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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

UFP Technologies, Inc.

Rating: Speculative Buy

John Nobile
September 4, 2009

UFPT $5.30 — (NASDAQ CM)

	FY (2007)A	FY (2008)A	FY (2009)E	FY (2010)E
Revenues (millions)	$93.6	$110.0	$89.6	$100.8
Earnings per share (diluted)	$0.71	$0.82	$0.37	$0.52

52-Week range	$11.23 – $3.47	Fiscal year ends:	December
Shares outstanding as of 8/3/09	5.9 million	Revenue per share (TTM)	$15.52
Approximate float	5.0 million	Price/Sales (TTM)	0.3X
Market capitalization	$31 million	Price/Sales (2010)E	0.3X
Tangible book value/share	$4.66	Price/Earnings (TTM)	10.0X
Price/tangible book	1.1X	Price/Earnings (2010)E	10.2X

UFP Technologies is a designer and manufacturer of a broad range of high performance cushion packaging and molded fiber products and specialty foam and plastic products. These products are custom designed and fabricated or molded to provide protection for fragile and valuable items, and are sold primarily to original equipment manufacturers in the computer, electronics, automotive, medical/pharmaceutical and industrial markets. (www.ufpt.com)

Key investment considerations:

We are reiterating our Speculative Buy rating on UFP Technologies (NASDAQ CM: UFPT), and maintaining our twelve-month price target of $7.00 per share based on sales growth reverting back to its historical trend. We believe that shares of UFPT offer an attractive investment opportunity at current levels.

On August 6, 2009, UFPT reported second quarter net sales decreased 26% to $21.0 million from $28.5 million. Net income decreased to $0.6 million or $0.09 per diluted share versus net income of $1.6 million or $0.25 per diluted share. The decline in sales was due primarily to declining sales of interior trim parts to the automotive industry as well as a general softening in demand for parts across both business segments.

Although the sluggish economy continues to affect demand, the company has taken steps to reduce operating costs and scale its business to operate profitably despite lower sales volumes.

On July 7, 2009, the company acquired substantially all of the assets of E.N. Murray Company, a Denver, Colorado-based foam fabricator for $2.75 million. E.N. Murray specializes in the fabrication of technical urethane foams primarily for the medical industry.

Factoring in economic forecasts, recent results, and the recent acquisition, we project UFPT's fiscal revenue at $89.6 million, down 19%, and net income of $2.3 million or $0.37 per diluted share. We previously projected sales of $90.6 million and net income of $2.2 million or $0.36 per diluted share.

We estimate fiscal 2010 revenue at $100.8 million, up 12.5%, and net income of $3.5 million or $0.52 per diluted share. We previously estimated sales of $102.0 million and net income of $4.5 million or $0.74 per diluted share.

****Please view our disclaimer located on page 9.***

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Business

UFP Technologies designs and manufactures engineered packaging solutions utilizing molded fiber, vacuum-formed plastics, and molded and fabricated foam plastic products. The company also designs and manufactures engineered component products using laminating, molding, and fabricating technologies. UFP sells mainly to the automotive, computer and electronics, medical, aerospace and defense, industrial, and consumer markets.

The company's high-performance cushion packaging products are made primarily from polyethylene and polyurethane foams, and a wide range of sheet plastics. These products are custom designed and fabricated or molded to provide protection for fragile and valuable items, and are sold primarily to original equipment and component manufacturers. Molded fiber products are made primarily from 100% recycled paper principally derived from waste newspaper. These products are custom designed, engineered and molded into shapes for packaging high volume consumer goods, including computer components, medical devices, other light electronics, scented candles, and health and beauty products.

In addition to packaging products, UFP fabricates and molds component products made from cross-linked polyethylene foam and other materials. The company also laminates fabrics and other materials to cross-linked polyethylene foams, polyurethane foams and other substrates. UFP's component products include automotive interior trim, athletic and industrial safety belts, components for medical equipment and devices, abrasive nail files and other beauty aids, anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

Industry

In February 2009, Research and Markets (a source of international market research and market data) in their "Containers & Packaging: Global Industry Guide," said that the global containers and packaging market grew by approximately 3% in 2008 to $429.1 billion. The report forecasts the market at $528.7 billion in 2013 for a CAGR of approximately 3%. Paper packaging accounts for 40.5% of the global containers and packaging markets volume with the Americas generating 35.6% of the global containers and packaging markets value.

