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
December 4, 2008

UFPT $4.35 — (NASDAQ CM)

	FY (2006)A	FY (2007)A	FY (2008)E	FY (2009)E
Revenues (millions)	$93.7	$93.6	$112.2	$116.0
Earnings per share (diluted)	$0.45	$0.71	$0.79	$1.05

52-Week range	$14.63 – $3.92	Fiscal year ends:	December
Shares outstanding as of 10/15/08	5.6 million	Revenue per share (TTM)	$17.64
Approximate float	4.4 million	Price/Sales (TTM)	0.2X
Market capitalization	$24 million	Price/Sales (2009)E	0.2X
Tangible book value/share	$4.16	Price/Earnings (TTM)	4.7X
Price/tangible book	1.0X	Price/Earnings (2009)E	4.1X

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) while lowering our twelve-month price target to $10.00 per share (previously $16.00) due to lowered earnings expectations, current market conditions, and a slowing economy. We believe that shares of UFPT offer an attractive investment opportunity at current levels.

On November 3, 2008, UFPT reported third quarter 2008 net sales increased 20% to $27.5 million from $22.9 million. Excluding sales from the recent acquisition of Stephenson & Lawyer (S&L), sales for the three-month period ended September 30, 2008, increased $1.6 million, or 6.8%. Net income increased to $1.2 million or $0.20 per diluted share versus net income of 0.9 million or $0.15 per diluted share. Included in net income for the third quarter of 2008 was a $0.4 million restructuring charge.

Economic activity slowed as evidenced by real GDP growth at a 1.1 percent average annual rate in the first nine months of 2008 which is lower than the average annual growth rate of 2.4 percent in 2007. Although economic growth has slowed in 2008, UFP Technologies grew sales by an average of 9% (excluding the contribution from S&L). The latest economic outlook suggests that the economy will slow further in 2009. As such, we believe that UFPT's rate of growth (excluding non-recurring charges) will slow in 2009.

For fiscal 2008, we estimate UFPT's revenue will grow by 20% to $112.2 million and the Company will report net income of $4.9 million or $0.79 per diluted share. Previous estimates for fiscal 2008 called for sales of $112.0 million and net income of $4.4 million or $0.69 per diluted share. For fiscal 2009, we estimate UFPT's revenue will grow by 3% to $116.0 million and the Company will report net income of $6.8 million or $1.05 per diluted share. Previous estimates for fiscal 2009 called for sales of $123.0 million and net income of $7.4 million or $1.14 per diluted share.

****Please view our disclaimer located on page 10.***

Business

The Company operates in two segments: Packaging Products and Component Products. Packaging Products made up 42% of UFPT's total sales in the first nine months of fiscal 2008, while Component Products made up 58%.

UFP Technologies' packaging products are used to contain, display and/or protect manufactured goods during shipment, handling, storage, marketing and use. The interior cushion packaging market is characterized by three primary sectors: (1) custom fabricated or molded products for low volume, high fragility products; (2) molded or die-cut products for high volume, industrial and consumer goods; and (3) loose fill and commodity packaging materials for products which do not require custom-designed packaging. Examples of the Company's packaging products include end-cap packs for computers, corner blocks for telecommunications consoles, anti-static foam packs for printed circuit boards, die-cut inserts for attaché cases and plastic trays for medical devices and components.

The Company's component products segment features specialty foam and plastic products that are sold primarily to customers in the automotive, sporting goods, medical, beauty, leisure and footwear industries. These products include components for automobiles and medical diagnostic equipment, abrasive nail files and anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

Industry

In February 2008, 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 2007 to reach a value of $402.6 billion. The report forecasts the market to have a value of $470.8 billion in 2012 for a CAGR of approximately 3%. Paper packaging accounts for 51.3% of the global containers and packaging markets volume with the Americas generating 34.4% of the global containers and packaging markets value.

3rd Quarter Financial Results

For the third quarter ended September 30, 2008, versus the same period in 2007:

- Net sales increased 20% to $27.5 million from $22.9 million.
- Gross margins increased to 26.9% from 23.1%.
- SG&A expenses increased to $4.9 million from $3.8 million.
- Net income was $1.2 million or $0.20 per diluted share versus net income of $0.9 million or $0.15 per diluted share. Included in net income for the third quarter of 2008 was a $0.4 million restructuring charge associated with the consolidation of the Company's Macomb Township, Michigan automotive plant into a newly acquired building in Grand Rapids, Michigan.

