ENCISION INC
Form 10-Q
February 08, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2015

OR

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

For the transition period from to

Commission file number: 001-11789

ENCISION INC.

(Exact name of registrant as specified in its charter)

Colorado (State or other jurisdiction of incorporation or organization)	**84-1162056** (I.R.S. Employer Identification No.)

6797 Winchester Circle

Boulder, Colorado 80301

(Address of principal executive offices)

(303) 444-2600

(Registrant s telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant 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 o

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 o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

Indicate the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

Common Stock, no par value (Class)	**10,673,225 Shares** (outstanding at January 29, 2016)

Table of Contents

ENCISION INC.

FORM 10-Q

For the Three and Nine Months Ended December 31, 2015

INDEX

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1 – CONDENSED INTERIM FINANCIAL STATEMENTS

Encision Inc.

Condensed Balance Sheets

(unaudited)

	December 31, 2015	March 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 107,214	$ 258,656
Accounts receivable, net of allowance for doubtful accounts of $7,000 at December 31, 2015 and $11,500 at March 31, 2015	861,945	965,355
Inventories, net of reserve for obsolescence of $280,762 at December 31, 2015 and $240,000 at March 31, 2015	2,000,934	2,337,654
Prepaid expenses	130,883	109,678
Total current assets	3,100,976	3,671,343
Equipment, at cost:		
Furniture, fixtures and equipment	3,925,861	3,917,386
Accumulated depreciation	(3,336,285)	(3,140,453)
Equipment, net	589,576	776,933
Patents, net of accumulated amortization of $173,900 at December 31, 2015 and $153,494 at March 31, 2015	257,075	257,356
Other assets	15,926	20,135
TOTAL ASSETS	$ 3,963,553	$ 4,725,767
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 442,702	$ 675,411
Accrued compensation	203,328	262,195
Other accrued liabilities	246,230	324,926
Line of credit	235,986	
Deferred rent	30,384	30,384
Total current liabilities	1,158,630	1,292,916
Long-term liabilities:		
Line of credit		64,000
Deferred rent	78,492	101,280
Total liabilities	1,237,122	1,458,196
Commitments and contingencies (Note 4)		
Shareholders equity:		
Preferred stock, no par value: 10,000,000 shares authorized; none issued and outstanding		
Common stock and additional paid-in capital, no par value: 100,000,000 shares authorized; 10,673,225 shares issued and outstanding at December 31 and March 31, 2015	23,664,084	23,607,688

Accumulated (deficit)		(20,937,653)		(20,340,117)
Total shareholders equity		2,726,431		3,267,571
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	3,963,553	$	4,725,767

The accompanying notes to financial statements are an integral part of these condensed statements.

Table of Contents

Encision Inc.

Condensed Statements of Operations

(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
NET REVENUE	$ 2,292,663	$ 2,608,408	$ 7,047,424	$ 7,364,011
COST OF REVENUE	1,118,658	1,392,805	3,519,205	3,850,951
GROSS PROFIT	1,174,005	1,215,603	3,528,219	3,513,060
OPERATING EXPENSES:				
Sales and marketing	626,001	791,113	1,952,191	2,174,627
General and administrative	354,397	433,636	1,087,641	1,184,700
Research and development	339,746	353,447	929,400	1,026,495
Total operating expenses	1,320,144	1,578,196	3,969,232	4,385,822
OPERATING LOSS	(146,139)	(362,593)	(441,013)	(872,762)
Interest expense, net	(10,047)	(1,593)	(27,448)	(6,634)
Other expense, net	(43,843)	(52,661)	(129,075)	(154,179)
Interest expense and other expense, net	(53,890)	(54,254)	(156,523)	(160,8138

PARTICIPATION

6. How do holders of shares of Common Stock join the Plan?

A holder of record of shares of Common Stock may join the Plan at any time by completing and signing an Authorization Card and returning it to the Agent. An Authorization Card may be obtained at any time by writing to UMH Properties, Inc., Juniper Business Plaza, Suite 3-C, 3499 Route 9 North, Freehold, New Jersey 07728.

7. What does the Authorization Card provide?

If you check the appropriate box on the Authorization Card, you may elect “Full Dividend Reinvestment” and the Agent will apply all cash dividends on all the shares of Common Stock then or subsequently registered in your name, together with any optional cash payments, toward the purchase of shares of Common Stock.

If you elect to reinvest dividends on only a portion of your shares of Common Stock, you should check the “Partial Dividend Reinvestment” box on the Authorization Card and the Agent will reinvest cash dividends on only the number of whole shares of Common Stock you specify on the Authorization Card, together with any optional cash payments, toward the purchase of shares of Common Stock, and will pay cash dividends on the rest of your shares.

If the “Optional Cash Payments” box on the Authorization Card is checked, you will continue to receive cash dividends on shares of Common Stock in the usual manner, but the Agent will apply any optional cash payment received with the Authorization Card or with a subsequent payment form (see Question 11 below) to the purchase of shares of Common Stock under the Plan.

The Authorization Card also provides a certification to be signed by beneficial owners whose shares of Common Stock are held in street or nominee name who wish to participate in the optional cash payment provisions.

The Agent will reinvest automatically any subsequent dividends on the shares of Common Stock credited to your account under the Plan. The Plan, in other words, operates so as to reinvest dividends on a cumulative basis on the shares of Common Stock designated on your Authorization Card and on all shares of Common Stock accumulated and held in your Plan account, until you specify otherwise by notice in writing delivered to the Agent or withdraw from the Plan altogether, or until the Plan is terminated. See Question 29 below for the consequences of sales of shares of Common Stock subject to the Plan.

8. What are my options under the Plan?

By marking the appropriate spaces on the Authorization Card, you may choose among the following investment options:

- To reinvest cash dividends automatically on all shares of Common Stock now and subsequently registered in your name at 95% of the market price (see Question 16 below for a description of how this is computed).

- To reinvest cash dividends automatically on less than all of the shares of Common Stock registered in your name (a specified number of full shares) at 95% of the market price and continue to receive cash dividends on the remaining shares of Common Stock.

- To invest by making optional cash payments at any time in any amount not less than $500 per payment nor more than $1,000 per month, unless a Request for Waiver has been accepted by UMH as described in Question 12 below, whether or not any dividends are being automatically reinvested, at 95% of the market price.

9. May I change options under the Plan?

Yes. You may change options under the Plan at any time by completing and signing a new Authorization Card and returning it to the Agent. The answer to Question 6 tells how to obtain an Authorization Card and return envelope. Any change concerning the reinvestment of dividends must be received by the Agent prior to the record date for a dividend (see Question 10) in order for the change to become effective with that dividend.

10. When will investment of dividends respecting shares of Common Stock start?

If your Authorization Card is received by the Agent prior to the record date for determining the holders of shares entitled to receive the next dividend, reinvestment of your dividends will commence with that next dividend. The record dates for dividend payments on the shares of Common Stock are generally on or about February 15, May 15, August 15 and November 15. If your Authorization Card is received subsequent to the record date, reinvestment of your dividends (or designated portion thereof) will not start until payment of the next following dividend.

OPTIONAL CASH PAYMENTS

11. How does the cash payment option work?

Each participant in the Plan may invest in additional shares of Common Stock by making optional cash payments at any time. Participants in the Plan have no obligation to make any optional cash payments. Optional payments may be made at irregular intervals and the amount of each optional payment may vary, but no optional payments may be less than $500 and the total optional payments invested by each owner of shares of Common Stock may not exceed $1,000 per month, unless a Request for Waiver has been accepted by UMH as described in Question 12 below.

An optional cash payment may be made by enclosing a check or money order with the Authorization Card when enrolling; and thereafter by forwarding a check or money order to the Agent with a payment form which will be attached to each statement of account. Checks and money orders must be in United States dollars and should be made payable to "American Stock Transfer & Trust Company." No interest will be paid on optional cash payments held by the Agent pending the purchase of shares of Common Stock. (See Questions 14 and 15 below).

Optional cash payments must be received by the Agent by the tenth (10th) day of each calendar month. Cash payments received by the Agent subsequent to that date will be applied to the next month's optional investment.

WAIVER OF MAXIMUM LIMITS

12. May I make an optional cash payment in excess of $1,000 per month?

Optional cash investments in excess of $1,000 per month may be made only pursuant to a Request for Waiver accepted by UMH. Participants who wish to submit an optional cash investment in excess of $1,000 for any Investment Date must obtain the prior written approval of UMH. A Request for Waiver should be directed to Shareholder Relations at UMH via telephone at 732-577-9997. UMH has sole discretion to grant any approval for optional cash investments in excess of the allowable maximum amount. In deciding whether to approve a Request for Waiver, UMH will consider relevant factors including, but not limited to, UMH's need for additional funds, the attractiveness of obtaining such additional funds through the sale of Common Stock as compared to other sources of funds, the purchase price likely to apply to any sale of Common Stock, the participant submitting the request, the extent and nature of such participant's prior participation in the Plan, the number of shares of Common Stock held of record by such participant, and the aggregate amount of optional cash investments in excess of $1,000 for which Requests for Waiver have been submitted by all participants. If Requests for Waiver are submitted for any Investment

Date for an aggregate amount in excess of the amount UMH is then willing to accept, UMH may honor such requests in order of receipt, pro rata or by any other method that UMH determines to be appropriate. With regard to optional cash investments made pursuant to a Request for Waiver, the Plan does not provide for a predetermined maximum limit on the amount that a participant may invest or on the number of shares that a participant may purchase.

UMH does not anticipate approving any single participant Requests for Waiver to purchase more than two percent (2%) of the outstanding shares of UMH on an annual basis. UMH will generally grant Requests for Waiver where the participant is requesting to make one optional cash investment in lieu of making a series of investments over the next twelve (12) month period and so specifies in the participant's written request.

In no event will UMH be able to issue more shares in total than the number of shares registered for sale.

PURCHASES

13. What is the source of shares of Common Stock purchased under the Plan?

Shares of Common Stock purchased under the Plan come from authorized but unissued shares of Common Stock of UMH. Shares will not be purchased in the open market. You will pay no service fees, brokerage trading fees or other charges on purchases of newly issued shares of Common Stock under the Plan.

14. When will dividends and optional cash payments be invested in shares of Common Stock?

Reinvestment of dividends will be made on the date when the dividend becomes payable. Optional cash payments will be invested on the Investment Date. In order to allow sufficient time for processing, optional cash payments must be received by the Agent by the tenth (10th) day of each month. Optional cash payments received by the Agent subsequent to that date will be applied to the next month's optional investment. Participants will become owners of shares of Common Stock purchased under the Plan as of the date of purchase.

15. What is the Investment Date?

The Investment Date for dividends will be the Dividend Payment Date. Dividend Payment Dates are generally March 15, June 15, September 15 and December 15. For optional cash payments, the Investment Date will be the Dividend Payment Date in months having dividends payable or otherwise on the fifteenth (15th) of each month. If an Investment Date falls on a Saturday, Sunday or holiday, the Investment Date will be the next following business day.

16. What will be the price of shares purchased under the Plan?

The Officers of UMH will determine the price of shares of Common Stock to be purchased under the Plan in accordance with the provisions of the next paragraph. It is intended that the price of shares to be purchased will be at a 5% discount from the market price (as defined below).

