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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
December 23, 2009

UFPT $6.51 — (NASDAQ CM)

	FY (2007)A	FY (2008)A	FY (2009)E	FY (2010)E
Revenues (millions)	$93.6	$110.0	$98.4	$116.0
Earnings per share (diluted)	$0.71	$0.82	$0.71	$0.87

52-Week range	$7.10 – $3.47	Fiscal year ends:	December
Shares outstanding as of 11/8/09	5.9 million	Revenue per share (TTM)	$15.55
Approximate float	5.0 million	Price/Sales (TTM)	0.4X
Market capitalization	$38 million	Price/Sales (2010)E	0.4X
Tangible book value/share	$4.96	Price/Earnings (TTM)	9.6X
Price/tangible book	1.3X	Price/Earnings (2010)E	7.5X

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 increasing our twelve-month price target to $10.00 per share (previously $7.00) based on increased 2010 earnings estimates. We believe that shares of UFPT offer an attractive investment opportunity at current levels.

On November 5, 2009, UFPT reported Q3/09 sales were relatively flat at $27.6 million. Net income increased to $2.1 million or $0.34 per diluted share versus net income of $1.2 million or $0.20 per diluted share. We estimated third quarter net sales of $23.0 million and net income of $0.7 million or $0.11 per diluted share. Excluding acquisitions since the beginning of the year, the sales decline would have been 16% due largely to a decline in sales of interior trim parts to the automotive industry, as well as a general softening in demand for packaging parts.

During Q3/09, the company acquired substantially all of the assets of E.N. Murray Company, a foam fabricator for the medical industry, and certain assets of Advanced Materials Group, a foam fabricator also serving the medical market.

The company's recent acquisitions along with expectations for economic growth should result in a moderate improvement in UFPT's sales over current levels. For 2009, we project revenue of $98.4 million and net income of $4.4 million or $0.71 per diluted share. We previously estimated 2009 revenue of $89.6 million and net income of $2.3 million or $0.37 per diluted share.

For 2010, we project revenue of $116.0 million and net income of $5.6 million or $0.87 per diluted share. We previously projected 2010 revenue of $100.8 million and net income of $3.5 million or $0.52 per diluted share. The primary reason for the increase in our estimates stems from the projected accretive effect of recent acquisitions.

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

Recommendation and Valuation

We are reiterating our **Speculative Buy** rating on UFP Technologies. The company's recent acquisitions along with expectations for economic growth should result in a moderate improvement in UFPT's sales over current levels.

Although we have valued shares of UFPT at its historic earnings multiple (15X) in the past, we chose to value the company using a multiple of 12X earnings to take into consideration current market conditions. By applying a multiple of 12X to our 2010 earnings per diluted share estimate of $0.87, we arrive at a **twelve-month price target of approximately $10.00 per share**.

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

Research and Markets (a source of international market research and market data) in their latest "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.

In September 2009, IBISWorld estimated that in 2008, the urethane and other foam product (except polystyrene) manufacturing industry generated sales of $12.2 billion. Between 2009 and 2013, IBISWorld forecasts that industry revenue will increase at an average annualized rate of 3.9% and domestic demand for polyurethane products will increase at an average annualized rate of 3.3%.

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.

3rd Quarter and 9 Months Financial Results

For the third quarter ended September 30, 2009 versus the same period in 2008:

- Net sales were relatively flat at $27.6 million. Engineered packaging sales decreased to $9.8 million from $12.7 million while component products sales increased to $17.9 million from $14.8 million.
- Gross margins increased to 27.0% from 26.9%.
- SG&A expenses increased to $5.1 million from $4.9 million.
- Net income was $2.1 million or $0.34 per diluted share versus net income of $1.2 million or $0.20 per diluted share.

We estimated third quarter net sales of $23.0 million and net income of $0.7 million or $0.11 per diluted share.