In comparison, Taglich Brothers' estimates called for third quarter net sales of $27.3 million and net income of $0.7 million or $0.10 per diluted share.

Sales for the three-month period ended September 30, 2008, included sales from the January 2008 acquisition of Stephenson & Lawyer (S&L). Excluding sales of S&L, sales increased 6.8%. The increase in UFP sales was primarily due to increased sales to a key customer in the electronics industry (Packaging segment) of approximately $0.6 million and increased sales of molded fiber packaging products (Packaging segment) of approximately $0.7 million.

The improvement in gross margin for the period was primarily due to continued manufacturing efficiency initiatives and improvements to the quality of the Company's book of business (approximately 4.2% improvement in gross margin across both business segments).

The increase in SG&A expenses reflected additional SG&A associated with the S&L acquisition (Component Products segment) of approximately $0.6 million, additional compensation related expenses of approximately $0.4 million (both business segments), as well as normal inflationary activity.

Balance Sheet

As of September 30, 2008, the Company had cash of $5.5 million, working capital of $17.1 million, long-term debt of $4.1 million, long-term capital lease obligations of $1.1 million, and a tangible book value of $4.16 per share. The Company generated approximately $7.7 million cash from operations in the first nine months of 2008. Taglich Brothers defines cash flow as net income plus non-cash charges.

The Company has a $17 million revolving line of credit due February 28, 2009. As of September 30, 2008, UFPT had an available balance under its line of credit of approximately $14.5 million. We believe that UFPT's current line of credit and future expected cash flows from operations will be sufficient to fund operations for the next twelve months.

Discussion

Despite soft sales in fiscal 2007, the Company significantly improved its profit margins throughout the year, enabling it to generate record annual earnings. The Company attributed its profit margin improvements to improvements in the quality of its book of business (higher gross margins in both business segments) and reductions in manufacturing costs.

On January 18, 2008, the Company acquired Stephenson & Lawyer, Inc. (S&L), a Grand Rapids, Michigan-based foam fabricator. S&L was consolidated into the Company's financial statements effective January 1, 2008. Operating out of a 255,000-square-foot manufacturing plant, S&L specializes in the fabrication of technical urethane foams. UFP Technologies said that in addition to significantly adding to the Company's real estate, S&L brings to the Company access to this family of foams, modern manufacturing capabilities and a seasoned management team.

In order to get a better understanding of how the S&L acquisition would have contributed to the Company's top and bottom lines if the acquisition had occurred on January 1, 2007, UFP provided the following pro-forma income statement for that period:

	Actual Q3(9/08)	Actual Q3(9/07)	Proforma Q3(9/07)
Net sales	$ 27,501	$ 22,937	$ 26,274
Operating income	2,069	1,550	1,385
Net Income / (Loss)	$ 1,247	$ 883	$ 752
Basic EPS	$ 0.22	$ 0.16	$ 0.14
Diluted EPS	$ 0.20	$ 0.15	$ 0.13

It appears that while the acquisition would have added approximately $3.3 million to the Company's top line in the third quarter of 2007, net income would have decreased by approximately $0.1 million or $(0.02) per basic and diluted share due to lower margins. Going forward, we believe that UFP will be able to improve the margins at S&L as it continues its efforts in reducing manufacturing costs.

On August 5, 2008, the Company committed to move forward with a plan to close its Macomb Township, Michigan, automotive plant and consolidate operations into its newly acquired 250,000 square foot building in Grand Rapids, Michigan. UFP Technologies' decision was in response to the continued sluggish automotive industry and takes advantage of synergies afforded by the acquisition of Grand Rapids-based Stephenson & Lawyer in January 2008.

The Company expects to incur approximately $1.4 million in one-time, pre-tax expenses over a six-month transitional period, and to invest approximately $0.45 million in building improvements. As of September 30, 2008, UFP Technologies had incurred approximately $0.4 million of the expected $1.4 million of pre-tax expenses. The Company expects annual cost savings of approximately $1.2 million as a result of the plant consolidation.