The Common Stock of UMH is traded on the NYSE. The Officers of UMH will fix the reinvestment price at a discount price equal to 95% of the market price determined as follows: the price at which the shares of Common Stock will be purchased will be the higher of 95% of the average of the daily high and low sale prices of UMH's Common Stock on the NYSE on the four trading days including and preceding the Investment Date, or 95% of the average of the high and low sale prices of UMH's Common Stock on the NYSE on the Investment Date. In the event there is no trading in the Common Stock, or if for any reason UMH and the Agent have difficulty in determining the price of shares to be purchased under the Plan, then UMH, on consultation with the Agent, will use such other public report or sources as UMH deems appropriate to determine the market price and the appropriate 5% discount. If the reinvestment price involves a decimal which is not equal to one-eighth of a point, the reinvestment price will be rounded up to the next higher one-eighth of a point.

17. How will the number of shares of Common Stock purchased for me be determined?

The number of shares of Common Stock that will be purchased for you on any Investment Date will depend on the amount of your dividends to be invested, the amount of any optional cash payments and the applicable purchase price of the shares of Common Stock that results from dividing the aggregate amount of dividends and optional payments to be invested by the applicable purchase price. Partial shares will be credited to your account. At any time when you withdraw from the Plan or request all shares to be transferred to your name, the partial share will be paid in cash.

COSTS

18. Are there any costs to me for my purchases under the Plan?

There are no trading fees for purchases of shares of Common Stock under the Plan because shares are purchased directly from UMH. All costs of administration of the Plan will be paid by UMH. Brokers and nominees may impose charges or fees in connection with their handling of participation in the Plan by nominee and fiduciary accounts.

DIVIDENDS

19. Will dividends be paid on shares of Common Stock held in my Plan account?

Yes. Any cash dividends declared on shares of Common Stock are automatically reinvested in additional shares of Common Stock and credited to your account.

REPORTS TO PARTICIPANTS

20. What reports will be sent to participants in the Plan?

Following each purchase of shares of Common Stock for your account, the Agent will mail to you a statement of account showing amounts invested, the purchase price (see Question 16), the number of shares purchased, and other information for the year to date. Each participant will receive a Form 1099 showing income reportable for Federal income tax purposes following the final purchase in each calendar year (see Question 29). These statements are your record of the cost of your purchases and should be retained for income tax and other purposes. In addition, during the year you will receive copies of the same communications sent to all other holders of shares of Common Stock.

CERTIFICATES FOR SHARES

21. Will I receive certificates for shares of Common Stock purchased under the Plan?

Shares of Common Stock purchased by the Agent for your account will be registered in the name of the Agent's nominee and certificates for such shares will not be issued to you until requested. The total number of shares credited to your account will be shown on each statement of account. This custodial service helps to protect you against the risk of loss, theft or destruction of stock certificates.

Certificates for any number of whole shares credited to your account will be issued to you at any time upon written request to the Agent. Cash dividends with respect to shares represented by certificates issued to you will continue to be automatically reinvested. Any remaining shares will continue to be credited to your account.

If the written request to the Agent is for certificates to be issued for all shares of Common Stock credited to your account, any partial share will be paid in cash.

Certificates for partial shares will not be issued under any circumstances.

22. May shares of Common Stock in my Plan account be pledged?

No. You must first request that certificates for shares credited to your Plan account be issued to you (see Question 21) before you can pledge such shares.

23. In whose name will certificates be registered and issued?

When issued, certificates for shares of Common Stock will be registered in the name in which your Plan account is maintained. For holders of record, this generally will be the name or names in which your share certificates are registered at the time you enroll in the Plan. Upon written request, shares will be registered in any other name, upon the presentation to the Agent of evidence of compliance with all applicable transfer requirements (including the payment of any applicable transfer taxes).

WITHDRAWAL FROM THE PLAN

24. When may I withdraw from the Plan?

You may withdraw from the Plan at any time. If your request to withdraw is received by the Agent prior to the record date for determining the holders entitled to receive the next dividend, your request to withdraw will be processed prior to the payment of such dividend. If your request to withdraw is received by the Agent subsequent to the record date for determining the holders entitled to receive the next dividend, such dividend will be reinvested for your account and your request for withdrawal will be processed promptly thereafter and prior to the next following dividend.

After your request for withdrawal has become effective, all dividends will be paid in cash to you unless and until you re-enroll in the Plan, which you may do at any time.

25. How do I withdraw from the Plan?

In order to withdraw from the Plan, please complete the tear-off portion of any Plan statement of account and send it to American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or access your account on-line at www.amstock.com, or call the toll free number at 1-888-777-0316. When you withdraw from the Plan, or upon termination of the Plan by UMH, certificates for shares credited to your account under the Plan will be issued to you. Any partial share will be paid in cash.

OTHER INFORMATION

26. What happens if I sell or transfer shares of Common Stock registered in my name?

If you dispose of all shares of Common Stock registered in your name, the dividends on the shares credited to your Plan account will continue to be reinvested until you notify the Agent that you wish to withdraw from the Plan.

27. What happens if UMH issues a stock dividend, declares a stock split or has a rights offering?

Any stock dividends or split shares distributed by UMH on shares of Common Stock credited to your Plan account will be added to your account. Stock dividends or split shares distributed on shares of Common Stock for which you hold certificates will be mailed directly to you in the same manner as to shareholders who are not participating in the Plan.

In a regular rights offering, as a holder of record you will receive rights based upon the total number of shares of Common Stock owned; that is, the total number of shares for which you hold certificates and the total number of shares held in your Plan account.

UMH reserves the right to either curtail or suspend transaction processing until the completion of any stock dividend, stock split or corporation action.

28. Can I vote shares in my Plan account at meetings of shareholders?

Yes. You will receive a proxy for the total number of shares of Common Stock held, both the shares for which you hold certificates and those credited to your Plan account. The total number of shares of Common Stock held may also be voted in person at a meeting.

If the proxy is not returned or if it is returned unsigned, none of your shares of Common Stock will be voted unless you vote in person.

29. What are the Federal income tax consequences of participation in the Plan?

Under Internal Revenue Service rulings in connection with similar plans, dividends reinvested will be treated as taxable notwithstanding the dividends are reinvested in stock. Under prior Internal Revenue Service rulings, it was assumed the 5% discount was also taxable. Recent Internal Revenue Service private letter rulings suggest that the 5% discount is a reduced taxable basis for the shares received. Shareholders should consult their own tax consultant on the proper tax treatment of the 5% discount.

Distributions of real estate investment trusts are treated as dividends to the extent a real estate investment trust has earnings and profits for Federal income tax purposes. To the extent that the amount so distributed by UMH exceeds the current and accumulated earnings and profits of UMH, such excess would be treated for Federal income tax purposes as a return of capital to the shareholder. Each participant will receive a Form 1099 showing total dividend income, the amount of any return of capital distribution and the amount of any capital gain dividend for the year.

The holding period of shares of Common Stock acquired under the Plan, whether purchased with dividends or optional cash payments, will begin on the day following the date on which the shares were purchased for your account.

As a participant in the Plan you will not realize any taxable income when you receive certificates for whole shares credited to your account, either upon your request for such certificates or upon withdrawal from or termination of the Plan. However, you will recognize gain or loss (which, for most participants, will be capital gain or loss) when whole shares acquired under the Plan are sold or exchanged after your withdrawal from or the termination of the Plan. If such gain or loss is capital, it will be long-term capital gain or loss if the shares sold are held for more than one year and will be short-term capital gain or loss if the shares sold are held for one year or less.

30. What is the responsibility of UMH and the Agent under the Plan?

Neither UMH nor the Agent nor its nominees, in administering the Plan, will accept liability for any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a participant’s account upon such participant’s death prior to receipt of notice in writing of such death.

Neither UMH nor the Agent can assure you of a profit or protect you against a loss on shares purchased under the Plan.

31. How are income tax withholding provisions applied to participants?

In the case of foreign participants who elect to have their dividends reinvested or who elect to make optional cash payments and whose dividends are subject to United States income tax withholding, an amount equal to the dividends payable to such participants who elect to reinvest dividends, or the amount of the optional cash payment made by a participant, less the amount of tax required to be withheld, will be applied by the Agent to the purchase of shares of

Common Stock. A Form 1042S, mailed to each foreign participant after the final purchase of the calendar year, will show the amount of tax withheld in that year. A Form 1099 will be mailed to domestic participants in the event that Federal income tax withholding is imposed in the future on dividends to domestic participants.

32. May the Plan be changed or discontinued?

UMH reserves the right to modify, suspend or terminate the Plan at any time. All participants will receive notice of any such action. Any such modification, suspension or termination will not, of course, affect previously executed transactions. UMH also reserves the right to adopt, and from time to time change, such administrative rules and regulations (not inconsistent in substance with the basic provisions of the Plan then in effect) as it deems desirable or appropriate for the administration of the Plan. The Agent reserves the right to resign at any time upon reasonable written notice to UMH.

The purpose of the Plan is to provide shareholders with a systematic and convenient method of investing dividends and optional cash payments for long-term investment. Use of the Plan for any other purpose is prohibited.

UMH reserves the right to return optional cash payments to subscribing shareholders if, in UMH's opinion, the investment is not consistent with the purposes of the Plan. Shareholders who establish multiple accounts to circumvent the $1,000 per month limit on optional cash investments are subject to UMH's right to return all optional cash payments.

UMH would consider lowering or eliminating the discount without prior notice to participants if for any reason UMH believed that participants were engaging in positioning and other transactions with the intent to purchase shares of Common Stock under the Plan and then immediately resell such shares of Common Stock in order to monetize the discount. Any participant who engages in such transactions may be deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act.

SPECIAL RULES TO PROTECT UMH'S STATUS AS A QUALIFIED REAL ESTATE INVESTMENT TRUST ("REIT") UNDER THE PROVISIONS OF THE INTERNAL REVENUE CODE

UMH reserves the right not to issue shares under the Plan to any shareholder holding more than 3% of UMH's Common Stock. These shareholders may use the Plan both for dividend reinvestment and for optional cash payments but no shares will be issued to any shareholder if the issuance could provide for the disqualification of UMH as a REIT under the provisions of the Internal Revenue Code. The decision of UMH in this regard is final and the particular shareholders' only right shall be the return of any optional cash payment and the return of dividends in cash.

UMH also reserves the right to return optional cash payments to subscribing shareholders if, in UMH's opinion, the investment is not consistent with the purposes of the Plan. This provision would cover shareholders who sell short shares on the NYSE and use the optional cash payment solely for purposes of attempting to earn the 5% differential. This provision can also be invoked to prevent any shareholder from creating multiple optional cash payment accounts. The purpose of the Plan is to provide shareholders with a systematic and convenient method of investing dividends and optional cash payments for long-term investment. Use of the Plan for any other purpose is prohibited.

USE OF PROCEEDS

UMH has no basis for estimating precisely either the number of shares of Common Stock that ultimately may be sold pursuant to the Plan or the prices at which such shares will be sold. However, UMH proposes to use the net proceeds from the sale of shares of Common Stock pursuant to the Plan, when and as received, to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness. Until we use the net proceeds from the sale of shares of Common Stock pursuant to the Plan, they may be deposited in interest bearing cash accounts or invested in short-term securities, including securities that may not be investment grade. UMH considers the Plan to be a cost-effective means of expanding its equity capital base and furthering its investment objectives while at the same time benefiting holders of shares of Common Stock.