Excluding acquisitions since the beginning of the year, sales for Q3/09 declined by 16% due largely to a decline in sales of interior trim parts to the automotive industry (component products segment), as well as a general softening in demand for packaging parts (engineered packaging segment). Sales of automotive trim parts declined by $1.4 million in Q3/09 in comparison to the same period in 2008.

The increase in SG&A for Q3/09 was primarily due to added expenses from newly acquired companies of approximately $535,000 (component products segment), partially offset by reduced administrative variable compensation of approximately $150,000 (both business segments).

The company recorded acquisition-related gains of approximately $759,000 in Q3/09 as the consideration paid for the acquisitions of Foamade, EN Murray, and Advanced Materials, was less than the fair market value of the net assets acquired.

For the nine month period ended September 30, 2009 versus the same period in 2008:

- Net sales decreased 16% to $70.2 million from $84.0 million. Engineered packaging sales decreased to $28.2 million from $36.3 million and component products sales decreased to $42.0 million from $47.6 million.
- Gross margins decreased to 25.3% from 26.1%.
- SG&A expenses decreased to $13.9 million from $14.8 million.
- Net income was $3.0 million or $0.49 per diluted share versus net income of $4.0 million or $0.63 per diluted share.

Excluding acquisitions since the beginning of the year, sales declines for nine months ended September 30, 2009, would have been 23% due largely to a decline in sales of interior trim parts to the automotive industry (component products segment), as well as a general softening in demand for packaging parts (engineered packaging segment). Sales of automotive trim parts declined by $9.5 million.

The decline in year-to-date gross margin is primarily due to the reduced coverage of manufacturing overhead, partially offset by efficiencies gained from the consolidation of the company's Michigan facilities.

The decline in SG&A for the nine-month period is primarily due to reduced administrative variable compensation of approximately $760,000 (both business segments) and reduced selling expenses of approximately $200,000 (due largely to the reduction in sales—both business segments), partially offset by expenses associated with newly acquired companies of approximately $535,000 (component products segment).

The company recorded acquisition-related gains of approximately $840,000 for the nine-month period as the consideration paid for the acquisitions of Foamade, EN Murray, and Advanced Materials, was less than the fair market value of the net assets acquired.

	9mos2009	9mos2008
Net sales	**$ 70,187**	**$ 83,965**
Cost of sales	52,419	62,039
Gross profit	17,768	21,926
Restructuring charge	-	406
SG&A	13,877	14,841
Operating income	3,891	6,679
Interest expense, other income and expenses	665	(227)
Income before taxes	4,556	6,452
Income tax	1,489	2,433
Tax rate	*32.68%*	*37.71%*
Income attributable to noncontrol. interests	(43)	(49)
Net Income / (Loss)	**$ 3,024**	**$ 3,970**
Basic EPS	**$ 0.52**	**$ 0.72**
Diluted EPS	**$ 0.49**	**$ 0.63**
Basic Shares Outstanding	5,799	5,519
Diluted Shares Outstanding	6,222	6,283

Liquidity

As of September 30, 2009, the company exhibited a strong balance sheet with cash of $12.0 million, working capital of $24.5 million, long-term debt of $7.7 million (for a debt/equity ratio of 0.2 versus 2.8 for the industry), and a tangible book value of $4.96 per share.

The company generated $6.9 million cash from operations during the first nine months of 2009 primarily from cash earnings of $5.2 million and reductions in inventories of approximately $1.4 million.

Cash used in investing activities during the first nine months of 2009, was approximately $3.7 million, which was primarily the result of normal additions of manufacturing machinery and equipment of approximately $1.2 million and the acquisition of selected assets of Foamade, EN Murray, and Advanced Materials of approximately $2.4 million.

The company generated $2.0 million in financing activities primarily from the issuance of $4.0 million of long-term debt offset by $1.6 million in principal repayments of capital lease obligations and $0.4 million of principal repayments of long-term debt. The net change in cash for the nine month period was approximately $5.2 million.

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.