Projections

Economic activity slowed as evidenced by real GDP growth at a 1.1 percent average annual rate in the first nine months of 2008 which is lower than the average annual growth rate of 2.4 percent in 2007. Although economic growth has slowed in 2008, UFP Technologies grew sales by an average of 9% (excluding the contribution from S&L). The latest forecast from The Conference Board suggests that the economy is unlikely to improve in soon, and economic activity may contract further in the near term.

With forecasts calling for the economy to remain weak in the near term, we believe that UFP Technologies' organic growth will slow resulting in fiscal 2008 organic growth of 6%. However, with the contribution from S&L, we believe total net sales will grow by approximately 20% in fiscal 2008.

For fiscal 2008, we estimate UFPT's revenue will grow by 20% to $112.2 million and the Company will report net income of $4.9 million or $0.79 per diluted share. Previous estimates for fiscal 2008 called for sales of $112.0 million and net income of $4.4 million or $0.69 per diluted share.

The increase in our estimate is primarily due to the strength of the Company's recent results. We believe the remaining $1.0 million of non-recurring expense will occur in the fourth quarter resulting in total non-recurring expenses of $1.4 million for the six month period. Excluding the $1.4 million of non-recurring expenses, we believe net income would approximate $5.8 million or $0.92 per diluted share. We have included these expenses in our SG&A estimates for fiscal 2008.

Our estimates for fiscal 2008 are made with the following assumptions:

- S&L will contribute approximately $13 million in revenue (2007 level and current 9 month run rate),
- Gross margins of 26.3% due to the effects of continued cost cutting and manufacturing efficiencies with the level of sales we are projecting,
- Continued increases in SG&A expenses (by approximately $4.3 million excluding $1.4 million of non-recurring expenses) due to the acquisition,
- Lower interest expense as the Company continues to pay down its debt, and
- A 38% tax rate.

The latest economic outlook suggests that the economy will slow further in 2009. In November 2008, the Energy Information Administration forecasted real GDP growth in the U.S. to grow by 1.8% in 2008 and to decline by 1.4% in 2009. Due to the weak economic outlook, we believe that UFPT's rate of growth (excluding non-recurring chares) will slow in 2009.

For fiscal 2009, we estimate UFPT's revenue will grow by 3% to $116.0 million and the Company will report net income of $6.8 million or $1.05 per diluted share. Previous estimates for fiscal 2009 called for sales of $123.0 million and net income of $7.4 million or $1.14 per diluted share.

We are projecting gross margins will improve to 27.0% with the savings from the plant consolidation, continued growth in SG&A expenses (excluding the non-recurring expenses in 2008) on an absolute level but lower as a percentage of sales, and a 38% tax rate.

Risks

Large Contract

The Company has a large automotive contract that could be worth as much as $95 million over a period of eight years starting from late 2004. The $95 million revenue value is an estimate, based on the automotive supplier's projected needs. UFP Technologies cannot guarantee that it will fully benefit from this contract, which is terminable by the automotive supplier for any reason. The Company's revenues from this contract are directly dependent on the ability of the automotive supplier to develop, market, and sell its products in a timely, cost-effective manner. If the automotive supplier's needs decrease over the course of the contract, UFP Technologies' estimated revenues from this contract may also decrease. Even if the Company generates revenue from the project, it cannot guarantee that the project will be profitable, particularly if revenues from the contract are less than expected. It is important to note that UFPT's sales to the automotive industry declined by $3.3 million during the first nine months of fiscal 2008.

Competition

The packaging and specialty foam products industry is highly competitive. The Company's foam and fiber packaging products compete against other alternative products made from materials such as expanded polystyrene foams, die-cut corrugated, plastic peanuts, plastic bubbles and foam-in-place urethane. UFP Technologies also faces competition in the specialty foam products area from smaller companies that typically concentrate on production for specific industries.

