AMERICAN WOODMARK CORP
Form 10-K
June 29, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2012
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission file number 000-14798

AMERICAN WOODMARK CORPORATION
(Exact name of registrant as specified in its charter)

VIRGINIA	54-1138147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3102 Shawnee Drive, Winchester, Virginia	22601
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (540) 665-9100
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (no par value)	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer [X]
Non-accelerated filer	[ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]

The aggregate market value of the registrant's Common Stock, no par value, held by non-affiliates of the registrant as of October 31, 2011, the last business day of the Company's most recent second quarter was $184,148,508.

As of June 18, 2012, 14,395,273 shares of the Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on August 23, 2012 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

PART I

Item 1. BUSINESS

American Woodmark Corporation ("American Woodmark" or the "Company") manufactures and distributes kitchen cabinets and vanities for the remodeling and new home construction markets. American Woodmark was incorporated in 1980 by the four principal managers of the Boise Cascade Cabinet Division through a leveraged buyout of that division. American Woodmark was operated privately until 1986 when it became a public company through a registered public offering of its common stock.

American Woodmark currently offers framed stock cabinets in approximately 550 different cabinet lines, ranging in price from relatively inexpensive to medium-priced styles. Styles vary by design and color from natural wood finishes to low-pressure laminate surfaces. The product offering of stock cabinets includes 86 door designs in 18 colors. Stock cabinets consist of a common box with standard interior components and a maple, oak, cherry, or hickory front frame, door and/or drawer front.

Products are primarily sold under the brand names of American Woodmark®, Timberlake®, Shenandoah Cabinetry®, Potomac®, and Waypoint Living Spaces ®.

American Woodmark's products are sold on a national basis across the United States to the remodeling and new home construction markets. The Company services these markets through three primary channels: home centers, builders, and independent dealers and distributors. The Company provides complete turnkey installation services to its direct builder customers via its network of nine service centers that are strategically located throughout the United States. The Company distributes its products to each market channel directly from four assembly plants through a third party logistics network.

The primary raw materials used include hard maple, oak, cherry, soft maple, and hickory lumber and plywood. Additional raw materials include paint, particleboard, manufactured components, and hardware. The Company currently purchases paint from one supplier; however, other sources are available. Other raw materials are purchased from more than one source and are readily available.

American Woodmark operates in a highly fragmented industry that is composed of several thousand local, regional, and national manufacturers. The Company's principal means for competition is its breadth and variety of product offering, expanded service capabilities, geographic reach and affordable quality. The Company believes it is one of the three largest manufacturers of kitchen cabinets in the United States.

The Company's business has historically been subject to seasonal influences, with higher sales typically realized in the second and fourth fiscal quarters. General economic forces and changes in the Company's customer mix have reduced seasonal fluctuations in revenue over the past few years. The Company does not consider its level of order backlog to be material.

In recognition of the cyclicality of the housing industry, the Company's policy is to operate with a minimal amount of financial leverage. The Company regularly maintains a debt to capital ratio of well below 20%, and working capital exclusive of cash of less than 6% of net sales. At April 30, 2012, debt to capital was 15.5%, and working capital net of cash was 1.0% of net sales.

During the last fiscal year, American Woodmark had two primary customers, The Home Depot and Lowe's Companies, Inc., which together accounted for approximately 68% of the Company's sales in its fiscal year ended April 30, 2012 (fiscal 2012). The loss of either customer would have a material adverse effect on the Company.

As of May 31, 2012, the Company had 3,791 employees. Less than 1% of the Company's employees are represented by labor unions. The Company believes that its employee relations are good.

American Woodmark's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to those reports are available free of charge on the Company's web site at www.americanwoodmark.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The contents of the Company's web site are not, however, part of this report.

Item 1A. RISK FACTORS

There are a number of business risks and uncertainties that may affect the Company’s business, results of operations and financial condition. These risks and uncertainties could cause future results to differ from past performance or expected results, including results described in statements elsewhere in this report that constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Additional risks and uncertainties not presently known to the Company or currently believed to be immaterial also may adversely impact the business. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on the Company’s business, financial condition, and results of operations. These risks and uncertainties, which the Company considers to be most relevant to specific business activities, include, but are not limited to, the following, as well as additional risk factors included in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk." Additional risks and uncertainties that may affect the Company’s business, results of operations and financial condition are discussed elsewhere in this report, including in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Forward-Looking Statements,” “Market Risks,” and “Outlook for Fiscal 2013.”

The Company’s business is dependent upon remodeling activity and residential construction. The Company’s results of operations are affected by levels of home improvement and residential construction activity, including repair and remodeling and new construction. Job creation levels, interest rates, availability of credit, energy costs, consumer confidence, national and regional economic conditions, and weather conditions and natural disasters can significantly impact levels of home improvement and residential construction activity.

Prolonged economic downturns may adversely impact the Company’s sales, earnings and liquidity. Through fiscal year 2012, the Company’s sales levels have fallen 38% from their peak levels in 2006. The Company’s industry historically has been cyclical in nature and has fluctuated with economic cycles, including the current housing downturn. During economic downturns, the Company’s industry could experience longer periods of recession and greater declines than the general economy. The Company believes that its industry is significantly influenced by economic conditions generally and particularly by housing activity, consumer confidence, the level of personal discretionary spending, demographics and credit availability. These factors not only may affect the ultimate consumer of the Company’s products, but also may impact home centers, builders and the Company’s other primary customers. As a result, a continuation or worsening of current conditions could adversely affect the Company’s sales and earnings as well as its cash flow and liquidity.

The Company’s future financial performance depends in part on the success of its new product development and other growth strategies. The Company has increased its emphasis on new product development in recent years and continues to focus solely on organic growth. Consequently, the Company’s financial performance will, in part, reflect its success in implementing its growth strategies in its existing markets and in introducing new products.

The loss of, or a reduction in business from, either of the Company’s key customers would have a material adverse effect upon its business. The size and importance to the Company of its two largest customers is significant. These customers could make significant changes in their volume of purchases and could otherwise significantly affect the terms and conditions on which the Company does business. Sales to The Home Depot and Lowe’s Companies, Inc. were approximately 68% of total company sales for fiscal 2012. Although builders, dealers, and other retailers represent other channels of distribution for the Company's products, an unplanned loss of a substantial portion of sales to The Home Depot or Lowe’s Companies, Inc. would have a material adverse impact on the Company.