3rd Quarter 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 and had 2008 sales of approximately $13 million. The company has leased the former E.N. Murray Denver facilities for a period of two years.

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

	Nine Months Ended	
	9/30/2009	**9/30/2008**
Sales	$ 76,186	$ 93,906
Net Income	$ 3,201	$ 4,385

Source: UFP Technologies' 10-Q filing

The pro forma statement shows the acquisition could potentially have generated a $6.0 million and $9.9 million increase in sales for the nine months ended September 30, 2009 and 2008, respectively, and a $0.2 million and $0.4 million increase in net income.

The following table contains the 2009 sales and net income associated with ENM and AMI from the date of acquisition through September 30, 2009 (in thousands $):

	ENM	**AMI**
Sales	$ 3,513	$ 225
Net Income	$ 234	$ (21)

Source: UFP Technologies, 10-Q filing

The company said that it was impractical to determine the amount of sales and earnings that would have been recorded had the AMI acquisition occurred on January 1, 2009 as records for this time period was unavailable since the company only acquired selected assets and not the entire operations.

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. During the third quarter of 2009, the company experienced increased demand through most of its end markets however; sales of interior trim parts to the automotive industry have weakened significantly due to very soft automobile sales in North America. The company expects this trend to continue at least through the balance of 2009.

Excluding recent acquisitions (ENM and AMI), the company's revenue was greater than anticipated. We were expecting core revenue of $20.0 million with the ENM acquisition adding $3.0 million for total revenue of $23.0 million. By our calculations, actual core revenue was $23.9 million ($3.9 million higher than anticipated) and ENM added $3.5 million ($0.5 million higher than anticipated); when combined with AMI's contribution, total revenue was $27.6 million. We believe actual results were not an anomaly and could even improve with an economic recovery. The company has been successful in swiftly integrating past acquisitions and we believe the recent acquisitions will not be any different.

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 latest Leading Economic Index suggests that the recovery is unfolding and economic activity should continue improving in the near term. The Conference Board projects slow growth through the first half of 2010.

Factoring in the economic forecast, recent results, and recent acquisitions, we estimate 2009 revenue of $98.4 million and net income of $4.4 million or $0.71 per diluted share. We previously projected sales of $89.6 million and net income of $2.3 million or $0.37 per diluted share.

We project a decline in gross margins to 25.7%, an increase in SG&A expenses, and a 34% tax rate due to the effect of recent acquisitions. Although we project a decline in gross margins, this level is higher than our previous estimates (24.9%). We raised our gross margin projections to reflect Q3/09 results. Between higher revenue and gross margin estimates, our 2009 earnings estimates are up significantly. Third quarter gross margins were due to an optimal product mix. As the economy slowly improves, we believe automotive product sales will also improve. This should put some pressure on UFPT's gross margins as automotive trim products typically have lower gross margins.

In 2009, we estimate UFPT will generate cash earnings of $6.9 million with a $1.5 million decrease in inventories offset by a $0.9 million decrease in accounts payable and $1.0 million increase in other assets resulting in $7.9 million cash from operations. $1.6 million in capital expenditures and $2.4 million in acquisitions should result in $4.1 million cash used in investing activities. Financing activities should generate $1.9 million primarily from long-term borrowings of $4.0 million offset by $1.6 million principal repayments of capital lease obligations and $0.6 million principal repayments of long-term debt. We project an increase in cash of $5.7 million for a year end cash balance of $12.4 million.

Our estimates for 2010 are based on expectations that the company's sales will show moderate improvement from current levels as the economy begins to grow. We estimate 2010 revenue at $116.0 million and net income of $5.6 million or $0.87 per diluted share. We previously estimated sales of $100.8 million and net income of $3.5 million or $0.52 per diluted share. The increase in our estimates is based on the projected accretive effect of acquisitions. Recent acquisitions should add approximately $17 million to core sales of approximately $99 million (up 9% from approximately $91 million in 2009).