Public companies in the packaging & containers industry include large firms such as Owens-Illinois (NYSE: OI), Ball Corporation (NYSE: BLL), Sealed Air (NYSE: SEE), Crown Holdings (NYSE: CCK), and Pactiv (NYSE: PTV). Microcap companies in this industry include Intertape Polymer Group (NYSE: ITP), Constar International (NASDAQ: CNST), MOD-PAC (NASDAQ: MPAC), Peak International (NASDAQ: PEAK), and Northern Technologies (NASDAQ: NTIC).

Worldwide financial turmoil and associated economic downturn

The recent worldwide financial turmoil and associated economic downturn could adversely affect UFP Technologies' business. The resulting tightening of credit markets may make it difficult for the Company's customers to obtain financing on reasonable terms, if at all. In addition, a slow-down or contraction of the United States economy may reduce sales of the Company's products.

Customer mix

A limited number of customers typically represent a significant percentage of the Company's revenues in any given year. UFPT's top ten customers based on revenues represented, in the aggregate, approximately 44% of total revenues in both 2007 and 2006. The loss of a significant portion of expected future sales to any of the Company's large customers could have a material adverse effect on the Company's business, financial condition and financial results.

Patents and other proprietary rights

The Company relies upon trade secret, patent protection and trademarks to protect its technology and proprietary rights. UFP Technologies has three U.S. patents relating to its molded fiber technology (including certain proprietary machine designs), and has patent applications pending with respect to such technology in certain foreign countries and international patent offices. The Company also has a total of twelve U.S. patents relating to technologies including foam and packaging, rubber mat, patterned nail file, and superforming process technologies. In addition, UFP Technologies has patent applications pending in the United States with respect to superforming products and processes.

There can be no assurance that any of the Company's patent applications will be granted, or that any patent or patent application will provide significant protection for the Company's products and technology, or will not be challenged or circumvented by others.

Environmental Considerations

In addition to offering molded fiber packaging products made from recycled paper derived primarily from post-consumer newspaper waste, UFP Technologies actively promotes its philosophy of reducing product volume and resulting post-user product waste. The Company designs products to provide optimum performance with minimum material. In addition, UFP Technologies actively participates in a recovery and reuse program for certain of its plastic packaging products.

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.

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 5.6 million shares outstanding and 4.4 million in the float, liquidity issues must be considered. Average daily volume has been approximately 50,000 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.

Conclusion and Valuation

We are reiterating our Speculative Buy rating for shares of UFP Technologies (NASDAQ CM: UFPT).

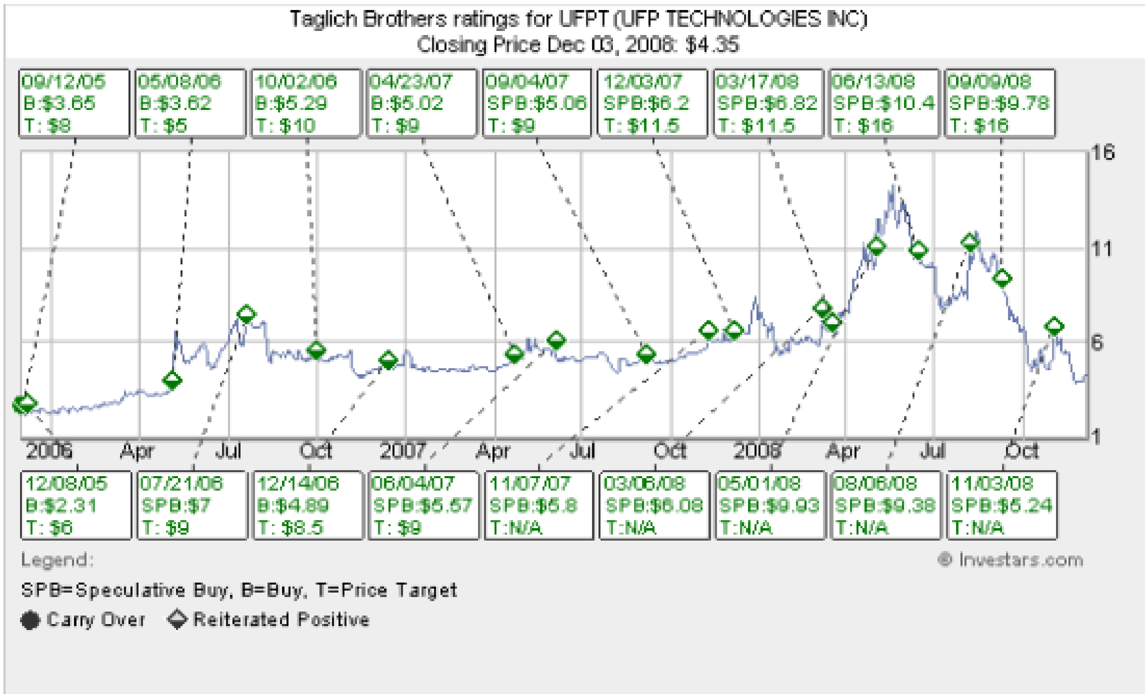
Economic activity slowed as evidenced by real GDP growth at a 1.1 percent average annual rate in the first nine months of 2008 which is lower than the average annual growth rate of 2.4 percent in 2007. Although economic growth has slowed in 2008, UFP Technologies grew sales by an average of 9% (excluding the contribution from S&L). The latest forecast from The Conference Board suggests that the economy is unlikely to improve soon, and economic activity may contract further in the near term.