Competition

The packaging industry is highly competitive. The company's primary competition for its packaging products has been from smaller independent regional manufacturing companies. These companies generally market their products in specific geographic areas from neighboring facilities. In addition, the company's foam and fiber packaging products compete against products made from alternative materials, including expanded polystyrene foams, die-cut corrugated, plastic peanuts, plastic bubbles, and foam-in-place urethane.

The component products industry is also highly competitive. The company's component products face competition primarily from smaller companies that typically concentrate on production of component products for specific industries. The company believes that its access to a wide variety of materials, its engineering expertise, its ability to combine foams with other materials such as plastics and laminates, and its ability to manufacture products in a clean room environment will enable it to continue to compete effectively in the engineered component products market. The company's component products also compete with products made from a wide range of other materials, including rubber, leather and other foams.

Some of UFPT's larger competitors include Sealed Air Corp. (NYSE: SEE) and privately held FXI International, Inc. and Tegrant Corporation. The latest annual revenues reported by Sealed Air and FXI International are $4.4 billion and $1.2 billion respectively. We could not find any public data related to revenues for Tegrant.

2nd Quarter and First Half Financial Results

For the second quarter ended June 30, 2009 versus the same period in 2008:

- Net sales decreased 26% to $21.0 million from $28.5 million. Engineered packaging sales decreased to $8.4 million from $11.5 million and component products sales decreased to $12.5 million from $16.9.
- Gross margins decreased to 25.6% from 26.8%.
- SG&A expenses decreased to $4.4 million from $5.0 million.
- Net income was $0.6 million or $0.09 per diluted share versus net income of $1.6 million or $0.25 per diluted share.

We estimated second quarter net sales of $23.0 million and net income of $0.6 million or $0.10 per diluted share.

For the six month period ended June 30, 2009 versus the same period in 2008:

- Net sales decreased 25% to $42.6 million from $56.5 million. Engineered packaging sales decreased to $18.4 million from $23.6 million and component products sales decreased to $24.1 million from $32.9 million.
- Gross margins decreased to 24.2% from 25.7%.
- SG&A expenses decreased to $8.7 million from $9.9 million.
- Net income was $0.9 million or $0.15 per diluted share versus net income of $2.7 million or $0.44 per diluted share.

The decline in sales was due primarily to declining sales of interior trim parts to the automotive industry (component products segment), as well as a general softening in demand for parts (across both business segments).

The decline in gross margins were primarily due to the reduced coverage of manufacturing overhead, partially offset by efficiencies gained from the consolidation of the company's Michigan facilities in the second half of 2008.

The decline in SG&A was primarily due to the company's efforts to reduce costs in response to a weak economy.

Balance Sheet and Liquidity

As of June 30, 2009, the company exhibited a strong balance sheet with cash of $12.9 million, working capital of $23.5 million, long-term debt of $7.8 million (for a debt/equity ratio of 0.3 versus 1.3 for the industry), and a tangible book value of $4.66 per share. The company generated approximately $3.9 million cash from operations during the second quarter of 2009 and $5.2 million cash from operations during the first six months of fiscal 2009. The increase in cash for the six month period was primarily attributable to reductions in receivables and inventories of approximately $2.8 million and $1.6 million, respectively. Both changes are due to the softening of sales. These increases were partially offset by a reduction in net income of approximately $1.8 million.

Cash used in investing activities during the six-month period ended June 30, 2009, was approximately $1.0 million, which was primarily the result of normal additions of manufacturing machinery and equipment of approximately $680,000 and the acquisition of selected assets of Foamade Industries of approximately $375,000.

Cash generated from financing activities during the six month period ended June 30, 2009, was approximately $2.0 million which was primarily the result of $4.0 million proceeds from the issuance of debt and $1.6 million of principal repayments of capital lease obligations.

The company has the following bank credit facilities available:

- a $17 million revolving line of credit,
- a $2.1 million term loan with 7 year straight-line amortization,
- a $1.8 million term loan with 20 year straight-line amortization, and
- a $4.0 million term loan with 20 year straight-line amortization.

The credit facility calls for interest of LIBOR plus a margin that ranges from 1.0% to 1.5% or, at the discretion of the company, the bank's prime rate less a margin that ranges from 0.25% to zero. In both cases the applicable margin is dependent upon company performance. The company's $17 million revolving credit facility is due November 30, 2013; the term loans are all due on January 29, 2016.