The added sales should expand gross margins to 26.0%. SG&A expenses should also 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%).

In 2010, we estimate UFPT will generate cash earnings of $9.0 million with a $2.5 million increase in receivables, a $1.3 million increase in inventories, and a $1.1 million increase in accrued expenses resulting in $7.0 million cash from operations. $2.0 million in capital expenditures and $1.0 million in acquisitions should result in $3.0 million cash used in investing activities. Financing activities should use $0.9 million primarily from $1.0 million principal repayments of long-term debt. We project an increase in cash of $3.0 million for a year end cash balance of $15.5 million.

Risks

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:

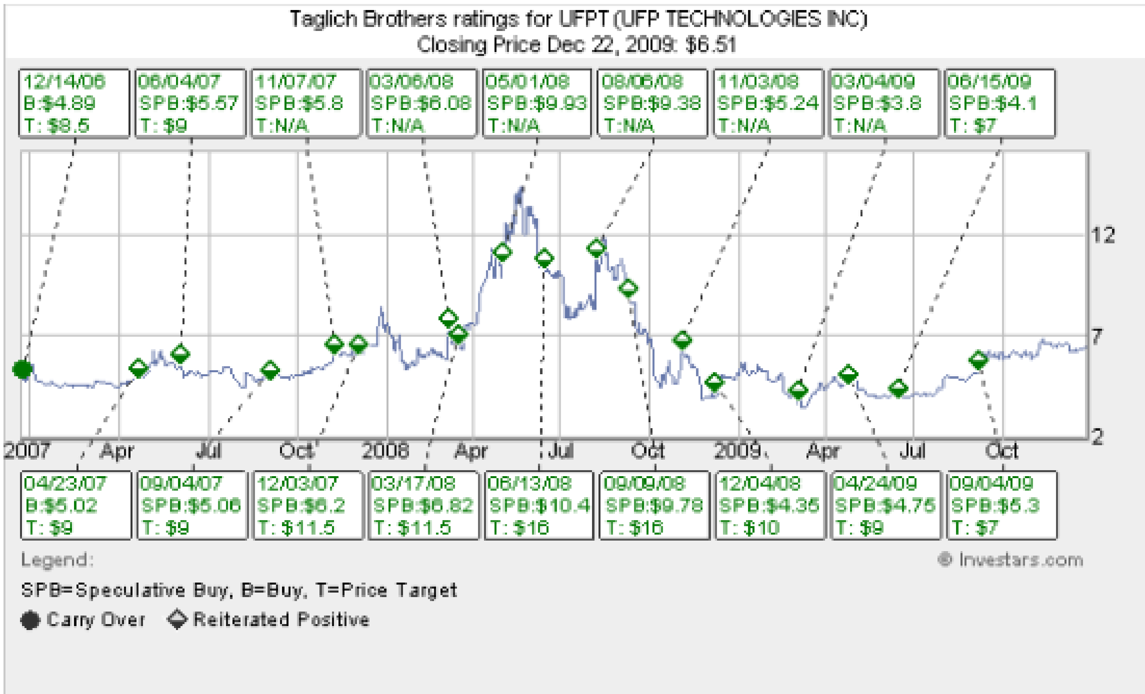
i. economic conditions that affect sales of the products of the company's packaging customers,
ii. actions taken by the company's competitors and the ability of the company to respond to such actions,
iii. the ability of the company to obtain new customers, and
iv. the ability of the company to execute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