With forecasts calling for the economy to remain weak in the near term, we believe that UFP Technologies' organic growth will slow resulting in fiscal 2008 organic growth of 6%. However, with the contribution from S&L, we believe total net sales will grow by approximately 20% in fiscal 2008.

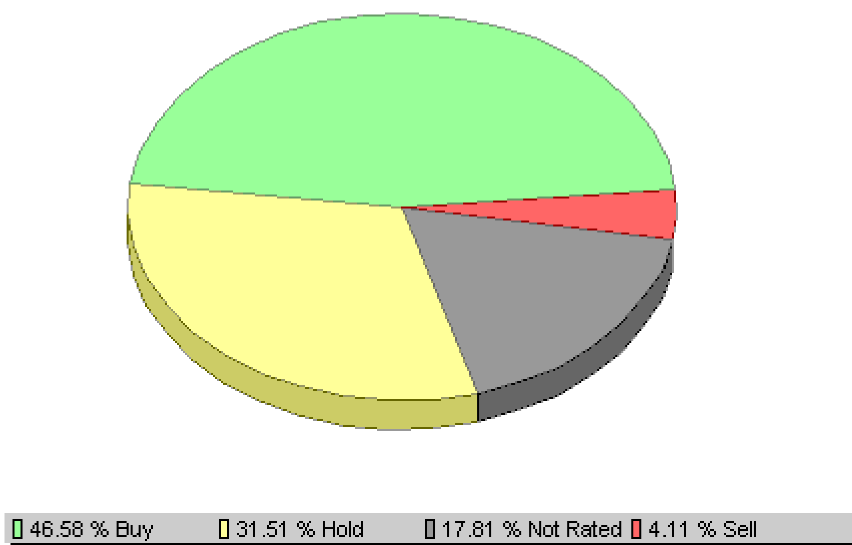
For fiscal 2008, we estimate UFPT's revenue will grow by 20% to $112.2 million and the Company will report net income of $4.9 million or $0.79 per diluted share. Previous estimates for fiscal 2008 called for sales of $112.0 million and net income of $4.4 million or $0.69 per diluted share.

For fiscal 2009, we estimate UFPT's revenue will grow by 3% to $116.0 million and the Company will report net income of $6.8 million or $1.05 per diluted share. Previous estimates for fiscal 2009 called for sales of $123.0 million and net income of $7.4 million or $1.14 per diluted share.

In order to get an appropriate multiple to apply to UFPT's earnings, we looked at the Company's historic earnings multiple of 16X, its current multiple of 5X, and the industry (packaging & containers) multiple of 12X. With these inputs, we believe that a multiple of 10X earnings is appropriate (we previously used the Company's historic multiple but due to current market conditions, we feel a lower multiple would be more prudent). By applying a multiple of 10X to a 12-month discounted value ($1.02) of our fiscal 2009 earnings per diluted share estimate ($1.05), we arrive at a **twelve-month price target of approximately $10.00 per share**. We derived a discount factor of 12% using the Capital Asset Pricing Model with a beta of 1.63.