EXPERTS

The consolidated financial statements and schedules of UMH Properties, Inc. as of and for the years ended December 31, 2011 and 2010 and for the year ended December 31, 2009, included in our Annual Report on Form 10-K for the year ended December 31, 2011, have been incorporated by reference herein in reliance upon the report of PKF O'Connor Davies, A Division of O'Connor Davies, LLP (formerly PKF LLP), our independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

Stroock & Stroock & Lavan LLP will pass upon certain legal matters in connection with the issuance of shares of Common Stock pursuant to the Plan.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following are estimates of the expenses to be incurred in connection with the issuance and distribution of the securities to be registered:

Commission Registration Fee	$3,074
Accounting Fees and Expenses	$10,000
Legal Fees and Expenses	$20,000
Printing Expenses	$5,000
Miscellaneous Expenses	$2,926
Total	$41,000

Item 15. Indemnification of Directors and Officers.

UMH is organized in the State of Maryland. The Maryland General Corporation Law ("MGCL") permits a corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (i) actual receipt of an improper personal benefit or profit in money, property or services or (ii) active and deliberate dishonesty established by a final judgment as being material to the cause of action.

The MGCL requires a corporation to indemnify its present and former directors or officers who have been successful, on the merits or otherwise, in the defense of any proceeding to which the person is made a party by reason of his or her service in that capacity. The MGCL requires a corporation, unless its charter provides otherwise, which UMH's charter does not, to indemnify its present and former directors and officers among others in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the indemnified party was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the indemnified party actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the indemnified party had reasonable cause to believe that the act or omission was unlawful.

The indemnification may be against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the director or officer in connection with the proceeding; provided, however, that if the proceeding is one by or in the right of the Maryland corporation, indemnification may not be made in respect of any proceeding in which the director or officer has been adjudged to be liable to the corporation.

In addition, a director or officer of a Maryland corporation may not be indemnified with respect to any proceeding charging improper personal benefit to the director or officer in which the director or officer was adjudged to be liable on the basis that personal benefit was improperly received. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent or an entry of an order of probation prior to judgment creates a rebuttal presumption that the director or officer did not meet the requisite standard of conduct required for permitted indemnification. The termination of any proceeding by judgment, order or settlement, however, does not create a presumption that the director or officer did not meet the requisite standard of conduct for permitted indemnification.

As a condition to advancing expenses to a director who is a party to a proceeding, the MGCL requires UMH to obtain (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by UMH and (b) a written statement by or on his or her behalf to repay the amount paid or reimbursed by UMH if it is ultimately determined that the standard of conduct was not met.

UMH's charter provides that UMH must indemnify its directors and officers, whether serving UMH or at its request any other entity, to the full extent required or permitted by Maryland law, including the advance of expenses under the procedures and to the full extent permitted by law. UMH's charter contains a provision which limits a director's or officer's liability for monetary damages to UMH or its stockholders.

UMH has entered into Indemnification Agreements with its directors and certain officers which generally provide that UMH is required to indemnify any director or officer who was, is or becomes a party to or witness or other participant in any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other proceeding, whether brought by or in the right of UMH or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, and any situation that such director or officer in good faith believes might lead to the institution of any of the foregoing, by reason of the fact that the director or officer was acting in his or her capacity as a director or officer of the Company, to the fullest extent permitted by law.

Item 16. Exhibits

Exhibit Number	Description of Exhibit
4.1	Specimen Authorization Card – American Stock Transfer & Trust Company, LLC.
5.1	Opinion of Stroock & Stroock & Lavan LLP.
23.1	Consent of Stroock & Stroock & Lavan LLP (included in Exhibit 5.1).
23.2	Consent of PKF O'Connor Davies, A Division of O'Connor Davies, LLP.
24.1	Powers of Attorney (included on the signature page).

Item 17. Undertakings.

UMH hereby undertakes:

(a) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided however, that:

A. Paragraphs (a)(i) and (a)(ii) of this section do not apply if the registration statement is on Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement; and

B. Paragraphs (a)(i), (a)(ii) and (a)(iii) of this section do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(b) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(d) If the registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (d) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(e) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B (Section 230.430B of the Regulations under the Securities Act of 1933):

A. Each prospectus filed by the registrant pursuant to Rule 424(b)(3)shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

B. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

19

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(f) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Borough of Freehold, State of New Jersey, on July 3, 2012.

UMH PROPERTIES, INC.

By:	/s/Eugene W. Landy
	Eugene W. Landy
	Chairman of the Board and Director

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Eugene W. Landy, Anna T. Chew and Samuel A. Landy, and each of them, his true and lawful attorneys in fact and agents with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) of and supplements to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto such attorneys in fact and agents and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying and confirming all that such attorneys in fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/Eugene W. Landy Eugene W. Landy	Chairman of the Board	July 3, 2012
/s/Samuel A. Landy Samuel A. Landy	President, Chief Executive Officer and Director (Principal Executive Officer)	June 28, 2012
/s/Anna T. Chew Anna T. Chew	Vice President, Chief Financial Officer, Treasurer and Director (Principal Financial and Accounting Officer)	July 3, 2012
/s/Michael P. Landy Michael P. Landy	Executive Vice President and Director	June 28, 2012
/s/Jeffrey A. Carus	Director	June 28, 2012

Jeffrey A. Carus

/s/James E. Mitchell	Director	June 28, 2012
James E. Mitchell		
/s/Richard H. Molke	Director	June 28, 2012
Richard H. Molke		
/s/Eugene Rothenberg	Director	June 28, 2012
Eugene Rothenberg		

/s/Stephen B. Wolgin Stephen B. Wolgin	Director	June 28, 2012
/s/ Stuart Levy Stuart Levy	Director	June 28, 2012

22

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
4.1	Specimen Authorization Card – American Stock Transfer & Trust Company, LLC.
5.1	Opinion of Stroock & Stroock & Lavan LLP.
23.1	Consent of Stroock & Stroock & Lavan LLP (included in Exhibit 5.1).
23.2	Consent of PKF O'Connor Davies, A Division of O'Connor Davies, LLP.
24.1	Powers of Attorney (included on the signature page).

-216.6%

The effective income tax rate differs from the statutory federal income tax rate of 35% primarily because of state and foreign income taxes and permanent differences, changes in the valuation allowance realized in 2011 and utilization of net operating loss carryforwards.

In the second quarter of 2011, we assessed our valuation allowances against deferred tax assets for intangible assets, accruals and U.S. net operating loss (NOL) carryforwards in accordance with ASC 740 *Income Taxes* (ASC 740). Management s assessment included consideration of all available positive and negative evidence including, among other evidence, the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), recent utilization of NOL carryforwards, historical operating income, projected future taxable income, customer concentration, tight credit markets, and tax planning strategies. Based on results of the assessment, we determined that it was more likely than not that the U.S. NOL carryforwards were realizable based on the guidance provided in ASC 740. Because the U.S. NOL carryforwards were expected to be realized due to 2011 and future year s income, only the portion attributable to future year s income was released as a discrete event during the second quarter of 2011.

We recognized a non-recurring, non-cash tax benefit in the second quarter of 2011 for continuing operations of $40.0 million related to the release of valuation allowances. Income in 2011 allowed interim period decreases to the valuation allowance of $4.6 million for the third quarter of 2011. Additionally, we increased valuation allowances in the third quarter of 2011 by $0.5 million for state NOL modifications.

As of September 30, 2012, we would need to generate approximately $93.3 million of future financial taxable income to realize our deferred tax assets.

As of September 30, 2012 we provided for a liability of $6.6 million for unrecognized tax benefits related to various federal, foreign and state income tax matters, which was included in long-term deferred tax assets and other long-term liabilities, as compared to a liability of $5.8 million for unrecognized tax benefits as of December 31, 2011. If recognized, the entire amount of the liability would affect the effective tax rate. As of September 30, 2012, we have accrued approximately $2.1 million in other long-term liabilities for potential payment of interest and penalties related to uncertain income tax positions.

NOTE 7 DEBT

New Credit Facility: On February 21, 2012, we entered into a new $100 million Credit Facility (New Credit Facility) with Wells Fargo Bank, National Association, as Administrative Agent, U.S. Bank National Association, as Syndication Agent and the various lending institutions party thereto. The New Credit Facility is a multicurrency revolving credit facility with a letter of credit sublimit of $75 million and an accordion feature not to exceed $50 million. Proceeds of borrowings under the New Credit Facility may be used for working capital, acquisitions and general corporate purposes. As of September 30, 2012, there were no outstanding borrowings.

The interest rate on letters of credit issued under the revolving letter of credit was 1.25% per annum as of September 30, 2012. We also pay an unused line fee of 0.20%. Should we need to borrow against the revolver facility, at any time during the agreement, we would incur an interest rate of LIBOR or a Base Rate, plus in each case, an additional margin based on the Consolidated Total Leverage Ratio, as defined in the New Credit Facility agreement. The New Credit Facility agreement includes additional margin ranges on Base Rate loans between 0.25% and 1.25% and between 1.25% and 2.25% on LIBOR-based loans. As of September 30, 2012, our outstanding letters of credit under the New Credit Facility totaled approximately $16.1 million for our U.S. entities. We also had outstanding letters of credit issued by another financial institution for our non-U.S. entities of $13.3 million, which reduced our available capacity sublimit for letters of credit under the New Credit Facility. As of September 30, 2012, we had unused commitments of $70.7 million on our New Credit Facility.

The New Credit Facility contains certain restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. There are also financial covenants that require us to maintain a maximum consolidated total leverage ratio and a minimum interest coverage ratio. The New Credit Facility also provides for customary events of default, with corresponding grace periods, including failure to pay principal when due, failure to pay interest within three business days after becoming due, failure to pay other obligations within five days after becoming due, failure to comply with covenants, breaches of representations and warranties, default under certain other indebtedness, certain insolvency or receivership events affecting us and our subsidiaries, the occurrence of certain material judgments, or a change in control of the Company. We have given a first priority lien on substantially all of our assets as security for the New Credit Facility. The New Credit Facility has a maturity date of February 21, 2017.

As of September 30, 2012, we were in compliance with all debt covenants. As of September 30, 2012, we had unamortized deferred financing fees on our New Credit Facility of $0.8 million.

Previous Credit Facility: Upon entering into our New Credit Facility on February 21, 2012, we extinguished our previous $150 million Credit Facility (Previous Credit Facility). Our Previous Credit Facility consisted of a $60 million revolving letter of credit facility, including a $25 million cash advance sub-facility, and a $90 million term loan facility. On November 18, 2010, we repaid the outstanding balance of the term loan facility and all related interest in full. The Previous Credit Facility would have terminated on January 22, 2014 and any amounts outstanding at that time would have been due and payable in full, if it had not been extinguished.

On February 21, 2012, the amortization of debt financing costs pertaining to the Previous Credit Facility was accelerated, increasing the amount of interest expense recognized during the first quarter of 2012 by $1.1 million.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Asbestos Cases: A former operating unit of Global Power has been named as a defendant in a limited number of asbestos personal injury lawsuits. Neither we nor our predecessors ever mined, manufactured, produced or distributed asbestos fiber, the material that allegedly caused the injury underlying these actions. The bankruptcy court s discharge order issued upon emergence from bankruptcy extinguished the claims made by all plaintiffs who had filed asbestos claims against us before that time. We also believe the bankruptcy court s discharge order should serve as a bar against any later claim filed against us, including any of our subsidiaries, based on alleged injury from asbestos at any time before emergence from bankruptcy. In any event in all of the asbestos cases finalized post-bankruptcy, we have been successful in having such cases dismissed without liability. We intend to vigorously defend all currently active actions, just as we defended the other actions that have since been dismissed, all without liability, and we do not anticipate that any of these actions will have a material adverse effect on our financial position, results of operations or liquidity. However, the outcomes of any legal action cannot be predicted, and therefore, there can be no assurance that this will be the case.