Based on our projected cash flow of approximately $7.8 million in fiscal 2010 (net income of approximately $3.5 million plus non-cash charges of $4.3 million), we believe that with UFPT's current line of credit and future expected cash flows from operations will be sufficient to fund operations for the next twelve months.

Acquisitions

On September 3, 2009, UFP Technologies announced it purchased certain assets of Advanced Materials Group ("AMI") in Rancho Dominguez, California. AMI, a foam fabricator serving the medical market, filed for relief under Chapter 11 of the United States Bankruptcy Code on July 2, 2009. UFP's purchase of selected assets of AMI was approved by the Bankruptcy Court on September 2, 2009.

Management said that with AMI's ISO 13485 Quality Certification (a comprehensive management system for the design and manufacture of medical devices), FDA certification, and clean room capabilities, its facility is ideally suited to meeting the needs of UFP's medical customers and strengthens the company's position on the west coast. The Rancho Dominguez plant is just 85 miles from UFP's Ventura facility providing UFP with the option to increase efficiencies by combining the two California operations.

On July 7, 2009, the company acquired substantially all of the assets of E.N. Murray Company, a Denver, Colorado-based foam fabricator for $2.75 million. E.N. Murray specializes in the fabrication of technical urethane foams primarily for the medical industry. The company has leased the former E.N. Murray Denver facilities for a period of two years and is currently in the process of determining the acquisition date fair value of the assets and liabilities acquired in this transaction.

The following table contains an unaudited pro forma condensed consolidated statement of operations for the six-month periods ended June 30, 2009, and 2008, as if the E.N. Murray acquisition had occurred on January 1, 2008:

	Six Months Ended	
	6/30/2009	**6/30/2008**
Sales	$ 48,565	$ 62,957
Net Income	$ 1,089	$ 3,008

Source: UFP Technologies' 10-Q filing

The pro forma statement shows the acquisition could potentially have generated a $6.0 million and $6.5 million increase in sales for the six months ended June 30, 2009 and 2008, respectively, and a $0.2 million and $0.3 million increase in net income for the six months ended June 30, 2009 and 2008, respectively.

Discussion and Projections

Although the company reported strong earnings ($5.1 million) for 2008, it experienced a softening of sales in the fourth quarter of 2008 that has continued through the second quarter of 2009, compressing gross margins. Sales of interior trim parts to the automotive industry have weakened significantly due to very soft automobile sales in North America (US auto sales declined an average of 32.1% YTD through July). The company expects this trend to continue at least through the balance of 2009.

During the second quarter of 2009, UFPT completed the integration of the selected assets of Foamade Industries (acquired in March 2009) which it expects will add an estimated $4 million in revenue. UFPT paid $375,000 for Foamade's assets and recorded a $81,000 gain (in SG&A) in the first quarter related to the acquisition ($456,000 net assets acquired versus $375,000 purchase price).

In the second quarter earnings release, management said that although the sluggish economy has continued to affect demand, particularly in the automotive market, the company has taken steps to reduce operating costs and scale its business to operate profitably despite lower sales volumes. Further, UFPT continues to identify acquisition opportunities in an effort to increase its market share and add to current earnings.

As the economy has been a key element in the company's results, the outlook for the economy could prove useful in forecasting UFPT's financial results. The Conference Board's Leading Economic Indicators suggest that the recession is bottoming out, and that economic activity will likely begin recovering soon. The Leading Economic Index increased 0.6% in July, following a 0.8% gain in June, and a 1.2% rise in May.

Factoring in the economic forecast, recent results, and the recent acquisition, we estimate UFPT's fiscal 2009 revenue of $89.6 million (down 19%) and net income of $2.3 million or $0.37 per diluted share. We previously projected sales of $90.6 million and net income of $2.2 million or $0.36 per diluted share.

We project a decline in gross margins to 24.9% and a drop in SG&A expenses due to the decline in sales and the company's continuing focus on controlling costs. We are forecasting a 36% tax rate in line with management's guidance.

Our estimates for fiscal 2010 are based on expectations that the company's sales will grow at historical rates (approximately 12.5%) as the economy returns to its historical growth trend. Supporting our growth outlook is the National Association of Business Economists' latest forecast (June 2009) calling for economic growth in 2010 to return to near its historical trend.

