable.
(b) Principally write-offs, net of collections.
(c) Reduction of gross sales.
(d) Cash discounts granted.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Woodmark Corporation
(Registrant)

June 29, 2016 /s/ S. CARY DUNSTON
S. Cary Dunston
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

June 29, 2016	/s/ S. CARY DUNSTON S. Cary Dunston President and Chief Executive Officer (Principal Executive Officer) Director	June 29, 2016	/s/ M. SCOTT CULBRETH M. Scott Culbreth Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
June 29, 2016	/s/ KENT B. GUICHARD Kent B. Guichard Chairman of the Board Director	June 29, 2016	/s/ WILLIAM F. BRANDT, JR. William F. Brandt, Jr. Director
June 29, 2016	/s/ ANDREW B. COGAN Andrew B. Cogan Director	June 29, 2016	/s/ MARTHA M. DALLY Martha M. Dally Director
June 29, 2016	/s/ JAMES G. DAVIS, JR. James G. Davis, Jr. Director	June 29, 2016	/s/ DANIEL T. HENDRIX Daniel T. Hendrix Director
June 29, 2016	/s/ CAROL B. MOERDYK Carol B. Moerdyk Director	June 29, 2016	/s/ DAVID W. MOON David W. Moon Director
June 29, 2016	/s/ VANCE W. TANG Vance W. Tang		

Director

In accordance with Securities and Exchange Commission requirements, the Company will furnish copies of all exhibits to its Form 10-K not contained herein upon receipt of a written request and payment of $0.10 per page to:

Mr. Kevin Dunnigan
Assistant Treasurer
American Woodmark Corporation
P.O. Box 1980
Winchester, Virginia 22604-8090

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