Liquidity

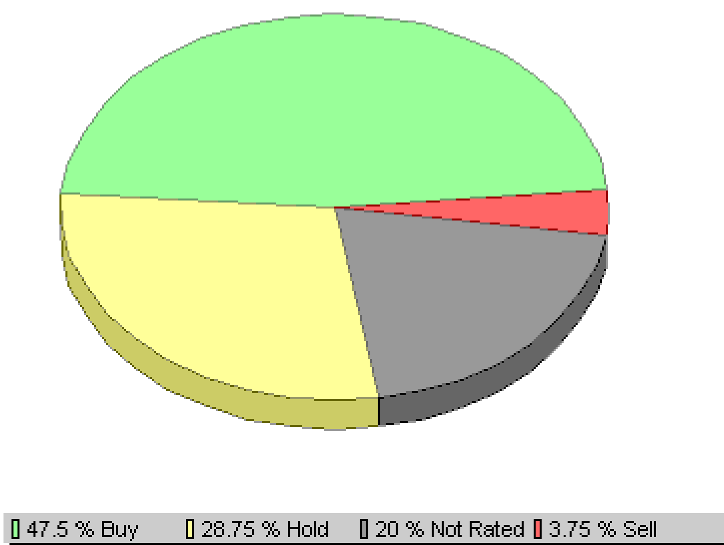
With only 5.9 million shares outstanding and 5.0 million in the float, liquidity issues must be considered. Average daily volume has been approximately 25,000 shares. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

Miscellaneous

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.



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	1	3.70%
Hold	0	0.00%
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.

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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)

	12/31/2007A	12/31/2008A	9/30/2009A	12/31/2009E	12/31/2010E
Assets					
Current assets:					
Cash and cash equivalents	$ 9,060	$ 6,729	$ 11,959	$ 12,428	$ 15,469
Receivables	11,796	12,755	13,851	14,000	16,506
Inventories	5,877	8,153	8,070	8,000	9,388
Prepaid expenses	821	516	731	731	862
Deferred income taxes	1,021	1,489	1,439	1,439	1,500
Total current assets	28,575	29,642	36,050	36,598	43,725
Net property, plant and equipment	9,492	11,754	12,388	12,388	12,500
Deferred income taxes	189	-	-	-	-
Goodwill	6,481	6,481	6,481	6,481	6,481
Other assets	816	846	1,874	1,874	1,874
Total Assets	**$ 45,553**	**$ 48,723**	**$ 56,793**	**$ 57,341**	**$ 64,580**
Liabilities & stockholders' equity					
Current liabilities:					
Current portion of long-term debt	$ 714	$ 717	$ 623	$ 600	$ 600
Current portion of capital lease obligations	705	703	-	-	-
Accounts payable	5,694	3,304	4,768	4,800	5,633
Accrued taxes and other expenses	6,510	6,230	6,131	6,000	7,074
Total current liabilities	13,623	10,954	11,522	11,400	13,307
Long-term debt	4,658	3,942	7,658	7,518	6,518
Capital lease obligations	1,613	910	-	-	-
Minority interest	584	523	-	-	-
Deferred income taxes	-	113	649	649	700
Other liabilities	832	914	1,101	1,101	1,200
Total liabilities	**21,310**	**17,356**	**20,930**	**20,668**	**21,725**
Total stockholders' equity	**24,243**	**31,367**	**35,863**	**36,673**	**42,855**
Total liabilities & stockholders' equity	**$ 45,553**	**$ 48,723**	**$ 56,793**	**$ 57,341**	**$ 64,580**