We estimate fiscal 2010 revenue at $100.8 million (up 12.5%) and net income of $3.5 million or $0.52 per diluted share. We previously estimated sales of $102.0 million and net income of $4.5 million or $0.74 per diluted share. We estimate cash flow of approximately $7.8 million in fiscal 2010 (net income of approximately $3.5 million plus non-cash charges of $4.3 million). The primary reasons for the change in estimates is due to recent sales lower than originally anticipated and higher SG&A expenses related to the recent acquisitions.

We believe that the rise in 2010 sales will increase gross margins to 25.8% and that SG&A expenses will increase due to the increased level of sales. We are forecasting a tax rate that is in line with the average rate over the past five years (36%).

Risks

Worldwide financial turmoil and a prolonged economic downturn

Dependence on a small number of customers

The company's top ten customers represented approximately 40% of total revenues in both 2008 and 2007. A single automotive program accounted for approximately 31% and 30%, respectively, of UFPT's Component Products segment sales and approximately 18% of total sales in 2008 and 2007. The program is scheduled to phase out beginning in 2011 but could terminate sooner. The next generation of automobiles in this program may not require the same design of parts. Even if it does, the company may not be selected as the supplier. The company expects sales from this program to decline over the next three years.

Environmental Considerations

The company is aware of public support for environmentally responsible packaging and other products. Future government action may impose restrictions affecting the industry in which the company operates. There can be no assurance that any such action will not adversely impact UFP Technologies' products and business.

Cost of energy and raw materials

UFP Technologies uses electricity and natural gas at its manufacturing facilities to operate its equipment. Prolonged armed conflict in the Middle East or natural disasters could result in a real or perceived shortage of petroleum and/or natural gas, raising the cost of UFPT's raw materials, of which many are petroleum-based.

Other risks include:

i. economic conditions that affect sales of the products of the company's packaging customers,
ii. actions taken by the company's competitors and the ability of the company to respond to such actions,
iii. the ability of the company to obtain new customers, and
iv. the ability of the company to execute and integrate favorable acquisitions.

Liquidity

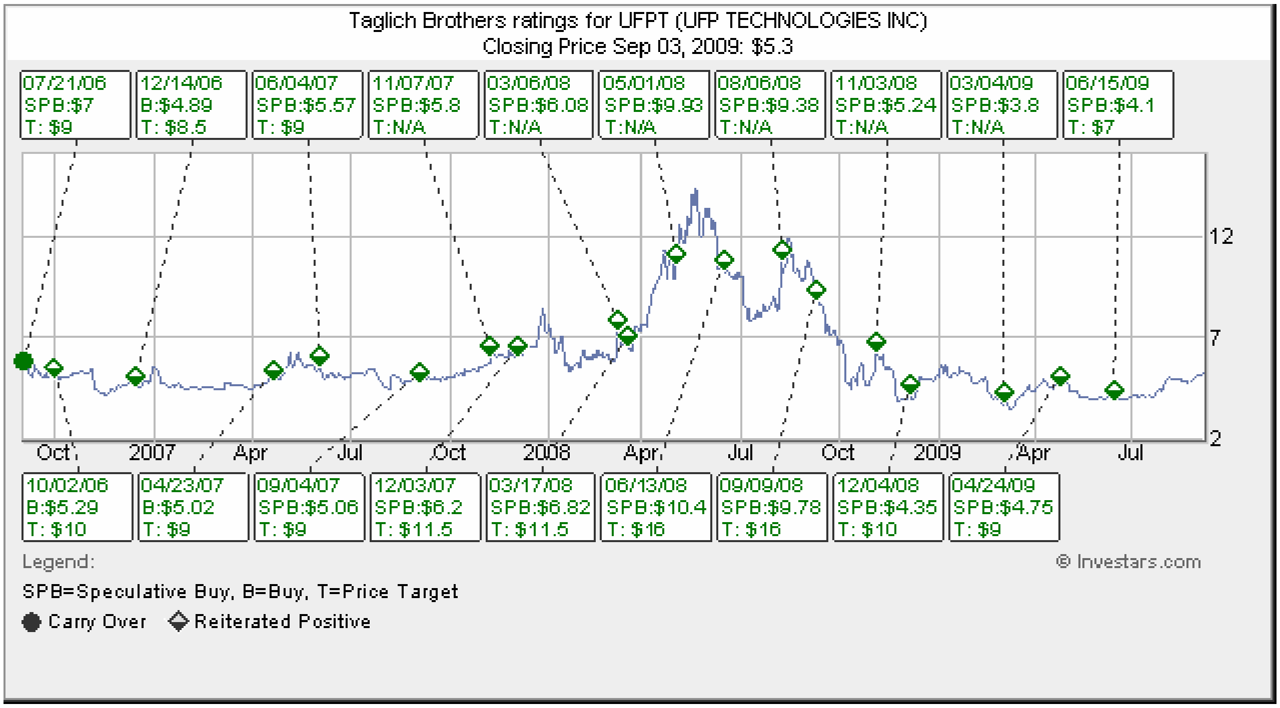
With only 5.9 million shares outstanding and 5.0 million in the float, liquidity issues must be considered. Average daily volume has been approximately 17,000 shares. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