Manufacturing realignments and cost savings programs similar to the Company's 2012 Restructuring Plan could result in a decrease in the Company's near-term earnings and liquidity. The Company continually reviews its manufacturing operations. These reviews could result in manufacturing realignments and cost savings programs, such as the consolidation and integration of facilities, functions, systems, or procedures, which in turn could result in a charge that would decrease near-term earnings and liquidity until the expected cost reductions are achieved. Any such realignments would likely result in significant costs including, among others, severance, impairment, exit, and disposal costs and capital expenditures.

Impairment charges could reduce the Company's profitability. The Company has significant long-lived assets, including deferred tax assets, recorded on its balance sheets. If operating results decline or if the Company decides to restructure results as it did with the 2012 Restructuring Plan, the Company could incur impairment charges, which could have a material impact on its financial results. The Company evaluates the recoverability of the carrying amount of its long-lived assets on an ongoing basis. The outcome of future reviews could result in substantial impairment charges. Impairment assessments inherently involve judgments as to assumptions about market conditions and the Company's ability to generate future cash flows and profitability, given those assumptions. Future events and changing market conditions may impact the Company's assumptions as to prices, costs or other factors that may result in changes in the Company's estimates. Although the Company believes the assumptions used in testing for impairment are reasonable, significant changes in these assumptions could produce a significantly different result.

The Company's operating results are affected by the cost and availability of raw materials. Because the Company is dependent on outside suppliers for raw material needs, it must obtain sufficient quantities of quality raw materials from its suppliers at acceptable prices and in a timely manner. The Company has no long-term supply contracts with its key suppliers. A substantial decrease in the availability of products from the Company's suppliers, the loss of key supplier arrangements, or a substantial increase in the cost of its raw materials could adversely impact the Company's results of operations.

The Company may not be able to maintain or raise the prices of its products in response to inflation and increasing costs. Short-term market and competitive pressures may prohibit the Company from raising prices to offset inflationary raw material and freight costs, which would adversely impact profit margins.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

American Woodmark leases its Corporate Office located in Winchester, Virginia. In addition, the Company leases 1 manufacturing facility in Hardy County, West Virginia and owns 8 manufacturing facilities located primarily in the eastern United States. The Company also leases 9 primary service centers, 2 satellite service centers, and 3 additional office centers located throughout the United States that support the sale and distribution of products to each market channel. The Company considers its properties suitable for the business and adequate for its needs.

Primary properties as of April 30, 2012 include:

LOCATION	DESCRIPTION
Allegany County, MD	Manufacturing Facility
Berryville, VA	Service Center*
Coppell, TX	Service Center*
Gas City, IN	Manufacturing Facility
Hardy County, WV	Manufacturing Facility*
Houston, TX	Satellite Service Center*
Humboldt, TN	Manufacturing Facility
Huntersville, NC	Service Center*
Jackson, GA	Manufacturing Facility
Kingman, AZ	Manufacturing Facility
Kennesaw, GA	Service Center*
Montgomeryville, PA	Service Center*
Monticello, KY	Manufacturing Facility
Orange, VA	Manufacturing Facility
Orlando, FL	Service Center*
Raleigh, NC	Satellite Service Center*
Phoenix, AZ	Service Center*
Rancho Cordova, CA	Service Center*
Tampa, FL	Service Center*
Toccoa, GA	Manufacturing Facility
Winchester, VA	Corporate Office*
Winchester, VA	Office (Customer Service)*
Winchester, VA	Office (MIS)*
Winchester, VA	Office (Product Dev./Logistics)*

*Leased facility.

In addition, American Woodmark owns three manufacturing facilities that are permanently closed.

Item 3. LEGAL PROCEEDINGS

The Company is involved in suits and claims in the normal course of business, including without limitation product liability and general liability claims and claims pending before the Equal Employment Opportunity Commission. On at least a quarterly basis, the Company consults with its legal counsel to ascertain the reasonable likelihood that such claims may result in a loss. As required by ASC Topic 450, “Contingencies” (ASC 450), the Company categorizes the various suits and claims into three categories according to their likelihood for resulting in potential loss: those that are probable, those that are reasonably possible and those that are deemed to be remote. The Company accounts for these loss contingencies in accordance with ASC 450. Where losses are deemed to be probable and estimable, accruals are made. Where losses are deemed to be reasonably possible or remote, a range of loss estimates is determined and considered for disclosure. Where no loss estimate range can be made, the Company and its counsel perform a worst-case estimate. In determining these loss range estimates, the Company considers known values of similar claims and consultation with independent counsel.

The Company believes that the aggregate range of estimated loss stemming from the various suits and asserted and unasserted claims which were deemed to be either probable or reasonably possible was not material as of April 30, 2012.

Also see the information under “Legal Matters” under “Note K – Commitments and Contingencies” to the Consolidated Financial Statements included in this report under Item 8, “Financial Statements and Supplementary Data.”

Item 4. MINE SAFETY DISCLOSURES

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the Company are elected by the Board of Directors and generally hold office until the next annual election of officers. There are no family relationships between any executive officer and any other officer or director of the Company or any arrangement or understanding between any executive officer and any other person pursuant to which such officer was elected. The executive officers of the Company as of April 30, 2012 are as follows:

Name	Age	Position(s) Held During Past Five Years
Kent B. Guichard	56	Company Chairman, President and Chief Executive Officer from August 2009 to present; Company President and Chief Executive Officer from August 2007 to August 2009; Company President and Chief Operating Officer from August 2006 to August 2007; Company Executive Vice President and Chief Operating Officer from August 2005 to August 2006; Company Director from November 1997 to present.
Jonathan H. Wolk	50	Company Senior Vice President and Chief Financial Officer from September 2010 to present; Company Vice President and Chief