Deltak Claims: By purchase agreement dated August 6, 2011, referred to as the 2011 Purchase Agreement, we sold the operating net assets of our Deltak business unit to Hamon & Compagnie International SA (the Buyer). Under the 2011 Purchase Agreement, we retained certain liabilities relating to the operating net assets sold to the Buyer. We have received three claims for indemnification from the Buyer in connection with the activities of our Deltak business unit. Generally, complaints allege losses from excluded liabilities and breach of warranty relating to one of our wholly owned subsidiaries. The claims asserted for each matter is $0.1 million, $7.1 million and an unspecified amount. We intend to defend these matters vigorously and believe the claims are without merit. However, we cannot predict with certainty the outcome or effect of any of these matters. There can be no assurance as to the ultimate outcome of these claims.

As of September 30, 2012, we did not record any provision for these matters as we do not believe a loss is probable related to the above claims. Further a reasonable estimate of a possible range of loss cannot be made. In the event that one or more of these matters is unfavorably resolved, it is possible our results from discontinued operations and cash flows could be materially impacted.

The 2011 Purchase Agreement required the establishment of escrow accounts totaling $7.0 million as a funding mechanism for settlement of warranty claims and other possible contractual claims. As of September 30, 2012, the escrow balances were recorded in the accompanying consolidated balance sheet as short-term restricted cash of $3.1 million and long-term restricted cash, included in other assets, of $3.9 million. The short-term restricted cash that was due for release on August 31, 2012, remains in escrow due to the unresolved claims made by the Buyer described above and the Buyer s corresponding determination not to release such cash.

Litigation: We are involved from time to time in legal actions that arise in the ordinary course of our business. We do not believe that the resolution of any currently pending actions, either individually or in the aggregate, is reasonably likely to have a material adverse effect on our financial position, results of operations or liquidity. However, the outcomes of any legal actions cannot be predicted, and therefore, there can be no assurance that this will be the case.

NOTE 9 STOCKHOLDERS EQUITY

Warrants: On January 22, 2008, we issued warrants to purchase 1,807,236 shares of common stock with an exercise price of $7.9254. The warrants vested immediately upon issuance. During the nine months ended September 30, 2012, warrants were exercised to purchase 730,282 shares of common stock. The stock was issued in a cashless transaction whereby we withheld 209,451 shares of common stock as payment of the exercised purchase warrants during the nine months ended September 30, 2012. As of September 30, 2012, all issued warrants have been exercised.

Table of Contents

Foreign Currency Translation: Foreign assets and liabilities are translated using the exchange rate in effect at the balance sheet date, and results of operations are translated using an average rate during the period. Translation adjustments are accumulated and reported as a component of accumulated other comprehensive income. The amount of accumulated comprehensive income related to foreign currency translation was an unrealized gain of $0.3 million during the nine months ended September 30, 2012.

Stock-Based Compensation: We granted 267,192 shares of restricted stock awards to employees and directors during the nine months ended September 30, 2012 at a weighted-average fair value price per share of $26.86. These restricted stock awards include 110,587 time-based shares that will vest ratably over four years and 156,605 performance-based shares that will vest in one year. During the nine months ended September 30, 2012, we vested 409,049 shares of stock-based compensation to employees and directors. Included in the shares vested in the nine months ended September 30, 2012 were 33,373 restricted stock awards that vested in accordance with the retirement agreement of our former Chief Executive Officer.

For all awards with graded vesting other than awards with performance-based vesting conditions, we record compensation expense for the entire award on a straight-line basis (or if, applicable, on the accelerated method) over the requisite service period. For graded-vesting awards with performance-based vesting conditions, total compensation expense is recognized over the requisite service period for each separately vesting tranche of the award as if the award is, in substance, multiple awards once certain performance targets are deemed probable of achievement. The 2012 restricted stock performance units that will vest in 2013 are subject to multiple target levels in order to be eligible to vest. If the minimum target set in the agreement is not met, none of the shares will vest and no compensation expense is recognized and any previously recognized compensation expense is reversed. The actual number of shares that will ultimately vest is dependent on achieving fixed thresholds between the minimum and target performance condition and ranges between 0.5x and 1.0x the number of units originally granted. During the third quarter of 2012, we determined that it was not probable that we would achieve the performance objective for 68,815 of our 137,626 performance-based shares remaining to vest as of September 30, 2012. As a result, we recorded a $0.9 million cumulative effect compensation expense reversal in the third quarter of 2012.

Dividends: In May 2012, our Board of Directors approved a quarterly cash dividend policy. The dividends declared during each of the second and third quarters of 2012 were $0.09 per share and dividends paid totaled $1.5 million in each of the second and third quarters of 2012, respectively. Third quarter dividends were paid on September 28, 2012. Dividend equivalents equal to the dividends payable on the same number of shares of our common stock were accrued on unvested restricted stock awards on each of the second and third quarter dividend record dates. No dividend equivalents are paid on any of these restricted stock awards that are forfeited prior to the vesting date. Dividend equivalents are paid out in cash at the vesting date on restricted stock awards. A non-cash accrual of $0.1 million for unpaid dividend equivalents for unvested restricted stock awards was included in the accompanying condensed consolidated balance sheet as of September 30, 2012.

Stock Repurchase Program: In May 2012, our Board of Directors authorized a program to repurchase up to two million shares of our common stock until the earlier of June 30, 2014 or a determination by the Board of Directors to discontinue the repurchase program. We repurchased 35,801 shares of common stock during the nine months ended September 30, 2012 for $0.7 million under the repurchase program.

Table of Contents

NOTE 10 SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures are as follows:

	Nine Months Ended September 30, 2012	2011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for the period for:		
Interest	$ 348	$ 586
Income taxes	$ 1,624	$ 1,414
Net effect of changes in operating activities, net of businesses acquired and sold:		
(Increase) decrease in accounts receivable	$ (6,731)	$ 6,380
Increase in inventories	(2,855)	(1,491)
Increase in costs and estimated earnings in excess of billings	(19,283)	(17,527)
Increase in other current assets	(528)	(380)
Increase in other assets	(295)	(87)
Increase (decrease) in accounts payable	5,743	(2,920)
Increase (decrease) in accrued and other liabilities	4,264	(3,610)
Decrease in accrued warranties	(220)	(513)
(Decrease) increase in billings in excess of costs and estimated earnings	(924)	11,917
Decrease in liabilities subject to compromise		(207)
Changes in operating assets and liabilities, net of businesses acquired and sold	$ (20,829)	$ (8,438)

NOTE 11 MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

We have certain customers that represent more than 10 percent of consolidated accounts receivable. The balance for these customers as a percentage of the consolidated accounts receivable is as follows:

Customer	As of September 30, 2012	As of December 31, 2011
Siemens Energy, Inc.	17%	26%
General Electric Company	15%	*
Southern Nuclear Operating Company	14%	15%
Florida Power & Light Company	15%	*

* Less than 10%

We have certain customers that represent more than 10 percent of consolidated revenue. The revenue for these customers as a percentage of the consolidated revenue is as follows:

Customer	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Southern Nuclear Operating Company	14%	23%	19%	24%
Tennessee Valley Authority	12%	*	15%	*
Siemens Energy, Inc.	21%	13%	16%	13%
General Electric Company	15%	19%	13%	13%
Florida Power & Light Company	11%	*	*	10%
All others	27%	45%	37%	40%
Total	100%	100%	100%	100%

* Less than 10% of revenue included in All others above

Customers for the Products Division include original equipment manufacturers, engineering, procurement and construction contractors and operators of power generation facilities. Products Division customers include Siemens Energy, Inc. and General Electric Company. Customers for the Services Division are varied, but include some major utility companies within the U.S. Services Division customers include Southern Nuclear Operating Company, Tennessee Valley Authority, and Florida Power & Light Company. Our major customers vary over time due to the relative size and duration of our projects and customer outages.

Table of Contents

NOTE 12 SEGMENT INFORMATION

We follow ASC 280 *Segment Reporting,* to present segment information. We considered the way our management team makes operating decisions and assesses performance and considered which components of our enterprise have discrete financial information available. As management makes decisions using a products and services group focus, our analysis resulted in two reportable segments, the Products Division and the Services Division. The financial results of the Koontz-Wagner and TOG acquisitions have been included in our Products Division as of their respective acquisition dates.

The following tables present information about segment income:

	Products Division Three Months Ended September 30,		Services Division Three Months Ended September 30,		Total Three Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
Revenue	$ 47,995	$ 36,700	$ 63,501	$ 62,526	$ 111,496	$ 99,226
Depreciation and amortization	841	236	125	99	966	335
Operating (loss) income	(977)	3,653	3,502	4,039	2,525	7,692

	Products Division Nine Months Ended September 30,		Services Division Nine Months Ended September 30,		Total Nine Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
Revenue	$ 113,681	$ 111,641	$ 196,955	$ 230,196	$ 310,636	$ 341,837
Depreciation and amortization	1,490	857	381	792	1,871	1,649
Operating (loss) income	(580)	6,206	7,853	12,041	7,273	18,247

The following table presents information, which reconciles segment information to consolidated total assets:

	As of September 30, 2012	As of December 31, 2011
Assets:		
Products	$ 196,727	$ 116,557
Services	97,605	78,652
Non allocated corporate assets	38,917	120,941
Total consolidated assets	$ 333,249	$ 316,150

Corporate assets consist primarily of cash and deferred tax assets.

Table of Contents

The following presents the Products Division revenue by geographical region based on our operating locations. Products are often shipped to other geographical areas but revenue is listed in the region in which the revenue is recognized. The geographic dispersion of where products were shipped during the nine months ended September 30, 2011 was updated primarily for reclassifications of discounts and was not material.

	Three Months Ended September 30,			
	2012		2011	
	Revenue Recognized In	Product Shipped To	Revenue Recognized In	Product Shipped To
United States	$ 27,826	$ 14,598	$ 21,318	$ 8,619
Canada		958		91
Europe	16,809	3,111	12,433	1,587
Mexico	2,919	611	2,227	64
Asia	441	3,451	722	7,525
Middle East		22,673		11,866
South America		819		550
Other		1,774		6,398
Total	$ 47,995	$ 47,995	$ 36,700	$ 36,700

	Nine Months Ended September 30,			
	2012		2011	
	Revenue Recognized In	Product Shipped To	Revenue Recognized In	Product Shipped To
United States	$ 64,305	$ 31,417	$ 65,919	$ 25,670
Canada		2,397		5,766
Europe	40,631	7,086	36,538	5,085
Mexico	7,889	4,357	7,884	3,611
Asia	856	6,935	1,300	13,647
Middle East		52,272		43,612
South America		6,559		7,560
Other		2,658		6,690
Total	$ 113,681	$ 113,681	$ 111,641	$ 111,641

Our Services Division revenue, virtually all of which was derived in the U.S., was $63.5 million and $197.0 million during the three and nine months ended September 30, 2012, respectively. During the three and nine months ended September 30, 2011, our Services Division revenue, virtually all of which was derived in the U.S., was $62.5 million and $230.2 million, respectively.