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0.00%
Hold	1	7.14%
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.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public companies mentioned in this report:

Ball Corporation (NYSE: BLL)
Constar International (NASDAQ: CNST)
Crown Holdings (NYSE: CCK)
Intertape Polymer Group (NYSE: ITP)
MOD-PAC (NASDAQ: MPAC)
Northern Technologies (NASDAQ: NTIC)
Owens-Illinois (NYSE: OI)
Pactiv (NYSE: PTV)
Peak International (NASDAQ: PEAK)
Sealed Air (NYSE: SEE)

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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, 2006	December 31, 2007	September 30, 2008
Assets			
Current assets:			
Cash and cash equivalents	$ 1,017	$ 9,060	$ 5,510
Receivables	11,629	11,796	14,323
Inventories	5,930	5,877	9,318
Prepaid expenses	766	821	874
Deferred income taxes	1,032	1,021	940
Total current assets	20,374	28,575	30,965
Net property, plant and equipment	10,137	9,492	11,534
Deferred income taxes	1,388	189	523
Goodwill	6,481	6,481	6,481
Other assets	657	816	879
Total Assets	**$ 39,037**	**$ 45,553**	**$ 50,382**
Liabilities & stockholders' equity			
Current liabilities:			
Current potion of long-term debt	$ 1,078	$ 714	$ 717
Current portion of capital lease obligations	689	705	717
Accounts payable	4,620	5,694	5,882
Accrued taxes and other expenses	5,750	6,510	6,587
Total current liabilities	12,137	13,623	13,903
Long-term debt	4,604	4,658	4,122
Capital lease obligations	2,317	1,613	1,077
Minority interest	616	584	528
Other liabilities	738	832	906
Total liabilities	**20,412**	**21,310**	**20,536**
Total stockholders' equity	**18,625**	**24,243**	**29,846**
Total liabilities & stockholders' equity	**$ 39,037**	**$ 45,553**	**$ 50,382**

Annual Income Statements for the Years Ended
(in thousands)

	FY(12/05)A	FY(12/06)A	FY(12/07)A	FY(12/08)E	FY(12/09)E
Net sales	**$ 83,962**	**$ 93,749**	**$ 93,595**	**$ 112,215**	**$ 116,000**
Cost of sales	69,361	74,512	70,785	82,662	84,680
Gross profit	14,601	19,237	22,810	29,553	31,320
Gross Margin	*17.39%*	*20.52%*	*24.37%*	*26.34%*	*27.00%*
SG&A	12,431	14,183	15,563	21,247	20,200
Operating income	2,170	5,054	7,247	8,306	11,120
Operating Margin	*2.58%*	*5.39%*	*7.74%*	*7.40%*	*9.59%*
Interest expense, other income and expenses	(1,303)	(1,046)	(504)	(326)	(200)
Income before taxes	867	4,008	6,743	7,980	10,920
Income tax	208	1,493	2,584	3,033	4,150
Tax rate	*23.99%*	*37.25%*	*38.32%*	*38.01%*	*38.00%*
Net Income / (Loss)	**$ 659**	**$ 2,515**	**$ 4,159**	**$ 4,947**	**$ 6,770**
Basic EPS	**$ 0.14**	**$ 0.50**	**$ 0.78**	**$ 0.89**	**$ 1.17**
Diluted EPS	**$ 0.13**	**$ 0.45**	**$ 0.71**	**$ 0.79**	**$ 1.05**
Basic Shares Outstanding	4,798	5,023	5,307	5,550	5,775
Diluted Shares Outstanding	5,261	5,571	5,861	6,289	6,475
Percent of Revenue					
Cost of goods sold	82.61%	79.48%	75.63%	73.66%	73.00%
SG&A	14.81%	15.13%	16.63%	18.93%	17.41%
Year / Year Growth					
Total Revenues	22.35%	11.66%	-0.16%	19.89%	3.37%
Net Income	-24.34%	281.64%	65.37%	18.95%	36.85%
EPS	-28.17%	260.40%	57.19%	10.85%	32.92%

Quarterly Income Statement for the Year Ended 2007
(in thousands)