		Financial Officer from December 2004 to September 2010; Company Corporate Secretary from May 2005 to present.
S. Cary Dunston	47	Company Senior Vice President, Manufacturing and Supply Chain Services from October 2006 to present; Vice President, Global Operations of Diamond Innovations (a private supplier of industrial diamonds) from March 2005 to September 2006.
Bradley S. Boyer	54	Company Senior Vice President, Sales and Marketing Remodel from September 2010 to present; Company Vice President, Remodeling Sales and Marketing from July 2008 to September 2010; Company Vice President, Home Center Sales and Marketing from January 2005 to July 2008.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

American Woodmark Corporation common stock is quoted on The NASDAQ Global Select Market under the "AMWD" symbol. Common stock per share market prices and cash dividends declared during the last two fiscal years were as follows:

(in dollars)	MARKET PRICE High	Low	DIVIDENDS DECLARED
FISCAL 2012			
First quarter	$22.51	$15.73	$ 0.09
Second quarter	19.87	11.53	0.00
Third quarter	17.99	10.88	0.00
Fourth quarter	19.52	13.19	0.00
FISCAL 2011			
First quarter	$25.41	$15.51	$ 0.09
Second quarter	20.56	15.00	0.09
Third quarter	25.16	17.09	0.09
Fourth quarter	21.99	18.12	0.09

As of May 18, 2012, there were approximately 5,100 shareholders of record of the Company's common stock. Included are approximately 64% of the Company's employees, who are shareholders through the American Woodmark Stock Ownership Plan. The Company paid dividends on its common stock during each fiscal quarter of 2011 and the first quarter of 2012 presented above. The Company suspended the dividend during fiscal 2012. The determination as to the payment and the amount of any future dividends will be made by the Board of Directors from time to time and will depend on the Company's then-current financial condition, capital requirements, results of operations and any other factors then deemed relevant by the Board of Directors.

On August 24, 2007, the Company announced that the Company's Board of Directors approved the repurchase of up to $100 million of the Company's common stock. This authorization has no expiration date. In the fourth quarter of 2012, the Company did not repurchase any shares under this authorization. At April 30, 2012, $93.3 million remained authorized by the Company's Board of Directors to repurchase shares of the Company's common stock.

Item 6. SELECTED FINANCIAL DATA

	FISCAL YEARS ENDED APRIL 30				
(in millions, except per share data)	2012 1, 2	2011 2	2010 2	2009 2	2008
FINANCIAL STATEMENT DATA					
Net sales	$515.8	$452.6	$406.5	$545.9	$602.4
Income (loss) before income taxes	(33.3)	(30.0)	(37.1)	(6.2)	5.7
Net income (loss)	(20.8)	(20.0)	(22.3)	(3.2)	4.3
Earnings (loss) per share:					
Basic	(1.45)	(1.40)	(1.58)	(0.23)	0.30
Diluted	(1.45)	(1.40)	(1.58)	(0.23)	0.29
Depreciation and amortization expense	23.4	26.7	30.9	35.1	35.2
Total assets	265.1	268.4	282.4	303.7	314.8
Long-term debt, less current maturities	23.8	24.7	25.6	26.5	26.0
Total shareholders' equity	130.0	154.0	175.3	203.7	214.6
Cash dividends declared per share	0.09	0.36	0.36	0.36	0.33
Average shares outstanding					
Basic	14.3	14.3	14.1	14.1	14.5
Diluted	14.3	14.3	14.1	14.1	14.5
PERCENT OF SALES					
Gross profit	12.9%	11.7%	12.0%	16.4%	17.1%
Selling, general and administrative expenses	16.2	18.5	20.5	15.9	16.4
Income (loss) before income taxes	(6.4)	(6.6)	(9.1)	(1.1)	0.9
Net income (loss)	(4.0)	(4.4)	(5.5)	(0.6)	0.7
RATIO ANALYSIS					
Current ratio	2.2	2.4	2.5	2.6	2.6
Inventory turnover3	19.2	16.1	12.3	11.5	9.7
Collection period – days4	30.0	30.1	32.9	33.5	31.9
Percentage of capital (long-term debt plus equity):					
Long-term debt, less current maturities	15.5%	13.8%	12.7%	11.5%	10.8%
Equity	84.5	86.2	87.3	88.5	89.2
Return on equity (average %)	(14.6)	(12.2)	(11.8)	(1.5)	1.9

1 The Company announced plans to realign its manufacturing network during fiscal 2012. The impact of these initiatives in fiscal 2012 increased operating loss, net loss and loss per share by $15,917,000, $9,710,000 and $0.68, respectively.

2 The Company performed a reduction-in-force of salaried personnel and announced plans to realign its manufacturing network during fiscal 2009. The impact of these initiatives in fiscal 2009 reduced operating income (loss), net income (loss) and earnings (loss) per share by $9,743,000, $6,050,000 and $0.43, respectively. During fiscal 2010, these same initiatives increased operating loss, net loss and loss per share by $2,808,000, $1,722,000 and $0.12, respectively. During fiscal 2011, these same initiatives increased operating loss, net loss and loss per share by $62,000, $39,000 and $0.00, respectively. During fiscal 2012, these same initiatives increased operating loss, net loss and loss per share by $404,000, $246,000 and $0.01, respectively.

3 Based on the average of beginning and ending inventory.

4 Based on the ratio of average monthly customer receivables to average sales per day.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth certain income and expense items as a percentage of net sales:

	PERCENTAGE OF NET SALES Fiscal Years Ended April 30		
	2012	2011	2010
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales and distribution	87.1	88.3	88.0
Gross profit	12.9	11.7	12.0
Selling and marketing expenses	11.3	13.5	14.0
General and administrative expenses	4.9	5.0	6.5
Restructuring charges	3.2	0.0	0.7
Operating loss	(6.5)	(6.8)	(9.2)
Interest expense/other (income) expense	(0.1)	(0.2)	(0.1)
Loss before income taxes	(6.4)	(6.6)	(9.1)
Income tax benefit	(2.4)	(2.2)	(3.6)
Net loss	(4.0)	(4.4)	(5.5)

The following discussion should be read in conjunction with the Five-Year Selected Financial Information and the Consolidated Financial Statements and the related notes contained elsewhere herein.