Miscellaneous risks

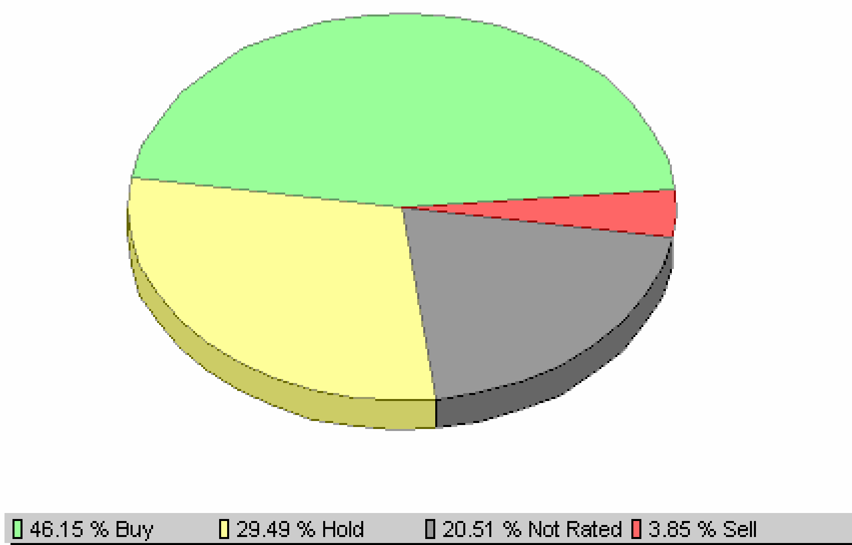
The company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Valuation

We are reverting back to using the company's historic earnings multiple of 15X earnings to value shares of UFPT due to much improved market conditions and expectations for economic growth in 2010 to return to near its historical trend. By applying a multiple of 15X to our fiscal 2010 earnings per diluted share estimate of $0.52, we arrive at a value of $7.80. Discounting this number using the Capital Asset Pricing Model gives us **twelve-month price target of approximately $7.00 per share**.



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	1	3.70%
Hold	1	16.67%
Sell	0	0.00%
Not Rated	0	0.00%

Meaning of Ratings

Buy

We believe the company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the company is significantly overvalued based on its current status. The future of the company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

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I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Balance Sheet for the Periods Ended
(in thousands)

	December 31, 2007	December 31, 2008	June 30, 2009
Assets			
Current assets:			
Cash and cash equivalents	$ 9,060	$ 6,729	$ 12,872
Receivables	11,796	12,755	9,984
Inventories	5,877	8,153	6,751
Prepaid expenses	821	516	885
Deferred income taxes	1,021	1,489	1,455
Total current assets	28,575	29,642	31,947
Net property, plant and equipment	9,492	11,754	11,344
Deferred income taxes	189	-	-
Goodwill	6,481	6,481	6,481
Other assets	816	846	1,137
Total Assets	**$ 45,553**	**$ 48,723**	**$ 50,909**
Liabilities & stockholders' equity			
Current liabilities:			
Current portion of long-term debt	$ 714	$ 717	$ 616
Current portion of capital lease obligations	705	703	-
Accounts payable	5,694	3,304	3,276
Accrued taxes and other expenses	6,510	6,230	4,561
Total current liabilities	13,623	10,954	8,453
Long-term debt	4,658	3,942	7,776
Capital lease obligations	1,613	910	-
Minority interest	584	523	-
Deferred income taxes	-	113	177
Other liabilities	832	914	1,036
Total liabilities	**21,310**	**17,356**	**17,442**
Total stockholders' equity	**24,243**	**31,367**	**33,467**
Total liabilities & stockholders' equity	**$ 45,553**	**$ 48,723**	**$ 50,909**