	Q1(3/07)A	Q2(6/07)A	Q3(9/07)A	Q4(12/07)A	FY(12/07)A
Net sales	**$ 22,013**	**$ 23,180**	**$ 22,937**	**$ 25,465**	**$ 93,595**
Cost of sales	17,413	17,395	17,635	18,342	70,785
Gross profit	4,600	5,785	5,302	7,123	22,810
Gross Margin	*20.90%*	*24.96%*	*23.12%*	*27.97%*	*24.37%*
SG&A	3,613	4,058	3,753	4,139	15,563
Operating income	987	1,727	1,549	2,984	7,247
Operating Margin	*4.48%*	*7.45%*	*6.75%*	*11.72%*	*7.74%*
Interest expense, other income & expenses	(146)	(151)	(125)	(82)	(504)
Income before taxes	841	1,576	1,424	2,902	6,743
Income tax (benefit)	320	599	541	1,125	2,584
Tax rate	*38.05%*	*38.01%*	*37.99%*	*38.77%*	*38.32%*
Net Income / (Loss)	**$ 521**	**$ 977**	**$ 883**	**$ 1,777**	**$ 4,159**
Basic EPS	**$ 0.10**	**$ 0.18**	**$ 0.17**	**$ 0.33**	**$ 0.78**
Diluted EPS	**$ 0.09**	**$ 0.17**	**$ 0.15**	**$ 0.30**	**$ 0.71**
Basic Shares Outstanding	5,206	5,290	5,358	5,375	5,307
Diluted Shares Outstanding	5,747	5,861	5,909	6,022	5,861
Percent of Revenue					
Cost of goods sold	79.10%	75.04%	76.88%	72.03%	75.63%
SG&A	16.41%	17.51%	16.36%	16.25%	16.63%
Year / Year Growth					
Total Revenues	-8.81%	-5.52%	5.52%	9.12%	-0.16%
Net Income	-9.23%	39.57%	122.98%	110.30%	65.37%
EPS	-15.02%	31.23%	118.85%	101.53%	56.51%

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

	Q1(3/08)A	Q2(6/08)A	Q3(9/08)A	Q4(12/08)E	FY(12/08)E
Net sales	**$ 28,008**	**$ 28,456**	**$ 27,501**	**$ 28,250**	**$ 112,215**
Cost of sales	21,120	20,828	20,091	20,623	82,662
Gross profit	6,888	7,628	7,410	7,628	29,554
Gross Margin	*24.59%*	*26.81%*	*26.94%*	*27.00%*	*26.34%*
SG&A, restructruring charge	4,922	4,984	5,341	6,000	21,247
Operating income	1,966	2,644	2,069	1,628	8,307
Operating Margin	*7.02%*	*9.29%*	*7.52%*	*5.76%*	*7.40%*
Interest expense, other income & expenses	(114)	(104)	(58)	(50)	(326)
Income before taxes	1,852	2,540	2,011	1,578	7,981
Income tax (benefit)	704	966	764	599	3,033
Tax rate	*38.01%*	*38.03%*	*37.99%*	*38.00%*	*38.01%*
Net Income / (Loss)	**$ 1,148**	**$ 1,574**	**$ 1,247**	**$ 978**	**$ 4,947**
Basic EPS	**$ 0.21**	**$ 0.29**	**$ 0.22**	**$ 0.17**	**$ 0.89**
Diluted EPS	**$ 0.19**	**$ 0.25**	**$ 0.20**	**$ 0.15**	**$ 0.79**
Basic Shares Outstanding	5,450	5,515	5,593	5,640	5,550
Diluted Shares Outstanding	6,091	6,389	6,315	6,360	6,289
Percent of Revenue					
Cost of goods sold	75.41%	73.19%	73.06%	73.00%	73.66%
SG&A	17.57%	17.51%	19.42%	21.24%	18.93%
Year / Year Growth					
Total Revenues	27.23%	22.76%	19.90%	10.94%	19.89%
Net Income	120.35%	61.11%	41.22%	-44.96%	18.95%
EPS	110.48%	54.53%	31.15%	-47.55%	13.76%