Forward-Looking Statements

This report contains statements concerning the Company’s expectations, plans, objectives, future financial performance and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify these forward-looking statements by words such as “anticipate,” “estimate,” “forecast,” “expect,” “believe,” “should,” “could,” “would,” “plan,” “ma similar words. Forward-looking statements contained in this annual report, including Management’s Discussion and Analysis, are based on current expectations and our actual results may differ materially from those projected in any forward-looking statements. In addition, the Company participates in an industry that is subject to rapidly changing conditions and there are numerous factors that could cause the Company to experience a decline in sales and/or earnings or deterioration in financial condition. These include but are not limited to: (1) general economic or business conditions and instability in the financial and credit markets, including their potential impact on our (i) sales and operating costs and access to financing; and (ii) customers and suppliers and their ability to obtain financing or generate the cash necessary to conduct their respective businesses; (2) the cyclical nature of the Company’s industry, which is particularly sensitive to changes in consumer confidence, the amount of consumers’ income available for discretionary purchases, and the availability and terms of consumer credit; (3) economic weakness in a specific channel of distribution; (4) the loss of sales from specific customers due to their loss of market share, bankruptcy or switching to a competitor; (5) risks associated with domestic manufacturing operations, including fluctuations in capacity utilization and the prices and availability of key raw materials as well as fuel, transportation, warehousing and labor costs and environmental compliance and remediation costs; (6) the need to respond to price or product initiatives launched by a competitor; (7) the Company’s ability to successfully implement initiatives related to increasing market share, new products, maintaining and increasing its sales force and new product displays; and (8) sales growth at a rate that outpaces the Company’s ability to install new capacity or a sales decline that requires reduction or realignment of the Company’s manufacturing capacity. Additional information concerning the factors that could cause actual results to differ materially from those in forward-looking statements is contained in this report, including elsewhere in “Management’s Discussion and Analysis” and also in the Company’s most recent annual report on Form 10-K for the fiscal year ended April 30, 2012, filed with the U.S. Securities and Exchange Commission (SEC), including Item 1A, “Risk Factors,” and Item 7A, “Quantitative and Qualitative Disclosures about Market Risk.” While the Company believes that these risks are manageable and will not adversely impact the long-term performance of the Company, these risks could, under certain circumstances, have a material adverse impact on its operating results and financial condition.

Any forward-looking statement that the Company makes speaks only as of the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statements or cautionary factors, as a result of new information, future events or otherwise, except as required by law.

Overview

American Woodmark Corporation manufactures and distributes kitchen cabinets and vanities for the remodeling and new home construction markets. Its products are sold on a national basis directly to home centers, major builders and home manufacturers and through a network of independent dealers and distributors. At April 30, 2012, the Company operated 9 manufacturing facilities and 9 service centers across the country.

During the Company's fiscal year that ended on April 30, 2012 (fiscal 2012), the Company experienced a continuation of difficult housing market conditions that have prevailed since the housing market peaked in 2006, although the outlook has begun to trend more positively.

Positive factors included:

- Creation of approximately 2.0 million private sector jobs in the U.S. during the Company's fiscal 2012 (according to the U.S. Department of Labor);

- Creation of over 1.1 million new U.S. households during calendar 2011, compared with less than 0.8 million new households during the two preceding years combined (according to the U.S. Census Bureau);

- An 8.8% improvement in Gross Private Residential Fixed Investment reported by the U.S. Department of Commerce during the first quarter of calendar 2012, compared with the same quarter one year ago; and

- Increases in total housing starts and single family housing starts during the Company's fiscal 2012 of 17% and 4%, respectively, as compared to the Company's fiscal 2011, according to the U.S. Department of Commerce.

Negative factors included:

- The median price of existing homes sold in the U.S. declined for the 6th consecutive year during the Company's fiscal 2012, according to data provided by the National Association of Realtors;

- Consumer confidence, as reported by the University of Michigan, averaged a lower level during the Company's fiscal 2012 than in fiscal 2011; and

- Cabinet sales, as reported by members of the Kitchen Cabinet Manufacturers Association (KCMA), increased by less than 1% during fiscal 2012, inclusive of increased new construction sales and therefore indicative of lower remodeling sales.

Faced with these challenging market conditions, the Company's largest remodeling customers and competitors continued to utilize an elevated level of sales promotions in the Company's product category during fiscal 2012 to boost sales. These promotions consisted of free products and cash discounts to consumers based upon the amount and/or type of cabinets they purchased. The Company also continued to participate in these promotional activities in order to remain competitive with competitors' promotional offerings which have generally been richer than those offered by the Company. Price-conscious consumers generally responded to these promotional offerings, helping the Company to gain market share and realize increased sales volumes in fiscal 2012. The Company's remodeling sales increased at a mid-single digit pace during fiscal 2012 in a remodeling market that appears to have declined from the prior year.

Despite market conditions that continue to be well below normal levels, the Company increased its net sales by 14% during fiscal 2012. The Company realized strong sales gains in its new construction channel during fiscal 2012, where sales increased by more than 25%, significantly outpacing the improvement in single family housing starts. Management believes this result, combined with the Company's increased remodeling sales, indicates the Company realized market share gains in both of its sales channels during fiscal 2012.

During the third quarter of fiscal 2012, the Company announced several initiatives designed to reduce its manufacturing capacity and its cost base, including the permanent closure of two manufacturing plants, the decision to place a previously closed manufacturing facility for sale, and the realignment of its retirement program, including the freezing of its pension plans. Restructuring charges related to these actions have been reflected in the Company's results.

Gross margin for fiscal 2012 was 12.9%, up from 11.7% in fiscal 2011. The increase in the Company's gross margin rate was driven by the beneficial impact of increased sales volume upon direct labor and manufacturing overhead costs, which more than offset the impact of rising materials, freight and sales promotional costs.

Although the present housing market downturn has continued at historic low levels of market activity, the Company believes that the long-term fundamentals for the American housing industry continue to remain positive, based upon continued population growth, job creation and household formation. Based upon this belief, the Company has continued to invest in improving its operations and its capabilities to service its customers. The Company remains focused on growing its market share and has continued to invest in developing and launching new products and expanding its marketing reach to new customers.