Annual Income Statements for the Years Ended
(in thousands)

	FY(12/06)A	FY(12/07)A	FY(12/08)A	FY(12/09)E	FY(12/10)E
Net sales	**$ 93,749**	**$ 93,595**	**$ 110,032**	**$ 89,567**	**$ 100,750**
Cost of sales	74,512	70,785	81,469	67,244	74,807
Gross profit	19,237	22,810	28,563	22,323	25,943
Restructuring charge	-	-	1,315	-	-
SG&A	14,183	15,563	18,823	18,326	20,150
Operating income	5,054	7,247	8,425	3,997	5,793
Interest expense, other income and expenses	(1,046)	(504)	(314)	(252)	(250)
Income before taxes	4,008	6,743	8,111	3,745	5,543
Income tax	1,493	2,584	2,995	1,337	1,995
Tax rate	*37.25%*	*38.32%*	*36.93%*	*35.70%*	*35.99%*
Income attributable to noncontrol. interests				(64)	(64)
Net Income / (Loss)	**$ 2,515**	**$ 4,159**	**$ 5,116**	**$ 2,344**	**$ 3,484**
Basic EPS	**$ 0.50**	**$ 0.78**	**$ 0.92**	**$ 0.40**	**$ 0.56**
Diluted EPS	**$ 0.45**	**$ 0.71**	**$ 0.82**	**$ 0.37**	**$ 0.52**
Basic Shares Outstanding	5,023	5,307	5,550	5,845	6,250
Diluted Shares Outstanding	5,571	5,861	6,263	6,256	6,650
Margin Analysis					
Gross margin	20.52%	24.37%	25.96%	24.92%	25.75%
SG&A	15.13%	16.63%	17.11%	20.46%	20.00%
Operating margin	5.39%	7.74%	7.66%	4.46%	5.75%
Year / Year Growth					
Total Revenues	11.66%	(0.16)%	17.56%	(18.60)%	12.49%
Net Income	281.64%	65.37%	23.01%	(54.18)%	48.63%
EPS	260.40%	57.19%	15.11%	(54.13)%	39.83%

Quarterly Income Statement for the Year Ended 2008
(in thousands)

	Q1(3/08)A	Q2(6/08)A	Q3(9/08)A	Q4(12/08)A	FY(12/08)A
Net sales	**$ 28,008**	**$ 28,456**	**$ 27,501**	**$ 26,066**	**$ 110,032**
Cost of sales	21,120	20,828	20,091	19,429	81,469
Gross profit	6,888	7,628	7,410	6,637	28,563
SG&A	4,922	4,984	4,935	3,982	18,823
Restructruring charge	-	-	406	909	1,315
Operating income	1,966	2,644	2,069	1,746	8,425
Interest expense, other income & expenses	(114)	(104)	(58)	(38)	(314)
Income before taxes	1,852	2,540	2,011	1,708	8,111
Income tax (benefit)	704	966	764	562	2,995
Tax rate	*38.01%*	*38.03%*	*37.99%*	*32.90%*	*36.93%*
Net Income / (Loss)	**$ 1,148**	**$ 1,574**	**$ 1,247**	**$ 1,146**	**$ 5,116**
Basic EPS	**$ 0.21**	**$ 0.29**	**$ 0.22**	**$ 0.20**	**$ 0.92**
Diluted EPS	**$ 0.19**	**$ 0.25**	**$ 0.20**	**$ 0.19**	**$ 0.82**
Basic Shares Outstanding	5,450	5,515	5,593	5,640	5,550
Diluted Shares Outstanding	6,091	6,389	6,315	6,112	6,263
Margin Analysis					
Gross margin	24.59%	26.81%	26.94%	25.46%	25.96%
SG&A	17.57%	17.51%	17.94%	15.28%	17.11%
Operating margin	7.02%	9.29%	7.52%	6.70%	7.66%
Year / Year Growth					
Total Revenues	27.23%	22.76%	19.90%	2.36%	17.56%
Net Income	120.35%	61.11%	41.22%	(35.51)%	23.01%
EPS	110.48%	54.53%	31.15%	(38.54)%	17.64%

Quarterly Income Statement for the Year Ending 2009
(in thousands)