NOTE 13 SUBSEQUENT EVENT

On November 8, 2012, our Board of Directors declared a cash dividend of $0.09 per share of common stock to the holders of record of our common stock as of the close of business on December 10, 2012 to be paid on or about December 28, 2012.

Table of Contents

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations*.**
Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this Form 10-Q) contains or incorporates by reference various forward-looking statements that express a belief, expectation or intention or are otherwise not statements of historical fact. Forward-looking statements generally use forward-looking words, such as may, will, could, project, believe, anticipate, expect, estimate, continue, potential, plan, forecast and oth uncertainty of future events or outcomes. Forward-looking statements include information concerning possible or assumed future results of our operations, including the following:

- business strategies;
- operating and growth initiatives and opportunities;
- competitive position;
- market outlook and trends in our industry;
- contract backlog and related amounts to be recognized as revenue;
- expected financial condition;
- future cash flows;
- financing plans;
- expected results of operations;
- future capital and other expenditures;
- availability of raw materials and inventories;
- plans and objectives of management;
- future exposure to currency devaluations or exchange rate fluctuations;
- future income tax payments and utilization of net operating losses and foreign tax credit carryforwards;

future compliance with orders and agreements with regulatory agencies;

the effectiveness of our disclosure controls and procedures;

expected outcomes of legal or regulatory proceedings and their expected effects on our results of operations; and

any other statements regarding future growth, future cash needs, future operations, business plans and future financial results.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, including unpredictable or unanticipated factors that we have not discussed in this Form 10-Q. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by the forward-looking statements.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You should consider the areas of risk and uncertainty described above, as well as those discussed in our Annual Report on Form 10-K (the Form 10-K), filed with the Securities and Exchange Commission (SEC) on March 14, 2012, titled *Risk Factors* and those discussed under Item 1A Risk Factors in this Quarterly Report on Form 10-Q. Except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and we caution you not to rely upon them unduly.

The following discussion provides an analysis of the results of operations for each of our business segments, an overview of our liquidity and capital resources and other items related to our business. This discussion and analysis should be read in conjunction with our condensed consolidated financial statements and notes thereto included in this Form 10-Q and our audited consolidated financial statements and notes thereto included in the Form 10-K.

Table of Contents

Overview

We are a comprehensive provider of power generation equipment and modification and maintenance services for customers in the domestic and international energy, power infrastructure and service industries. We operate through two business segments, which we refer to as our Products Division and our Services Division.

Through our Products Division, we design, engineer and manufacture a comprehensive range of gas turbine auxiliary equipment and control houses primarily used to enhance the efficiency and facilitate the operation of gas turbine power plants as well as for other industrial, energy and power-related applications.

Through our Services Division, we provide on-site specialty modification and maintenance, outage management and facility upgrade services for nuclear power plants and specialty maintenance and other industrial services to fossil-fuel and hydroelectric power plants and other industrial operations in the United States (U.S.).

For information about our segments, see Note 12 to our condensed consolidated financial statements included in this Form 10-Q.

In both our segments, our operations are based on discrete projects subject to contract awards of varying scopes and values. Business volume fluctuates due to many factors, including the mix of work and project schedules, which are dependent on the level and timing of customer releases of new projects. Significant fluctuations may occur from period to period in revenue, gross profit and operating results and are discussed below.

2012 Acquisitions

On July 30, 2012, we acquired Koontz-Wagner Custom Controls Holdings LLC (Koontz-Wagner), a leading manufacturer and integrator of engineered packaged control house solutions for the energy, oil & gas, and electrical industries. The aggregate acquisition price consisted of $32.4 million in cash, of which $31.6 million was paid in the third quarter 2012 and $0.8 million was paid in the fourth quarter 2012. On September 5, 2012, we acquired TOG Holdings, Inc., together with its subsidiary, TOG Manufacturing Corporation (TOG), a precision machined metal and alloy parts provider to original equipment manufacturers for the steam and natural gas turbine power generation market. We paid $12.6 million and expect to receive $0.3 million in the fourth quarter of 2012 attributable to a working capital adjustment. Additionally, the TOG net assets acquired included $0.1 million of cash.

The addition of Koontz-Wagner s engineered packaged control house solutions will expand our products portfolio to our current customers, and supports the global expansion into adjacent infrastructure products and services. The acquisition of TOG compliments our Consolidated Fabricators parts product line and establishes a growth platform for aftermarket energy parts sales and also expands our products portfolio to serve the steam turbine segment. The repair and replacement parts business provides a relatively stable revenue stream.

We funded the purchase price of the Koontz-Wagner acquisition and the TOG acquisition (together, the 2012 Acquisitions) with cash on hand. The financial results of the 2012 Acquisitions have been included in our Products Division as of their respective acquisition dates.

Dividend and Stock Repurchases

In May 2012, our Board of Directors approved a dividend policy pursuant to which it plans to make, subject to subsequent declaration, quarterly dividends. The dividends declared during each of the second and third quarters of 2012 were $0.09 per share and dividends paid totaled $1.5 million in each of the second and third quarters of 2012.

Additionally, in May 2012, our Board of Directors authorized a program to repurchase up to two million shares of our common stock. During the nine months ended September 30, 2012, we repurchased 35,801 shares of common stock for $0.7 million under the repurchase program.

New Credit Facility

On February 21, 2012, we extinguished our previous $150 million Credit Facility (Previous Credit Facility) and entered into a new $100 million Credit Facility (New Credit Facility). The New Credit Facility allows for borrowings up to $100 million, with an accordion feature for up to $50 million of additional borrowing capacity. The facility has a letter of credit sublimit of $75 million and provides access to multi-currency funds. The New Credit Facility has a maturity date of February 21, 2017.

Sale of Deltak Assets

On August 31, 2011, we sold substantially all of the operating assets of our Deltak LLC (Deltak) business unit, which was part of our Products Division, for $31.0 million in cash, less a $4.9 million working capital adjustment. We have reclassified the historical results of operations of our Deltak business unit to discontinued operations for all periods presented. Unless noted otherwise, the discussion and analysis that follows relates to our continuing operations only.

Business Outlook

Products:

Year-to-date operating results for our Products Division reflect higher shipment volumes compared to the prior year period primarily due to increased activity in the Middle East and the U.S. and incremental results associated with the 2012 Acquisitions. Proposal and bid activity for near-term original equipment manufacturer (OEM) projects declined during the third quarter of 2012 and indicated potential uncertainties in the market for product deliveries in the second half of 2013.

Our overall long-term outlook remains positive as demand increases for global power generation capacity additions, but has been affected by short-term headwinds resulting from continued macro-economic uncertainties and a slowing recovery in certain geographic markets. Natural gas power generation remains a less expensive and a lower emission alternative to coal-fired power generation, and we are in a strong position to take advantage of this once a sustainable recovery takes hold. Gross margins realized during the nine months ended September 30, 2012 were weaker than in 2011, primarily due to additional costs incurred for customer requirements on discrete projects that shipped in the third quarter. The higher costs are expected to be limited to these discrete projects.

In the third quarter of 2012, we also expanded our OEM offerings with the acquisition of Koontz-Wagner and our repair and replacement parts product line with the acquisition of TOG.

Services:

Within our Services Division, year-to-date revenue is lower primarily due to a reduction in refueling outage work at nuclear power plants in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 and the expiration of a contract during 2011. The impact of the year-over-year revenue declines has been partially offset by increased scope related to our participation on new build and re-start nuclear project sites in the U.S. Also, capital spending constraints and deferred maintenance requirements in response to lower electricity demand and a mild 2011 winter have negatively impacted revenue as some of our customers have reduced the scope of elective maintenance projects. Although we believe we have maintained market share during this period, we continue to see full scope engineering, procurement and construction firms and other niche companies seeking to expand into nuclear modification and maintenance services.

The U.S. Nuclear Regulatory Commission (NRC) has issued preliminary guidance related to certain modifications on the U.S. nuclear fleet, but the timing and scope of such modifications remain uncertain as U.S. utilities evaluate how these preliminary guidelines will apply to their nuclear sites. We do not anticipate earnings in 2012 from contract opportunities that may result from this guidance, but do anticipate some projects to materialize by the second half of 2013. Our margins realized during the nine months ended September 30, 2012 have improved from 2011 due to operational execution and efficient project management on capital projects.

Backlog:

Our backlog consists of firm orders or blanket authorizations from our customers. Backlog may vary significantly from reporting period to reporting period due to the timing of customer commitments. The time between receipt of an order and actual completion, or delivery, of our products varies from a few weeks, in the case of inventoried precision parts, to a year or more, in the case of custom designed gas turbine auxiliary and control house equipment and other major plant components. We add a booking to our backlog for Products Division orders when we receive a purchase order or other written contractual commitment from a customer. The maintenance services we provide through our

Services Division are typically carried out under long-term contracts spanning several years. Upon signing a multi-year maintenance contract with a customer for services, we add to our backlog only the first twelve months of work that we expect to perform under the contract. Additional work that is not identified under the original contract is added to our backlog when we reach an agreement with the customer as to the scope and pricing of

21

that additional work. Capital project awards are typically defined in terms of scope and pricing at the time of contractual commitment from the customer. Upon receipt of a customer commitment, capital project bookings are added to our backlog at full contract value regardless of the time frame anticipated to complete the project. Capital project bookings are removed from our backlog as work is performed and revenue is recognized, or until cancellation.

Backlog is not a measure defined by generally accepted accounting principles in the U.S., and our methodology for determining backlog may vary from the methodology used by other companies in determining their backlog amounts. Backlog may not be indicative of future operating results and projects in our backlog may be cancelled, modified or otherwise altered by our customers.

The following table shows our backlog, by division, as of the end of each of the last five quarters ($ in thousands):

	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Products Backlog	$ 152,385	$ 136,058	$ 135,355	$ 130,614	$ 126,198
Services Backlog	301,916	266,451	199,412	213,433	213,647
Total	$ 454,301	$ 402,509	$ 334,767	$ 344,047	$ 339,845

Our Products Division backlog as of September 30, 2012 increased by $16.3 million from June 30, 2012 and increased by $26.2 million from September 30, 2011. We acquired approximately $24.0 million of this backlog through our 2012 Acquisitions. Excluding the 2012 Acquisitions, Products Division backlog decreased by $7.6 million from June 30, 2012. This decrease was primarily driven by quarterly shipments outpacing new orders. While we remain optimistic about future prospects for new natural gas-fired generation projects, quote and booking activity remains slower than the first half of 2012. Bookings for the quarter were heavily concentrated on projects destined for U.S. and Middle East projects. The Middle East remains active and bookings destined for U.S. projects increased during the third quarter of 2012. Booking from projects destined for Asia have returned to 2011 levels during the third quarter of 2012. Excluding the effects of the 2012 Acquisitions, the ratio of orders booked to orders shipped was 0.8-to-1 during the three months ended September 30, 2012 and 1.0-to-1 during the nine months ended September 30, 2012.

Our Services Division backlog as of September 30, 2012 increased by $35.5 million from June 30, 2012 and $88.3 million from September 30, 2011. The increase in backlog from June 30, 2012 was primarily due to scope expansion on multi-year new build and re-start nuclear project sites. The build in backlog from new project bookings more than offset the impact of lower backlog from our core maintenance and modification services due to customer budget constraints. Of the $301.9 million in backlog as of September 30, 2012, we expect an estimated $40.4 million to convert to revenue beyond 2013. The ratio of project awards added to backlog to services rendered was 1.6-to-1 during the three months ended September 30, 2012 and 1.5-to-1 during the nine months ended September 30, 2012.