The Company regularly assesses its long-lived assets to determine if any impairment has occurred and regularly evaluates its deferred tax assets to determine whether a valuation allowance is necessary. Although the Company generated an operating loss in fiscal 2012 in what may have been the bottom of the housing market, the Company expects that a combination of continued market share gains and lower costs resulting from its recent restructuring actions will enable it to return to profitability commencing with fiscal 2013. As a result of its restructuring initiatives, the Company recorded total pre-tax restructuring costs of $16.3 million during fiscal 2012, including a pre-tax impairment charge of $7.9 million related to three of its manufacturing facilities that have been included in restructuring initiatives. The Company has concluded that none of the long-lived assets pertaining to its other 9 remaining manufacturing plants or any of its other long-lived assets were impaired and that no valuation allowance on its deferred tax assets was necessary as of April 30, 2012.

Restructuring charges recorded in connection with the Company's cost reduction initiatives aggregated $10.0 million net of tax in fiscal 2012, $0.0 million net of tax in fiscal 2011 and $1.7 million net of tax in fiscal 2010. Exclusive of these charges, the Company generated a net loss of $(10.8) million in fiscal 2012, $(20.0) million in fiscal 2011 and $(20.6) million in fiscal 2010.

Results of Operations

(in thousands)	FISCAL YEARS ENDED APRIL 30 2012	2011	2010	2012 vs. 2011 PERCENT CHANGE	2011 vs. 2010 PERCENT CHANGE
Net sales	$515,814	$452,589	$406,540	14 %	11 %
Gross profit	66,475	52,751	48,921	26	8
Selling and marketing expenses	58,271	61,034	56,935	(5)	7
General and administrative expenses	25,329	22,709	26,434	12	(14)
Interest expense	527	572	637	(8)	(10)

Net Sales

Net sales were $515.8 million in fiscal 2012, an increase of $63.2 million, or 14%, compared with fiscal 2011. Overall unit volume for fiscal 2012 was 9% higher than in fiscal 2011, driven primarily by the Company's increased market share. Average revenue per unit increased 5% in fiscal 2012, driven by improvements in the Company's product mix.

Net sales for fiscal 2011 increased 11% to $452.6 million from $406.5 million in fiscal 2010. Overall unit volume for fiscal 2011 was 8% higher than in fiscal 2010, driven primarily by the Company's increased market share. Average revenue per unit increased 3% during fiscal 2011, driven primarily by shifts in product mix.

Gross Profit

Gross profit as a percentage of sales increased to 12.9% in fiscal 2012 as compared with 11.7% in fiscal 2011. The impact of increased sales volume in fiscal 2012 created improved labor efficiencies and more favorable absorption of manufacturing overhead costs, which were partially offset by increased sales promotion costs, material costs and diesel fuel. Specific changes and additional information included:

- Labor and overhead costs improved by 3.7% as a percentage of net sales compared with the prior fiscal year, as increased sales volume caused increased productivity of direct labor and absorption of fixed overhead costs;

- Materials and freight costs increased as a percentage of net sales by 1.8% during fiscal 2012 as compared with fiscal 2011, driven primarily by inflationary pressures in finishing materials, lumber, cartons, imported components, and diesel fuel; and

- Sales promotion costs increased by 0.7% of net sales during fiscal 2012, as the Company chose to remain competitive with competitors' promotional offerings to drive sales growth in a challenging market. Sales promotions generally involved the use of free products or cash reimbursements back to the Company's large retail customers and were deducted from gross margin as opposed to being classified as operating expenses.

During fiscal 2011, the Company's gross profit declined as a percentage of net sales from 12.0% in fiscal 2010 to 11.7% in fiscal 2011. The impact of increased sales volume in fiscal 2011 created improved labor efficiencies and more favorable absorption of manufacturing overhead costs, which were more than offset by increased sales promotion costs, material costs and diesel fuel. Specific changes and additional information included:

- Sales promotion costs increased by 2.2% of net sales during fiscal 2011 due to extremely challenging market conditions and a highly competitive remodeling market;

- Materials and freight costs increased as a percentage of net sales by 1.1% during fiscal 2011 as compared with fiscal 2010, driven primarily by increases in paint, cartons, particleboard, imported components, and diesel fuel; and
- Labor and overhead costs improved by 3.0% as a percentage of net sales during fiscal 2011 compared with the prior fiscal year, as increased sales volume caused increased productivity of direct labor and absorption of fixed overhead costs.

Selling and Marketing Expenses

Selling and marketing expenses in fiscal 2012 were 11.3% of net sales, compared with 13.5% of net sales in fiscal 2011. Selling and marketing costs decreased by 5% in relation to a 14% increase in net sales for fiscal 2012 as compared to fiscal 2011. Although the breadth of the Company's fiscal 2012 product launches was similar in scope to those of the prior fiscal year, efficiencies from lower marketing collateral and branding costs, as well as reductions in product display costs more than offset the increases in employee compensation and travel costs incurred by the Company in fiscal 2012.

Selling and marketing expenses were 13.5% of net sales in fiscal 2011 compared with 14.0% in fiscal 2010. The decreased cost as a percent of sales in fiscal 2011 was a result of increased sales levels, which generated favorable cost leverage.

General & Administrative Expenses

General and administrative expenses for fiscal 2012 increased by $2.6 million, or 12%, compared with fiscal 2011 and represented 4.9% of net sales, compared with 5.0% of net sales for fiscal 2011. The majority of the cost increase was related to increased pay-for-performance compensation.

General and administrative expenses in fiscal 2011 declined by $3.7 million or 14%, compared with fiscal 2010 and represented 5.0% of net sales, as compared with 6.5% of net sales for fiscal 2010. The majority of the decline was related to a reduction in incentive compensation and reduced bad debt and related costs pertaining to insolvent customers. As of both April 30, 2012 and 2011, the Company had receivables from customers with a higher perceived level of risk aggregating less than $0.1 million.

Effective Income Tax Rates

The Company generated a pre-tax loss of $33.3 million during fiscal 2012, including $16.3 million of restructuring charges. The Company's effective tax rate increased from 33.2% in fiscal 2011 to 37.6% in fiscal 2012, driven primarily by the impact of a tax basis adjustment, changes driven by restructuring charges, and the absence of favorability that occurred in fiscal 2011 relating to a loss carryback.