	Q1(3/09)A	Q2(6/09)A	Q3(9/09)E	Q4(12/09)E	FY(12/09)E
Net sales	**$ 21,608**	**$ 20,959**	**$ 23,000**	**$ 24,000**	**$ 89,567**
Cost of sales	16,665	15,588	17,135	17,856	67,244
Gross profit	4,943	5,371	5,865	6,144	22,323
SG&A	4,310	4,416	4,700	4,900	18,326
Operating income	633	955	1,165	1,244	3,997
Interest expense, other income & expenses	(78)	(54)	(60)	(60)	(252)
Income before taxes	555	901	1,105	1,184	3,745
Income tax (benefit)	194	319	398	426	1,337
Tax rate	*34.95%*	*35.41%*	*36.00%*	*36.00%*	*35.70%*
Income attributable to noncontrol. interests	(16)	(16)	(16)	(16)	(64)
Net Income / (Loss)	**$ 345**	**$ 566**	**$ 691**	**$ 742**	**$ 2,344**
Basic EPS	**$ 0.06**	**$ 0.10**	**$ 0.12**	**$ 0.12**	**$ 0.40**
Diluted EPS	**$ 0.06**	**$ 0.09**	**$ 0.11**	**$ 0.12**	**$ 0.37**
Basic Shares Outstanding	5,713	5,787	5,880	6,000	5,845
Diluted Shares Outstanding	6,153	6,191	6,280	6,400	6,256
Margin Analysis					
Gross margin	*22.88%*	*25.63%*	*25.50%*	*25.60%*	*24.92%*
SG&A	19.95%	21.07%	20.43%	20.42%	20.46%
Operating margin	*2.93%*	*4.56%*	*5.07%*	*5.18%*	*4.46%*
Year / Year Growth					
Total Revenues	(22.85)%	(26.35)%	(16.37)%	(7.93)%	(18.60)%
Net Income	(69.95)%	(64.04)%	(44.57)%	(35.27)%	(54.18)%
EPS	(71.33)%	(65.73)%	(47.28)%	(39.16)%	(56.50)%

Statement of Cash Flows for the Periods Ended
(in thousands)

	FY2007	FY2008	6mos2009
Cash Flows from Operating Activities			
Net income	$ 4,159	$ 5,116	$ 911
Depreciation & amortization	2,815	2,977	1,321
Restructuring leasehold improvement write-off	-	170	-
Equity in net income of unconsolidated affiliate	(15)	(7)	-
Minority interest	72	44	32
Gain on acquisition	-	-	(80)
(Gain) loss on disposal of property, plant and equipment	(33)	(57)	(4)
Share-based compensation	692	1,306	546
Stock issued in lieu of compensation	256	344	184
Deferred income taxes	1,210	16	48
Changes in assets and liabilities			
Receivables	(167)	777	2,771
Inventories	53	(435)	1,584
Prepaid expenses	(55)	350	(369)
Accounts payable	1,074	(2,777)	(28)
Accrued expenses and other	760	(937)	(1,669)
Retirement and other liabilites	95	(119)	122
Other assets	(213)	(83)	(200)
Net Cash Provided by Operations	**10,703**	**6,685**	**5,169**
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(2,101)	(2,763)	(680)
Cash surrender value of officers' life insurane	(15)	(15)	-
Payments from affiliated company	15	7	-
Proceeds from sale of property, plant and equipment	33	101	4
Acquisitions	-	(5,181)	(375)
Net Cash Used in Investing	**(2,068)**	**(7,851)**	**(1,051)**
Cash Flows from Financing Activities			
Borrowings (payments) of notes payable	-	-	-
Proceeds from long-term borrowings	786	-	4,000
Distribution to United Development Company partners	(105)	(105)	(105)
Tax benefit from exercise of non-qualified stock options	215	211	-
Net proceeds from sale of common stock	24	20	-
Proceeds from exercise of stock options	272	333	9
Principal repayments of long-term debt	(1,095)	(714)	(267)
Principle repayments of capital lease obligations	(689)	(704)	(1,613)
Proceeds from refinancing capital leases	-	-	-
Cash settlement of restricted stock units	-	(206)	-
Net cash Provided Financing	**(592)**	**(1,165)**	**2,024**
Net change in Cash	**8,043**	**(2,331)**	**6,142**
Cash - Beginning of Period	**1,017**	**9,060**	**6,730**
Cash - End of Period	**$ 9,060**	**$ 6,729**	**$ 12,872**