Table of Contents

Results of Operations

Our summary financial results during the three and nine months ended September 30, 2012 and 2011 were as follows ($ in thousands):

	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2012	**2011**	**$**	**%**	**2012**	**2011**	**$**	**%**
Products revenue	$ 47,995	$ 36,700	$ 11,295	30.8%	$ 113,681	$ 111,641	$ 2,040	1.8%
Services revenue	63,501	62,526	975	1.6%	196,955	230,196	(33,241)	-14.4%
Total revenue	111,496	99,226	12,270	12.4%	310,636	341,837	(31,201)	-9.1%
Cost of products revenue	39,196	27,472	11,724	42.7%	90,642	87,650	2,992	3.4%
Cost of services revenue	54,171	52,549	1,622	3.1%	168,381	199,862	(31,481)	-15.8%
Cost of revenue	93,367	80,021	13,346	16.7%	259,023	287,512	(28,489)	-9.9%
Gross profit	18,129	19,205	(1,076)	-5.6%	51,613	54,325	(2,712)	-5.0%
Gross profit percentage	*16.3%*	*19.4%*			*16.6%*	*15.9%*		
Selling and administrative expenses	15,604	11,493	4,111	35.8%	44,340	36,063	8,277	23.0%
Reorganization expense		20	(20)	-100.0%		15	(15)	-100.0%
Operating income	2,525	7,692	(5,167)	-67.2%	7,273	18,247	(10,974)	-60.1%
Interest expense, net	94	270	(176)	-65.2%	1,365	844	521	61.7%
Other expense (income), net	169	(121)	290	-239.7%	162	(183)	345	-188.5%
Income from continuing operations before income tax	2,262	7,543	(5,281)	-70.0%	5,746	17,586	(11,840)	-67.3%
Income tax expense (benefit)	954	887	67	7.6%	2,583	(38,098)	40,681	-106.8%
Income from continuing operations	1,308	6,656	(5,348)	-80.3%	3,163	55,684	(52,521)	-94.3%
Discontinued operations:								
Income from discontinued operations, net of tax	238	485	(247)	-50.9%	111	1,980	(1,869)	-94.4%
Gain on disposal, net of tax		11,326	(11,326)	-100.0%		11,326	(11,326)	-100.0%
Income from discontinued operations	238	11,811	(11,573)	-98.0%	111	13,306	(13,195)	-99.2%
Net income	$ 1,546	$ 18,467	$ (16,921)	-91.6%	$ 3,274	$ 68,990	$ (65,716)	-95.3%

Revenue

($ in thousands)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2012	**2011**	**$**	**%**	**2012**	**2011**	**$**	**%**
Products revenue	$ 47,995	$ 36,700	$ 11,295	30.8%	$ 113,681	$ 111,641	$ 2,040	1.8%
Services revenue	63,501	62,526	975	1.6%	196,955	230,196	(33,241)	-14.4%
Total	$ 111,496	$ 99,226	$ 12,270	12.4%	$ 310,636	$ 341,837	$ (31,201)	-9.1%

Products Revenue.

The composition of our Products Division revenue varies from period to period based on our product mix, the strength of various geographic markets we serve and our ability to address those markets. The geographic dispersion of where products were shipped during the three and nine months ended September 30, 2012 and 2011 was as follows ($ in thousands):

	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2012	2011	$	%	2012	2011	$	%
United States	$ 14,598	$ 8,619	$ 5,979	69.4%	$ 31,417	$ 25,670	$ 5,747	22.4%
Canada	958	91	867	952.7%	2,397	5,766	(3,369)	-58.4%
Europe	3,111	1,587	1,524	96.0%	7,086	5,085	2,001	39.4%
Mexico	611	64	547	854.7%	4,357	3,611	746	20.7%
Asia	3,451	7,525	(4,074)	-54.1%	6,935	13,647	(6,712)	-49.2%
Middle East	22,673	11,866	10,807	91.1%	52,272	43,612	8,660	19.9%
South America	819	550	269	48.9%	6,559	7,560	(1,001)	-13.2%
Other	1,774	6,398	(4,624)	-72.3%	2,658	6,690	(4,032)	-60.3%
Total	$ 47,995	$ 36,700	$ 11,295	30.8%	$ 113,681	$ 111,641	$ 2,040	1.8%

The $11.3 million or 30.8% increase in Products Division revenue during the three months ended September 30, 2012, compared to the corresponding period in 2011, was primarily due to shipping of customer delayed shipments from the second quarter and incremental revenue of $5.0 million associated with the 2012 Acquisitions as compared to the three months ended September 30, 2011. During the three months ended September 30, 2012, $15.6 million of the $16.9 million of project shipments delayed in the second quarter of 2012 were shipped in the third quarter of 2012. Including the 2012 Acquisitions, project delivery dates that were delayed as of September 30, 2012 totaled approximately $12.2 million.

Table of Contents

Project delivery dates often change after a project is added to our backlog due to project site logistics or customer driven change orders among other reasons including transportation logistics. Our revenue during the three months ended September 30, 2012 was concentrated in the Middle East as our backlog was concentrated with orders destined for Middle East projects as of June 30, 2012.

The $2.0 million or 1.8% increase in Products Division revenue during the nine months ended September 30, 2012, compared to the corresponding period in 2011, was primarily due to incremental revenue of $5.0 million associated with the 2012 Acquisitions as compared to the nine months ended September 30, 2011. Negatively impacting current year revenue were delays in shipments of projects. Including the 2012 Acquisitions, project delivery dates that were delayed as of September 30, 2012 totaled approximately $12.2 million.

Services Revenue.

The composition of our Services Division revenue varies from period to period based on contract mix (cost plus versus fixed price and capital versus maintenance) and the number and scope of outages under our evergreen maintenance contracts.

The increase in Services Division revenue of $1.0 million or 1.6% during the three months ended September 30, 2012, compared to the corresponding period in 2011, resulted primarily from $13.5 million from new capital project work and $3.4 million from construction support work at new build and re-start nuclear reactor sites. This increase was largely offset by a reduction of $15.9 million due to the deferral of maintenance services and capital budget reductions by existing customers in response to lower electricity demand.

The decrease in Services Division revenue of $33.2 million or 14.4% during the nine months ended September 30, 2012, compared to the corresponding period in 2011, resulted from an approximate $17.3 million in net revenue reduction from outage work in the nine months ended September 30, 2011 as compared to the same period in 2011. The decline in outage work is primarily related to decreases in scope due to customer spending constraints. In addition, $27.5 million of the lower revenue was attributable to work performed in the prior year under a contract that has since expired. The impact of these volume reductions was partially offset by approximately $13.8 million from construction support work at new build and re-start nuclear reactor sites.

Gross Profit / Margin %

($ in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Variance $	Variance %	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Variance $	Variance %
Gross Profit - Products	$ 8,799	$ 9,228	$ (429)	-4.6%	$ 23,039	$ 23,991	$ (952)	-4.0%
Gross Margin %	*18.3%*	*25.1%*			*20.3%*	*21.5%*		
Gross Profit - Services	$ 9,330	$ 9,977	$ (647)	-6.5%	$ 28,574	$ 30,334	$ (1,760)	-5.8%
Gross Margin %	*14.7%*	*16.0%*			*14.5%*	*13.2%*		
Total Gross Profit	$ 18,129	$ 19,205	$ (1,076)	-5.6%	$ 51,613	$ 54,325	$ (2,712)	-5.0%
Gross Margin %	*16.3%*	*19.4%*			*16.6%*	*15.9%*		

Products.

The decrease in Products Division gross profit during the three months ended September 30, 2012 of $0.4 million compared to the corresponding periods in 2011, was the result of decreases in realized gross margin percentage. The impact of the decrease in gross margin percentage of $3.3 million was primarily due to additional costs incurred for customer requirements on discrete projects and products that shipped during the quarter at lower margins in 2012 as compared to shipments in the corresponding period in 2011, which resulted in lower gross profit. Included in the gross margin percentage decrease were warranty costs of $0.9 million and unfavorable absorption related to expansion for our parts manufacturing capacity. The effects of the gross margin percentage decreases were partially offset by current quarter revenue increases as described above. Excluding the effects of the 2012 Acquisitions, the impact of the higher volumes on gross profit during the three months ended September 30, 2012 as compared to the corresponding period in 2011 was approximately $1.6 million.

The decrease in Products Division gross profit during the nine months ended September 30, 2012 of $1.0 million compared to the corresponding periods in 2011, was primarily due to decreases in realized gross margin percentage. Contributing to the decrease in gross margin percentage were warranty costs of $1.5 million and unfavorable absorption related to expansion for our parts manufacturing capacity. The effects of the gross margin decreases were partially offset by current year revenue increases associated with the 2012 Acquisitions.

Services.

The decrease in Services Division gross profit during the three months ended September 30, 2012 of $0.6 million compared to the corresponding period in 2011, was primarily due to decreases in realized gross margin percentage primarily due to $1.4 million of increased costs on a fixed price contract which was partially offset by a $1.1 million favorable insurance retention reserve adjustment based on an updated actuarial estimate due to continued improvements in our safety record as well as higher margin rates on new capital project work.

The decrease in Services Division gross profit during the nine months ended September 30, 2012 of $1.8 million compared to the corresponding period in 2011, was primarily due to decreases in revenue, which impacted gross profit dollars by approximately $4.4 million and $1.4 million of increased costs on a fixed price contract. The effect of the volume reduction and increased costs was partially offset by an increase in gross margin percentage primarily due to improved operational execution, efficient project management on capital projects in 2012 and a $1.1 million favorable insurance retention reserve adjustment based on an updated actuarial estimate due to continued improvements in our safety record.

Selling and Administrative Expenses

($ in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Variance $	Variance %	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Variance $	Variance %
Selling and administrative expenses	$ 15,604	$ 11,493	$ 4,111	35.8%	$ 44,340	$ 36,063	$ 8,277	23.0%

Consolidated selling and administrative expenses include the costs associated with conducting our business, including general management, compensation and benefits of employees that are not direct costs of active projects, officers and directors, legal and professional fees and other general expenses.

Consolidated selling and administrative expenses increased by $4.1 million during the three months ended September 30, 2012 as compared to the corresponding period in 2011. This increase was impacted by $1.9 million in transaction costs related to the 2012 Acquisitions and $0.8 million in incremental expenses associated with the acquired companies, including $0.4 million of intangible amortization expense. In addition, selling and administrative expenses during the third quarter of 2011 were favorably impacted by $0.8 million of legal and professional fees considered part of discontinued operations. The remaining increases in selling and administrative costs were primarily due to expanded business development efforts and integration costs associated with the 2012 Acquisitions. These increases were partially offset by $1.1 million of reduced stock compensation expense primarily for performance awards no longer deemed probable to vest and the acceleration of expense in the second quarter of 2012 effectively lowering third quarter 2012 expense.