Outlook for Fiscal 2013

The Company follows several indices, including but not limited to housing starts, existing home sales, mortgage interest rates, new jobs growth, GDP growth and consumer confidence that it believes are leading indicators of overall demand for kitchen and bath cabinetry. The Company believes that while these indicators collectively suggest the long-term economic outlook for housing is positive, the near-term outlook for housing remains subdued.

The Company expects that the U.S. economy will continue to grow, that job creation will continue, and that the prices for existing homes will finally bottom during fiscal 2013. For fiscal 2013, the Company expects that the median price of existing homes sold will be flat with that of fiscal 2012, and that industry-wide cabinet remodeling sales will be roughly flat in fiscal 2013 after several years of declines. The Company expects that its remodeling market share will be stable in fiscal 2013 and that its remodeling unit sales will therefore approximate those of fiscal 2012.

The Company expects that single-family housing starts will continue to grow at a mid-single digit rate during fiscal 2013. The Company grew its new construction market share significantly during fiscal 2012 and expects that it will be able to grow its new construction sales at a high single digit rate in fiscal 2013 in a market that seems poised to grow at a slightly lesser rate.

Inclusive of the potential for modest sales mix and pricing improvements, the Company expects that it will grow its sales at a mid single digit rate in fiscal 2013. The Company's operating loss exclusive of restructuring charges was $17.0 million in fiscal 2012. The Company expects that the savings realized from its fiscal 2012 restructuring will approximate this amount, creating the ability to break-even absent any sales growth. Because of the sales growth that is expected to occur, the Company expects to return to profitability during fiscal 2013, inclusive of expected adverse impacts from a continuing rise in material costs.

The Company plans to increase its capital expenditures from $9.9 million in fiscal 2012 to approximately $14 million in fiscal 2013, driven by increasing the number of sales display units deployed with customers and investing in machinery and equipment to enable production volume to increase.

The Company expects that its operating cash flow may decline, driven by the elimination of income tax refunds, increased pension plan funding requirements and increased working capital usage as the Company's sales grow.

Additional risks and uncertainties that could affect the Company's results of operations and financial condition are discussed elsewhere in this report, including under "Forward-Looking Statements," elsewhere in "Management's Discussion and Analysis" and also in the Company's annual report on Form 10-K for the fiscal year ended April 30, 2012 filed with the SEC, under Item 1A, "Risk Factors" and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk."

Liquidity and Capital Resources

The Company's cash, cash equivalents and restricted cash totaled $73.7 million at April 30, 2012, which represented an increase of $3.9 million from April 30, 2011. Total debt was $24.7 million at April 30, 2012, $0.9 million lower than in the prior fiscal year and long-term debt, excluding current maturities, to capital was 15.5% at April 30, 2012, up from 13.8% at April 30, 2011.

The Company's main source of liquidity is its cash and cash equivalents on hand and cash generated from its operating activities.

The Company maintains a $35 million secured revolving credit facility with Wells Fargo Bank, N. A. (Wells Fargo). Pursuant to the terms of the Wells Fargo credit facility, at April 30, 2012, $7.1 million of the Company's cash served as security for borrowings under this facility and was classified as restricted cash.

OPERATING ACTIVITIES

Primarily because of its non-cash operating expenses that are included in net income, the Company's cash provided by operating activities has historically been considerably higher than the Company's net income. During the three-year period ended April 30, 2012, the Company generated a total of $30.5 million in cash from operating activities, as compared with a cumulative net loss during this period of $63.1 million. Of the $93.7 million difference between these two amounts, $92.8 million related to non-cash depreciation and amortization and stock-based compensation expense.

Cash provided by operating activities in fiscal 2012 was $16.1 million, compared with $13.2 million in fiscal 2011. The $2.9 million improvement was primarily attributable to the reduction in the Company’s operating loss exclusive of restructuring charges of $13.9 million. This improvement was offset in part by reductions in proceeds from income tax refunds of $7.1 million, from increasing funding to its pension plans of $2.9 million, and from funding restructuring costs of $1.2 million.

Cash provided by operating activities in fiscal 2011 was $13.2 million, compared with $1.3 million in fiscal 2010. The $11.9 million increase in cash provided by operating activities was primarily attributable to the $2.3 million decrease in net loss, proceeds of $8.8 million collected from income tax refunds and the absence of payments made in relation to the Company's cost reduction initiatives in the prior fiscal year of approximately $9 million. A $9.8 million increase in the Company's net working capital investment in inventory and customer receivables partially offset these improvements.

INVESTING ACTIVITIES

The Company's investing activities primarily consist of capital expenditures and investments in promotional displays. Net cash used by investing activities in fiscal 2012 was $9.9 million, compared with $5.5 million in fiscal 2011 and $11.5 million in fiscal 2010. Investments in property, plant and equipment for fiscal 2012 were $6.7 million, compared with $5.0 million in fiscal 2011 and $2.9 million in fiscal 2010. Investments in promotional displays were $3.3 million in fiscal 2012, compared with $3.5 million in fiscal 2011 and $8.7 million in fiscal 2010.

During fiscal 2012, the Company's increased investment in capital expenditures was driven by machinery purchases that helped enable the recent plant closures to occur. The remainder of the increase in net cash invested during fiscal 2012 was due to the absence of $2.9 million of proceeds received during fiscal 2011 from the sale of two previously closed manufacturing plants.

The Company generated positive free cash flow (defined as cash provided by operating activities less cash used for investing activities) of $6.1 million during fiscal 2012, compared with positive $7.7 million in fiscal 2011 and negative $10.2 million in fiscal 2010. The reduction in fiscal 2012 was driven by increased net outflows used for investing activities that more than offset net improvements in cash provided by operating activities. Exclusive of the adverse change in tax refunds, pension contributions, cash used for restructuring activities and declines due to building sale proceeds, free cash flow generated during fiscal 2012 improved by approximately $14 million compared with fiscal 2011. The improvement in fiscal 2011 compared with fiscal 2010 of $17.9 million was primarily driven by the absence of cash paid for restructuring activities aggregating $9 million, coupled with a reduction in net cash used for investing activities of $6 million.