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	$ 98,387	$ 116,000
Cost of sales	74,512	70,785	81,469	73,146	85,840
Gross profit	19,237	22,810	28,563	25,241	30,160
Restructuring charge	-	-	1,315	-	-
SG&A	14,183	15,563	18,823	18,997	21,000
Operating income	5,054	7,247	8,425	6,244	9,160
Interest expense, other income and expenses	(1,046)	(504)	(314)	524	(240)
Income before taxes	4,008	6,743	8,111	6,768	8,920
Income tax	1,493	2,584	2,995	2,287	3,211
Tax rate	*37.25%*	*38.32%*	*36.93%*	*33.79%*	*36.00%*
Income attributable to noncontrol. interests			-	(57)	(60)
Net Income / (Loss)	$ 2,515	$ 4,159	$ 5,116	$ 4,424	$ 5,649
Basic EPS	$ 0.50	$ 0.78	$ 0.92	$ 0.76	$ 0.93
Diluted EPS	$ 0.45	$ 0.71	$ 0.82	$ 0.71	$ 0.87
Basic Shares Outstanding	5,023	5,307	5,550	5,828	6,075
Diluted Shares Outstanding	5,571	5,861	6,263	6,243	6,475
Margin Analysis					
Gross margin	20.52%	24.37%	25.96%	25.65%	26.00%
SG&A	15.13%	16.63%	17.11%	19.31%	18.10%
Operating margin	5.39%	7.74%	7.66%	6.35%	7.90%
Year / Year Growth					
Total Revenues	11.66%	(0.16)%	17.56%	(10.58)%	17.90%
Net Income	281.64%	65.37%	23.01%	(13.53)%	27.69%
EPS	260.40%	57.19%	15.11%	(13.25)%	23.11%

Quarterly Income Statements for the Years Ending 2009 and 2010
(in thousands)

	Q1(3/09)A	Q2(6/09)A	Q3(9/09)A	Q4(12/09)E	**FY(12/09)E**	Q1(3/10)E	Q2(6/10)E	Q3(9/10)E	Q4(12/10)E	**FY(12/10)E**
Net sales	**$ 21,608**	**$ 20,959**	**$ 27,620**	**$ 28,200**	**$ 98,387**	**$ 27,500**	**$ 29,500**	**$ 28,500**	**$ 30,500**	**$ 116,000**
Cost of sales	16,665	15,588	20,166	20,727	**73,146**	20,350	21,830	21,090	22,570	**85,840**
Gross profit	4,943	5,371	7,454	7,473	**25,241**	7,150	7,670	7,410	7,930	**30,160**
Restructuring charge	-	-	-	-	-	-	-	-	-	-
SG&A	4,310	4,416	5,071	5,200	**18,997**	5,250	5,250	5,250	5,250	**21,000**
Operating income	633	955	2,383	2,273	**6,244**	1,900	2,420	2,160	2,680	**9,160**
Interest expense, other income and expenses	(78)	(54)	716	(60)	**524**	(60)	(60)	(60)	(60)	**(240)**
Income before taxes	555	901	3,099	2,213	**6,768**	1,840	2,360	2,100	2,620	**8,920**
Income tax	194	319	977	797	**2,287**	662	850	756	943	**3,211**
Tax rate	*34.95%*	*35.41%*	*31.53%*	*36.01%*	***33.79%***	*35.98%*	*36.02%*	*36.00%*	*35.99%*	***36.00%***
Income attributable to noncontrol. interests	(16)	(16)	(10)	(15)	**(57)**	(15)	(15)	(15)	(15)	**(60)**
Net Income / (Loss)	**$ 345**	**$ 566**	**$ 2,112**	**$ 1,401**	**$ 4,424**	**$ 1,163**	**$ 1,495**	**$ 1,329**	**$ 1,662**	**$ 5,649**
Basic EPS	**$ 0.06**	**$ 0.10**	**$ 0.36**	**$ 0.24**	**$ 0.76**	**$ 0.19**	**$ 0.25**	**$ 0.22**	**$ 0.27**	**$ 0.93**
Diluted EPS	**$ 0.06**	**$ 0.09**	**$ 0.34**	**$ 0.22**	**$ 0.71**	**$ 0.18**	**$ 0.23**	**$ 0.20**	**$ 0.25**	**$ 0.87**
Basic Shares Outstanding	5,713	5,787	5,894	5,919	**5,828**	5,970	6,040	6,110	6,180	**6,075**
Diluted Shares Outstanding	6,153	6,191	6,301	6,326	**6,243**	6,370	6,440	6,510	6,580	**6,475**
Margin Analysis										
Gross margin	22.88%	25.63%	26.99%	26.50%	**25.65%**	26.00%	26.00%	26.00%	26.00%	**26.00%**
SG&A	19.95%	21.07%	18.36%	18.44%	**19.31%**	19.09%	17.80%	18.42%	17.21%	**18.10%**
Operating margin	2.93%	4.56%	8.63%	8.06%	**6.35%**	6.91%	8.20%	7.58%	8.79%	**7.90%**
Year / Year Growth										
Total Revenues	(22.85)%	(26.35)%	0.43%	8.19%	**(10.58)%**	27.27%	40.75%	3.19%	8.16%	**17.90%**
Net Income	(69.95)%	(64.04)%	69.37%	22.25%	**(13.53)%**	237.10%	164.13%	(37.07)%	18.63%	**27.69%**
EPS	(70.25)%	(62.89)%	69.74%	18.12%	**(13.25)%**	225.62%	153.92%	(39.09)%	14.05%	**23.11%**