Consolidated selling and administrative expenses increased by $8.3 million during the nine months ended September 30, 2012 as compared to the corresponding period in 2011. The increase was primarily due to $1.9 million in transactions costs along with $0.8 million in incremental expenses associated with the 2012 Acquisitions, including $0.4 million of intangible amortization expense. Also impacting the increase was $1.0 million in expenses related to CEO transition costs as well as a $1.2 million increase in legal and professional fees for mergers and acquisition work, tax compliance, integration of acquired businesses and other projects. Additionally, we incurred $0.8 million related to the Enterprise Resource Planning (ERP) system implementation and $0.5 million of organic growth initiatives within our Products Division. Higher wages and benefits for the effect of a full nine months of a fully staffed corporate management team and separate facility cost also contributed to the increase in 2012.

Table of Contents

Operating Income (Loss)

($ in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Variance $	Variance %	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Variance $	Variance %
Operating (Loss) Income - Products	$ (977)	$ 3,653	$ (4,630)	-126.7%	$ (580)	$ 6,206	$ (6,786)	-109.3%
Operating Income - Services	3,502	4,039	(537)	-13.3%	7,853	12,041	(4,188)	-34.8%
Total	$ 2,525	$ 7,692	$ (5,167)	-67.2%	$ 7,273	$ 18,247	$ (10,974)	-60.1%

Operating income is the resulting sum of our gross profit less selling and administrative expenses. All selling and administrative expenses incurred at the corporate level are systematically charged to the reportable segments consistent with our segment disclosures.

Products.

Products Division operating loss of $1.0 million during the three months ended September 30, 2012 decreased $4.6 million or 126.7% compared to operating income of $3.6 million during the corresponding period in 2011. Operating margins were negative 2.0% and positive 10.0% during the three months ended September 30, 2012 and 2011, respectively. The decrease was primarily due to $1.9 million of transactions costs from the 2012 Acquisitions accounted for in the Products Division. Also impacting the decrease was higher costs incurred for customer requirements on discrete projects and products that shipped during the quarter at lower margins in 2012 as compared to shipments in the corresponding period in 2011 as well as additional expenses related to the ERP system implementation incurred during the three months ended September 30, 2012. Additionally, allocation to the Products Division of its proportionate share of corporate selling and administrative expenses increased by approximately $0.9 million.

Products Division operating loss of $0.6 million during the nine months ended September 30, 2012 decreased $6.8 million or 109.3% compared to operating income of $6.2 million during the corresponding period in 2011. Operating margins were negative 0.5% and positive 5.6% during the nine months ended September 30, 2012 and 2011, respectively. The decrease was primarily due to $1.9 million of transactions costs from the 2012 Acquisitions accounted for in the Products Division. Also impacting the decrease was higher costs incurred for customer requirements on discrete projects and products that shipped during the quarter at lower margins in 2012 as compared to shipments in the corresponding period in 2011 as well as additional expenses related to the ERP system implementation incurred during the three months ended September 30, 2012. Additionally, allocation to the Products Division of its proportionate share of corporate selling and administrative expenses increased by approximately $0.8 million, which was driven by higher corporate costs impacted by CEO transition costs and higher mergers and acquisitions fees and expenses.

Services.

Services Division operating income of $3.5 million during the three months ended September 30, 2012 decreased $0.5 million or 13.1% compared to operating income of $4.0 million during the corresponding period in 2011. Operating margins were 5.5% and 6.5% during the three months ended September 30, 2012 and 2011, respectively. The decrease was primarily due to reduced gross profit of $0.6 million as discussed above. Additionally, allocation to the Services Division of its proportionate share of corporate selling and administrative expenses increased by approximately $0.5 million.

Services Division operating income of $7.9 million during the nine months ended September 30, 2012 decreased $4.2 million or 34.7% compared to operating income of $12.0 million during the corresponding period in 2011. Operating margins were 4.0% and 5.2% during the nine months ended September 30, 2012 and 2011, respectively. The decrease was primarily due to reduced gross profit of $1.8 million stemming primarily from declining plant outage work including the impact of a contract expiration. Additionally, allocation to the Services Division of its proportionate share of corporate selling and administrative expenses increased by approximately $2.2 million, which was driven by higher corporate costs impacted by CEO transition costs and higher mergers and acquisitions fees and expenses.

Interest Expense, net

($ in thousands)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2012	2011	$	%	2012	2011	$	%
Interest expense, net	$ 94	$ 270	$ (176)	-65.2%	$ 1,365	$ 844	$ 521	61.7%

Interest expense, net consists of interest on outstanding letters of credit, interest on our unused commitment and amortization of debt issuance costs offset by interest income earned on cash balances.

26

Table of Contents

Interest expense, net decreased $0.2 million or 65.2% during the three months ended September 30, 2012, compared to the corresponding period in 2011. The decrease was due to a $0.1 million reduction in amortization of debt issuance costs and lower rates on our unused commitments and outstanding letters of credit.

Interest expense, net increased $0.5 million or 61.7% during the nine months ended September 30, 2012, compared to the corresponding period in 2011. The increase was primarily attributable to extinguishing our Previous Credit Facility, resulting in a $1.1 million charge to write-off the remaining portion of unamortized debt issuance costs. The increase was partially offset by $0.3 million in reduced amortization of debt issuance costs as well as lower interest expense of $0.2 million during 2012 due to lower rates on our unused commitments and outstanding letters of credit.

Other Expense (Income), net

($ in thousands)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2012	**2011**	**$**	**%**	**2012**	**2011**	**$**	**%**
Other expense (income), net	$ 169	$ (121)	$ 290	-239.7%	$ 162	$ (183)	$ 345	-188.5%

The increase in other expense, net during the three and nine months ended September 30, 2012 compared to the corresponding periods in 2011, was primarily due to the impact of remeasuring U.S. dollars held in Europe to the functional Euro currency. We did not have a U.S. dollar cash balance in Europe during 2011.

Income Tax Expense (Benefit)

($ in thousands)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2012	**2011**	**$**	**%**	**2012**	**2011**	**$**	**%**
Income tax expense (benefit)	$ 954	$ 887	$ 67	7.6%	$ 2,583	$ (38,098)	$ 40,681	-106.8%

Income tax expense for interim periods is based on estimates of the effective tax rate during the entire fiscal year. The effective income tax rate is based upon the estimated income during the year, the estimated composition of the income in different jurisdictions and discrete adjustments, if any, in the applicable quarterly periods for settlements of tax audits or assessments and the resolution or identification of tax position uncertainties.

During the three months ended September 30, 2012, our income tax provision for continuing operations was $1.0 million, or 42.2% of pre-tax income, compared to $0.9 million, or 11.8% of pre-tax income, in the corresponding period for 2011. The increase in our effective tax rate was primarily due to 2011 valuation allowance releases that removed the majority of valuation allowances related to U.S. federal and state net operating loss carryforwards partially offset by low income during the third quarter. The effective tax rate in 2012 differs from the statutory rate due to U.S. state income taxes, non-deductible expenses and other permanent differences.

During the nine months ended September 30, 2012, our income tax provision for continuing operations was $2.6 million, or 45.0% of pre-tax income, compared to an income tax benefit of $38.1 million, or -216.6% of pre-tax income, in the corresponding period for 2011. The increase in our effective tax rate was primarily due to 2011 valuation allowance releases that removed the majority of valuation allowances related to U.S. federal and state net operating loss carryforwards partially offset by low income during the nine months ended September 30, 2012. The effective tax rate in 2012 differs from the statutory rate due to U.S. state income taxes, non-deductible expenses and other permanent differences.

In the third quarter of 2011, we assessed our valuation allowances against deferred tax assets for intangible assets, accruals and U.S. net operating loss (NOL) carryforwards in accordance with Accounting Standards Codification 740 *Income Taxes* (ASC 740). Management s assessment included consideration of all available positive and negative evidence including, among other evidence, the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), recent utilization of NOL carryforwards, historical operating income, projected future taxable income, customer concentration, tight credit markets, and tax planning strategies. Based on results of the assessment, we determined that it was more likely than not that the U.S. NOL carryforwards were realizable based on the guidance provided in ASC 740. Because the U.S. NOL carryforwards are expected to be realized due to current year and future year s income, only the portion attributable to future year s income was released as a discrete event during the third quarter of 2011. We recognized a non-recurring, non-cash tax benefit in the second quarter of 2011 for continuing operations of $40.0 million related to the release of valuation allowances as of September 30, 2011. Additionally, we increased valuation allowances in the third quarter of 2011 by $0.5 million for state NOL modifications.

As of September 30, 2012, we would need to generate approximately $93.3 million of future financial taxable income to realize our deferred tax assets.

Table of Contents

Income from Discontinued Operations

($ in thousands)	Three Months Ended September 30, 2012	2011	Variance $	%	Nine Months Ended September 30, 2012	2011	Variance $	%
Income from discontinued operations	$ 238	$ 11,811	$ (11,573)	-98.4%	$ 111	$ 13,306	$ (13,195)	-99.5%

Income from discontinued operations during the three and nine months ended September 30, 2012 and 2011 were fully comprised of the Deltak business unit, divested on August 31, 2011. Income from discontinued operations in 2012 consisted primarily of the expiration of warranty periods partially offset by costs incurred on the winddown of in-process contracts and legal and professional fee expenses.

Liquidity and Capital Resources

Overview

As of September 30, 2012, our unrestricted cash and cash equivalents totaled $33.7 million, comprised of $8.0 million of U.S. cash and $25.7 million of non-U.S. cash. The decrease in unrestricted cash and cash equivalents of approximately $65.8 million from December 31, 2011, was impacted by the $44.1 million of cash used to fund the 2012 Acquisitions. In addition to the cash used in investing activities, our cash used in operating activities was $10.6 million, which was negatively affected by delayed shipping and billing on Products Division projects. Furthermore, we distributed $3.1 million of cash on dividends and $0.7 million on share repurchases. In addition to our unrestricted cash and cash equivalents, the amount available under our New Credit Facility was $70.7 million.

Cash generated by operations and borrowings available under our New Credit Facility represent our primary sources of short-term liquidity. We believe our existing cash and cash equivalents, cash flow from operations and our available borrowings will be adequate to satisfy our working capital needs, general corporate purposes, capital expenditures, interest payments on our unused borrowing capacity, common stock repurchases, dividends on our common stock and other liquidity requirements associated with our existing operations over the next 12 months. Additionally, we may use U.S. or non-U.S. cash on hand or may borrow against our New Credit Facility to support growth initiatives either organically or through additional acquisitions of complementary businesses.

Included in our total unrestricted cash and cash equivalents was approximately $25.7 million maintained in our non-U.S. operations and subsidiaries. In general, these resources are not available to fund our U.S. operations unless the funds are repatriated to the U.S., which would expose us to taxes we presently have not accrued in our results of operations. We presently have no plans to repatriate these funds to the U.S. as we believe the liquidity generated by our U.S. operations and our unused borrowing capacity are sufficient to meet the cash requirements of our U.S. operations.

The primary elements of our working capital accounts are accounts receivable, costs and estimated earnings in excess of billings, other assets, accounts payable, billings in excess of costs and estimated earnings and other accrued liabilities. We continually monitor our accounts receivable and manage our operating cash flows by managing the working capital accounts in total, rather than by the individual elements. This comprehensive view of working capital, taking into account each of the six primary elements listed, is both common and useful in our project-based industry, as it facilitates reviews of cash flow information at the total working capital level.