FINANCING ACTIVITIES

The Company's financing activities have typically consisted of returning a portion of its free cash flow to its shareholders in the form of cash dividends and repayments of debt, net of any proceeds received from the exercise of stock options.

The Company provided $5.1 million from financing activities in fiscal 2012, compared with using $5.5 million for financing activities in fiscal 2011. The primary financing activity that generated cash in fiscal 2012 was the release of $7.4 million of restricted cash previously used to secure the Company's credit facility. The Company's outflows of $1.0 million to service its debt and $1.3 million to pay dividends served to reduce the net cash flow from financing activities to $5.1 million in fiscal 2012.

The Company used $5.5 million for financing activities in fiscal 2011, including $5.1 million to pay dividends and $0.9 million to service its debt, offset in part by proceeds received from issuance of its common stock. The Company used $19.4 million for financing activities in fiscal 2010, driven by having $14.4 million of its cash become restricted as security for its credit facility and paying dividends of $5.1 million.

Despite the Company's strong liquidity and positive free cash flow, the Company's assessment of the U.S. economy and the continued difficulties in the housing market caused it to suspend its dividend and restructure its operations during fiscal 2012. As a result of these actions, the Company believes that it has the capability to operate profitably, generate satisfactory levels of operating cash flow to fund increased levels of capital expenditures, and still have ample remaining manufacturing capacity to grow its sales revenue by approximately 50% from present levels. To the extent that the Company determines that it is carrying excess cash in relation to its future operational and other needs, then the Company's Board of Directors will consider returning some or all of the excess cash to its shareholders in the form of either stock repurchases or future dividends. The Company is authorized to repurchase its stock under an authorization approved by its Board of Directors in 2007 of up to $93.3 million. The Company made no stock repurchases in fiscal 2011 or 2012.

The Company can borrow up to $35 million under the Wells Fargo credit facility; however, the Company must maintain cash and specified investments held in accounts pledged to Wells Fargo having a collateral value of at least 50% of the Company's aggregate indebtedness and other obligations to Wells Fargo. At April 30, 2012, $10 million of loans and $3.7 million of letters of credit were outstanding under the Wells Fargo facility and $7.1 million of the Company's cash was held as security.

On May 29, 2012, the Company and Wells Fargo amended the credit facility and modified related security arrangements. Effective as of April 26, 2012, the amount of cash and securities required to be held as security was reduced from 100% to 50% of the Company's outstanding indebtedness and other obligations to Wells Fargo. As a result, the Company's restricted cash was reduced by $7.4 million to $7.1 million as of the fiscal year end. The Company also agreed to pledge substantially all of its assets as security for the Company's indebtedness and other obligations to Wells Fargo. Effective as of May 29, 2012, the amendment to the credit facility reduced the allowable ratio of the Company's total liabilities to its tangible net worth to a maximum of 1.4 to 1.0 at the end of each fiscal quarter, added a requirement for the Company to maintain a ratio of cash flow to fixed charges of not less than 1.25 to 1.0 at the end of each fiscal quarter on a rolling four-quarter basis and added a requirement that the Company maintain an asset coverage ratio of not less than 1.47 to 1.0 at the end of each calendar month.

The Company was in compliance with all covenants specified in the amended credit facility as of April 30, 2012, as follows: (1) the Company's ratio of total liabilities to tangible net worth at April 30, 2012 was 1.0 to 1.0; (2) cash flow to fixed charges for its most recent four quarters was 1.35 to 1.0; and (3) its asset coverage ratio as of April 30, 2012 was 4.89 to 1.0.

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

Cash flow from operations combined with accumulated cash and cash equivalents on hand are expected to be more than sufficient to support forecasted working capital requirements, service existing debt obligations and fund capital expenditures for fiscal 2013.

The timing of the Company's contractual obligations as of April 30, 2012 is summarized in the table below:

		FISCAL YEARS ENDED APRIL 30			
(in thousands)	Total Amounts	2013	2014 –2015	2016 –2017	2018 and Thereafter
Revolving credit facility	$10,000	$--	$10,000	$--	$--
Economic development loans	3,524	--	--	2,234	1,290
Term loans	3,858	328	718	804	2,008
Capital lease obligations	7,283	547	1,131	1,140	4,465
Interest on long-term debt1	2,460	480	902	599	479
Operating lease obligations	13,729	3,665	6,206	3,803	55
Pension contributions2	30,410	7,350	11,970	11,090	--
Total	$71,264	$12,370	$30,927	$19,670	$8,297

1 Interest commitments under interest bearing debt consist of interest under the Company's primary loan agreement, term loans and capitalized lease agreements. Amounts outstanding under the Company's revolving credit facility, $10 million at April 30, 2012, bears a variable interest rate determined by the London Interbank Offered Rate (LIBOR) plus 1.25%. Interest under the Company's term loans and capitalized lease agreements is fixed at rates between 2% and 6.5%. Interest commitments under interest bearing debt for the Company's revolving credit facility are at LIBOR plus the spread as of April 30, 2012, throughout the remaining term of the facility.

2 The estimated cost of the Company's two defined benefit pension plans is determined annually based upon the discount rate and other assumptions at fiscal year end. Future pension funding contributions beyond 2017 have not been determined at this time.

MARKET RISKS

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

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

On April 30, 2012, the Company had no material exposure to changes in interest rates for its debt agreements.

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

For additional discussion of risks that could affect the Company and its business, see "Forward-Looking Statements" above and "Risk Factors" in the Company's most recent annual report on Form 10-K filed with the SEC.

OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2012 and 2011, the Company had no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

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

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

Long-lived Asset Impairment. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. For purposes of assessing if impairment exists, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. To determine whether an impairment has occurred, the Company compares estimates of the future undiscounted net cash flows of groups of assets to their carrying values. The Company has not recognized impairments of long-lived assets in the last three years other than the impairments related to restructuring activities.

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

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

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

Pensions. The Company has two non-contributory defined benefit pension plans covering substantially all of the Company’s employees.

The Company’s Board of Directors approved the freezing of both defined benefit pension plans, effective as of April 30, 2012. As a result, the Company re-measured its pension liability, updating the pension measurement assumptions, and recorded pension curtailment charges of $0.3 million during fiscal 2012.