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

	FY2007A	FY2008A	9mos2009A	FY2009E	FY2010E
Cash Flows from Operating Activities					
Net income	$ 4,159	$ 5,116	$ 3,024	$ 4,424	$ 5,649
Depreciation & amortization	2,815	2,977	2,045	2,045	2,045
Restructuring leasehold improvement write-off	-	170	-	-	-
Equity in net income of unconsolidated affiliate	(15)	(7)	-	-	-
Minority interest	72	44	43	43	43
Gain on acquisition	-	-	(840)	(840)	-
(Gain) loss on disposal of property, plant and equipment	(33)	(57)	(4)	(4)	-
Share-based compensation	692	1,306	702	936	936
Stock issued in lieu of compensation	256	344	183	244	244
Deferred income taxes	1,210	16	72	72	80
Changes in assets and liabilities					
Receivables	(167)	777	26	(175)	(2,506)
Inventories	53	(435)	1,440	1,510	(1,388)
Prepaid expenses	(55)	350	(182)	(215)	(131)
Accounts payable	1,074	(2,777)	887	919	833
Accrued expenses and other	760	(937)	(352)	(230)	1,074
Retirement and other liabilites	95	(119)	187	187	99
Other assets	(213)	(83)	(322)	(1,028)	-
Net Cash Provided by Operations	**10,703**	**6,685**	**6,909**	**7,888**	**6,978**
Cash Flows from Investing Activities					
Additions to property, plant and equipment	(2,101)	(2,763)	(1,235)	(1,647)	(2,000)
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	4	-
Acquisitions	-	(5,181)	(2,435)	(2,435)	(1,000)
Net Cash Used in Investing	**(2,068)**	**(7,851)**	**(3,666)**	**(4,078)**	**(3,000)**
Cash Flows from Financing Activities					
Borrowings (payments) of notes payable	-	-	-	-	-
Proceeds from long-term borrowings	786	-	4,000	4,000	-
Distribution to United Development Company partners	(105)	(105)	(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	126	168	168
Principal repayments of long-term debt	(1,095)	(714)	(421)	(561)	(1,000)
Principle repayments of capital lease obligations	(689)	(704)	(1,613)	(1,613)	-
Proceeds from refinancing capital leases	-	-	-	-	-
Cash settlement of restricted stock units	-	(206)	-	-	-
Net Cash Provided by (Used in) Financing	**(592)**	**(1,165)**	**1,987**	**1,889**	**(937)**
Net Change in Cash	**8,043**	**(2,331)**	**5,230**	**5,699**	**3,041**
Cash - Beginning of Period	**1,017**	**9,060**	**6,729**	**6,729**	**12,428**
Cash - End of Period	**$ 9,060**	**$ 6,729**	**$ 11,959**	**$ 12,428**	**$ 15,469**
Cash Flow from Operations	10,703	6,685	6,909	7,888	6,978
Capital Expenditures	(2,101)	(2,763)	(1,235)	(1,647)	(2,000)
Free Cash Flow	$ 8,602	$ 3,922	$ 5,674	$ 6,241	$ 4,978