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

	Q1(3/09)E	Q2(6/09)E	Q3(9/09)E	Q4(12/09)E	FY(12/09)E
Net sales	**$ 28,800**	**$ 29,500**	**$ 28,500**	**$ 29,200**	**$ 116,000**
Cost of sales	21,024	21,535	20,805	21,316	84,680
Gross profit	7,776	7,965	7,695	7,884	31,320
Gross Margin	*27.00%*	*27.00%*	*27.00%*	*27.00%*	*27.00%*
SG&A	5,050	5,050	5,050	5,050	20,200
Operating income	2,726	2,915	2,645	2,834	11,120
Operating Margin	*9.47%*	*9.88%*	*9.28%*	*9.71%*	*9.59%*
Interest expense, other income & expenses	(50)	(50)	(50)	(50)	(200)
Income before taxes	2,676	2,865	2,595	2,784	10,920
Income tax (benefit)	1,017	1,089	986	1,058	4,150
Tax rate	*38.00%*	*38.00%*	*38.00%*	*38.00%*	*38.00%*
Net Income / (Loss)	**$ 1,659**	**$ 1,776**	**$ 1,609**	**$ 1,726**	**$ 6,770**
Basic EPS	**$ 0.29**	**$ 0.31**	**$ 0.28**	**$ 0.30**	**$ 1.17**
Diluted EPS	**$ 0.26**	**$ 0.28**	**$ 0.25**	**$ 0.26**	**$ 1.05**
Basic Shares Outstanding	5,700	5,750	5,800	5,850	5,775
Diluted Shares Outstanding	6,400	6,450	6,500	6,550	6,475
Percent of Revenue					
Cost of goods sold	73.00%	73.00%	73.00%	73.00%	73.00%
SG&A	17.53%	17.12%	17.72%	17.29%	17.41%
Year / Year Growth					
Total Revenues	2.83%	3.67%	3.63%	3.36%	3.37%
Net Income	44.52%	12.85%	29.02%	76.48%	36.86%
EPS	38.18%	8.24%	24.42%	70.15%	31.51%

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

	FY2006	FY2007	9mos2008
Cash Flows from Operating Activities			
Net income	$ 2,515	$ 4,159	$ 3,970
Depreciation & amortization	3,060	2,815	2,227
Restructuring leasehold improvement write-off	-	-	170
Equity in net income of unconsolidated affiliate	(15)	(15)	(7)
Minority interest	87	72	49
(Gain) loss on disposal of property, plant and equipment	10	(33)	-
Share-based compensation	459	692	998
Stock issued in lieu of compensation	144	256	344
Deferred income taxes	857	1,210	(71)
Changes in assets and liabilities			
Receivables	3,768	(167)	(790)
Inventories	598	53	(1,600)
Prepaid expenses	25	(55)	(7)
Accounts payable	(647)	532	886
Accrued expenses and other	1,270	760	(581)
Retirement and other liabilites	42	95	(127)
Cash surrender value of officers' life insurance	(18)	(15)	-
Other assets	(61)	(213)	(115)
Net Cash Provided by Operations	**12,094**	**10,146**	**5,346**
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(1,516)	(2,101)	(1,767)
Payments from affiliated company	15	15	7
Proceeds from sale of property, plant and equipment	30	33	-
Acquisitions	(309)	-	(5,181)
Net Cash Used in Investing	**(1,780)**	**(2,053)**	**(6,941)**
Cash Flows from Financing Activities			
Borrowings (payments) of notes payable	(7,991)	-	-
Change in book overdrafts	(832)	542	(1,085)
Proceeds from long-term borrowings	-	786	-
Distribution to United Development Company partners	(105)	(105)	(105)
Proceeds from exercise of stock options	-	-	294
Tax benefit from exercise of non-qualified stock options	177	215	183
Net proceeds from sale of common stock	568	296	21
Principal repayments of long-term debt	(691)	(1,095)	(534)
Cash settlement of restricted stock units	-	-	(206)
Principle repayments of capital lease obligations	(2,047)	(689)	(523)
Proceeds from refinancing capital leases	1,359	-	-
Net cash Provided Financing	**(9,562)**	**(50)**	**(1,955)**
Net change in Cash	**752**	**8,043**	**(3,550)**
Cash - Beginning of Period	**265**	**1,017**	**9,060**
Cash - End of Period	**$ 1,017**	**$ 9,060**	**$ 5,510**