The estimated expense, benefits and pension obligation of these plans are determined using various assumptions. The most significant assumptions are the long-term expected rate of return on plan assets, the discount rate used to determine the present value of the pension obligations and the future rate of compensation level increases. In fiscal 2012, the Company determined the discount rate by referencing the Aon Hewitt AA Bond Universe Yield Curve. Previously, the Company referred to the Hewitt Above Median Yield Curve in establishing the discount rate. This change was caused by the merger of Aon and Hewitt and the corresponding elimination of the Hewitt Above Median Yield Curve. The Company believes that using a yield curve approach accurately reflects changes in the present value of liabilities over time since each cash flow is discounted at the rate at which it could effectively be settled. The long-term expected rate of return on plan assets reflects the current mix of the plan assets invested in equities and bonds.

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

(in millions) (decrease) increase	IMPACT OF 1% INCREASE	IMPACT OF 1% DECREASE
Effect on annual pension expense	$ (2.9)	$ 3.4
Effect on projected pension benefit obligation	$ (19.3)	$ 24.5

Pension expense for fiscal 2012 and the assumptions used in that calculation are presented in Note H of the Consolidated Financial Statements. At April 30, 2012, the discount rate was 4.66% compared to 5.66% at April 30, 2011. The expected return on plan assets was 7.5% at April 30, 2012, compared to 8.0% at April 30, 2011. The assumed rate of increase in compensation levels was 4.0% for the fiscal year ended April 30, 2012, unchanged from the prior fiscal year.

The projected performance of the Company's pension plans is largely dependent on the assumptions used to measure the obligations of the plans and to estimate future performance of the plans' invested assets. Over the past two measurement periods, the most material deviations between results based on assumptions and the actual plan performance have been as a result of the changes to the discount rate used to measure the plans' benefit obligations and the actual return on plan assets. Accounting guidelines require the discount rate to be set to market at each annual measurement date. From the fiscal 2010 to fiscal 2011 measurement dates, the discount rate decreased from 5.91% to 5.66%, and caused an actuarial loss of $4.5 million that was recognized in fiscal 2011. From the fiscal 2011 to fiscal 2012 measurement dates, the discount rate decreased from 5.66% at April 30, 2011 to 4.76% at December 31, 2011 and 4.66% at April 30, 2012, which caused an additional actuarial loss of $26.3 million.

The Company strives to balance expected long-term returns and short-term volatility of pension plan assets. Favorable and unfavorable differences between the assumed and actual returns on plan assets are generally amortized over a period no longer than the average life expectancy of the plans' active participants. The actual rates of return on plan assets realized, net of investment manager fees, were 3.1%, 11.9% and 21.5% for fiscal years 2012, 2011 and 2010, respectively.

The fair value of plan assets at April 30, 2012 was $85.7 million compared to $83.3 million at April 30, 2011. The Company's projected benefit obligation exceeded plan assets by $50.5 million in fiscal 2012 and $36.7 million in fiscal 2011. The $13.8 million increase in the Company's net under-funded position during fiscal 2012 was driven by the Company's $26.3 million actuarial losses, plus additional service benefits accruing of $5.3 million, offset in part by curtailments related to freezing the pension plans as of April 30, 2012, which stopped all future benefit accruals. The Company expects its pension expense to decrease from $7.4 million in fiscal 2012 to $0.6 million in fiscal 2013, due to the elimination of future benefit accruals related to the freezing of the pension plans. The Company expects to contribute $7.4 million to its pension plans in fiscal 2013, which represents required funding. The Company made contributions of $2.9 million to its pension plans in fiscal 2012. Under the requirements of the Pension Protection Act of 2006, the Company was not required to make contributions to its pension plans in fiscal 2011.

Promotional Displays. The Company invests in promotional displays in retail stores to demonstrate product features, product specifications, quality specifications and serve as a training tool for designers. The investment is carried at cost less applicable amortization. Amortization is provided by the straight-line method on an individual display basis over the estimated period of economic benefit, approximately 30 to 36 months. The Company believes that the estimated period of economic benefit provides an accurate reflection of the value of displays as of the date of the balance sheet based on historical experience.

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

Stock-Based Compensation Expense. The calculation of stock-based compensation expense involves estimates that require management's judgment. These estimates include the fair value of each stock option and restricted stock unit award granted. Stock option awards are estimated on the date of grant using a Black-Scholes option pricing model. There are two significant inputs into the Black-Scholes option pricing model: expected volatility and expected term. The Company estimates expected volatility based on the historical volatility of the Company's stock over a term equal to the expected term of the option granted. The expected term of stock option awards granted is derived from historical exercise experience under the Company's stock option plans and represents the period of time that stock option awards granted are expected to be outstanding.

For performance-based restricted stock units, the Company estimates the number of shares that will be granted upon satisfaction of the performance conditions, based upon actual and expected future operating results. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of significant management judgment. As a result, if factors change or the Company uses different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. See Note G to the Consolidated Financial Statements for further discussion on stock-based compensation.

Valuation of Deferred Tax Assets. The Company regularly considers the need for a valuation allowance against its deferred tax assets. Based upon the Company's analysis at April 30, 2012 and 2011, the Company determined in each case that a valuation allowance was not required. The Company considered all available evidence, both positive and negative, in determining the need for a valuation allowance. As a result of the Company's recent restructuring activities plus prospects for sales growth, management expects the Company to return to profitability in fiscal 2013. Based upon this analysis, management determined that it is more likely than not that the Company's deferred tax assets will be realized through expected future income and the reversal of taxable temporary differences. The Company will continue to update this analysis on a periodic basis and changes in expectations about future income or the timing of the reversal of taxable temporary differences could cause the Company to record a valuation allowance in a future period.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. Additionally, ASU 2011-05 eliminates the option to present comprehensive income and its components as part of the statement of shareholders' equity. The ASU does not change the items that must be reported in other comprehensive income. ASU 2011-05 became effective for the Company beginning May 1, 2012.

In December 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date of Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05." The amendments were made to allow FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. Companies are required to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

On April 30, 2012, the Company had no material exposure to changes in interest rates for its debt agreements.

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