Our ability to generate sufficient cash depends on numerous factors beyond our control. We cannot be assured that our business will generate sufficient cash flow from operations or that future borrowings in addition to our New Credit Facility will be available to us in an amount sufficient to enable us to fund our liquidity needs. There can be no assurance that additional financing above our New Credit Facility will continue to be available in the future or that it will be available under terms acceptable to us. Failure to obtain sufficient capital could materially hinder our future expansion strategies.

Short-term Restricted Cash

In accordance with the Deltak sale agreement, we set aside $7.0 million in escrow as a funding mechanism for settlement of warranty claims and other possible contractual claims. As of September 30, 2012, the escrow balances were recorded in the accompanying consolidated balance sheet as short-term restricted cash of $3.1 million and long-term restricted cash, included in other assets, of $3.9 million. The short-term restricted cash that was due for release on August 31, 2012, remains in escrow due to claims asserted by the Deltak buyer during the third quarter of 2012. The timing of the receipt of escrow funds due to us is contingent on the resolution of the Deltak buyer claims. See Note 8 *Commitments and Contingencies* to these condensed consolidated financial statements for more information regarding the claims.

Table of Contents

Dividend and Stock Repurchases

In May 2012, our Board of Directors approved a dividend policy related to our common stock. The dividends declared during each of the second and third quarters of 2012 were $0.09 per share and dividends paid totaled $1.5 million in each of the second and third quarters of 2012. We anticipate the cash used for future dividends and the repurchase program will come from current U.S. cash and from on-going U.S. operating activities and the cash generated from such activities. The timing and amounts of any future dividends are subject to determination and approval by our Board of Directors.

Additionally, in May 2012, our Board of Directors authorized a program to repurchase up to two million shares of our common stock until the earlier of June 30, 2014 or a determination by the Board of Directors to discontinue the repurchase program. The repurchase program does not obligate us to acquire any specific number of shares. Through September 30, 2012, we have repurchased 35,801 shares for an aggregate cost of approximately $0.7 million since the inception of the repurchase program announced on June 1, 2012. At September 30, 2012, we had 1,964,199 shares remaining to be repurchased under the current authorization.

Changes in cash and cash equivalents during the nine months ended September 30, 2012 and 2011 were as follows ($ in thousands):

	Nine Months Ended September 30,	
	2012	**2011**
Statement of cash flow data:		
Cash flows (used in) provided by:		
Operating activities	$ (10,644)	$ 17,179
Investing activities	(47,361)	17,633
Financing activities	(7,725)	(2,975)
Effect of exchange rate changes on cash	(30)	902
Change in cash and cash equivalents	$ (65,760)	$ 32,739

2012 as compared to 2011

Operating Activities

Cash flows used in operating activities during the nine months ended September 30, 2012 was $10.6 million and was impacted by the following:

Net income of $3.2 million, adjusted by non-cash expenses of $4.6 million for stock-based compensation, $1.9 million of depreciation and amortization on plant, property and equipment and intangible assets and $1.2 million of amortization of deferred financing costs.

Net accounts receivable increased by $6.7 million reducing operating cash flows. This change included unfavorable contributions from both our Products and Services Divisions.

A decrease in cash of $2.9 million due to higher on-hand inventory levels and a higher level of project activity in the Products Division.

A decrease in cash due to a total of $20.2 million of additional working capital deployed (the sum of the changes in costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings) to jobs in progress as of September 30, 2012. This change was primarily driven by a higher level of project activity in our Products Division and also impacted by the timing of billings in our Services Division.

An increase in cash from accounts payable of $5.7 million due to the favorable timing of disbursements. This was primarily driven by the Products Division as payables at September 30, 2012 were incurred related to the large volume of projects in progress during the year.

An increase in cash of $4.3 million for accrued and other liabilities primarily due to month-end payroll cut off dates.

Cash flows provided by operating activities during the nine months ended September 30, 2011 of $17.2 million was impacted by the following:

Net income of $69.0 million, reduced by approximately $33.1 million increase in net deferred income taxes (which was impacted by the valuation allowance release) as well as the $17.3 million pre-tax gain on the Deltak sale. Offsetting the impact of the valuation allowance release and pre-tax gain on the Deltak sale were non-cash expenses of $4.7 million for stock-based compensation and $1.9 million of depreciation and amortization on plant, property and equipment and intangible assets.

Net accounts receivable decreased by $6.4 million contributing higher operating cash flows. The positive cash flows were the result of collections by the Services Division, partially offset by an increase in accounts receivable in our Products Division.

A decrease in cash of $1.5 million due to higher on-hand inventory levels and a higher level of project activity in the Products Division.

A decrease in cash due to a total of $5.6 million of additional working capital deployed (as defined above) to jobs in progress as of September 30, 2011. This change was primarily driven by increases in project activity within the Products Division.

A decrease in cash from accounts payable of $2.9 million due to the unfavorable timing of disbursements. This was primarily driven by the Services Division as payables at December 31, 2010 related to the large capital project were disbursed in 2011.

A decrease in cash from accrued and other liabilities of $3.6 million due to a use of cash of $2.7 million from the timing of annual bonus payments and month-end payroll cut off dates, partially offset by an increase in legal and professional fees of $0.7 million that were accrued but not paid as of September 30, 2011.

Investing Activities

Cash flows used in investing activities of $47.4 million during the nine months ended September 30, 2012 consisted primarily of $44.1 million of cash paid for the 2012 Acquisitions.

Cash flows provided by investing activities of $17.6 million during the nine months ended September 30, 2011 consisted primarily of $19.4 million of cash proceeds from the sale of the Deltak business unit in the third quarter of 2011.

Financing Activities

Cash flows used in financing activities of $7.7 million during the nine months ended September 30, 2012 consisted primarily of cash expenditures of $3.1 million related to cash dividends paid in the second and third quarter of 2012, $3.0 million of cash paid for the repurchase of stock-based awards for payment of statutory taxes due on stock-based compensation, $0.9 million for costs associated with the issuance of our New Credit Facility and $0.7 million of cash utilized to repurchase shares.

Cash flows used in financing activities of $3.0 million during the nine months ended September 30, 2011 consisted primarily of cash expenditures of $3.0 million for the repurchase of stock-based awards for payment of statutory taxes due on stock-based compensation.

Effect of Exchange Rate Changes on Cash

The exchange rate changes on cash had a de minimus impact during the nine months ended September 30, 2012. The effect of exchange rate changes increased cash by $0.9 million during the nine months ended September 30, 2011. This increase was primarily driven by the strengthening of the Euro against the U.S. Dollar from December 31, 2010 to September 30, 2011.

Discontinued Operations

Cash flows used in operating activities during the nine months ended September 30, 2012 included operating cash flows provided by discontinued operations of $0.3 million. During the nine months ended September 30, 2011, operating cash flows provided by discontinued operations were $0.6 million.

Financing

Credit Facilities. On February 21, 2012, we extinguished our Previous Credit Facility and entered into a New Credit Facility. The New Credit Facility allows for borrowings up to $100 million, with an accordion feature for up to $50 million of additional borrowing capacity. The facility has a letter of credit sublimit of $75 million and provides access to multi-currency funds. The New Credit Facility has a maturity date of

February 21, 2017. As of September 30, 2012, we had no debt outstanding.

The New Credit Facility, while structured to support strategic growth initiatives and provide flexibility regarding return on capital alternatives, includes affirmative and negative covenants, including customary limitations on securing additional debt and liens and restrictions on transactions and payments, as well as financial covenants relating to our consolidated leverage ratio and consolidated interest coverage ratio. If we fail to comply with the restrictions in the New Credit Facility, we will be in default and the participating banks may restrict our ability to borrow additional funds under the New Credit Facility, require that we immediately repay all outstanding loans with interest and require the cash collateralization of outstanding letter of credit obligations. We have given a first priority lien on substantially all of our assets as security for the New Credit Facility. As of September 30, 2012, we were in compliance with all covenants under the New Credit Facility.

Table of Contents

We may review from time to time possible expansion and acquisition opportunities relating to our business. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to us at that time due to a variety of events, including, among others, credit rating agency downgrades of our debt, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry.

Off-Balance Sheet Transactions

Our liquidity is currently not dependent on the use of off-balance sheet transactions but, in line with industry practice, we are often required to provide performance and surety bonds to customers and may be required to provide letters of credit. If performance assurances are extended to customers, generally our maximum potential exposure is limited in the contract with our customers. We frequently obtain similar performance assurances from third party vendors and subcontractors for work performed in the ordinary course of contract execution. However, the total costs of a project could exceed our original cost estimates, and we could experience reduced gross profit or possibly a loss for a given project. In some cases, if we fail to meet certain performance standards, we may be subject to contractual liquidated damages.

As of September 30, 2012, we had a contingent liability for issued and outstanding letters of credit, generally issued to secure performance on customer contracts. As of September 30, 2012, the balance of letters of credit totaled approximately $16.1 million for the U.S. entities and $13.3 million for non-U.S. entities. Currently, there are no amounts drawn upon these letters of credit. In addition, as of September 30, 2012, we had outstanding surety bonds on projects of approximately $22.4 million. Our subsidiaries provide financial guarantees for certain contractual obligations in the ordinary course of business. As of September 30, 2012, we had $17.1 million of subsidiary company financial guarantees outstanding.

Critical Accounting Policies and Estimates

Our condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. Preparation of these statements requires management to make judgments and estimates. Item 7 of Part II of the Form 10-K, addressed the accounting policies and related estimates that we believed were the most critical to understanding our consolidated financial statements, financial condition and results of operations and those that require management judgment and assumptions, or involve uncertainties. We did not have a significant change to the application of our critical accounting policies and estimates during the first nine months of 2012. The following section provides certain information with respect to our critical accounting policies as of the close of our most recent quarterly period.

Revenue Recognition: We are organized in two major segments: the Products Division and the Services Division. Substantially all of our revenues within the Products Division are derived from fixed-priced contracts. Within the Services Division, we enter into a variety of contract structures including cost plus reimbursements, time and material contracts and fixed-price contracts. The determination of the contract structure within the Services Division is based on the scope of work, complexity and project length and customer preference. We expense pre-contract costs as incurred. Change orders are included in total estimated contract revenue when they can be reliably estimated and it is probable that the adjustment will be approved by the customer or realized. Costs related to change orders are recognized when they are incurred. Revenue for gas turbine auxiliary and control house equipment is recognized on the completed contract method, typically when the unit is delivered and title and risk of loss have transferred to the customer. Revenues for the Selective Catalytic Emission Reduction (SCR) product line in the Products Division and the fixed-price contracts in the Services Division are recognized on the percentage-of-completion method.

The percentage-of-completion method generally results in the recognition of reasonably consistent profit margins over the life of a contract since management has the ability to produce reasonably dependable estimates of contract billings and contract costs. We use the level of profit margin that is most likely to occur on a contract. If the most likely profit margin cannot be precisely determined, the lowest probable level of profit in the range of estimates is used until the results can be estimated more precisely. Our estimate of the total hours or total contract costs to be incurred at any particular time has a significant impact on the revenue recognized for the respective period. Changes in job performance, job conditions, estimated profitability, final contract settlements and resolution of claims may result in revisions to costs and income, and the effects of such revisions are recognized in the period that the revisions are determined. Estimated losses on uncompleted contracts are recognized in the period in which they first become apparent. Under percentage-of-completion accounting, management must also make key judgments in areas such as the percentage-of-completion, estimates of project revenue, costs and margin, estimates of total and remaining project hours and liquidated damages assessments. Any deviations from estimates could have a significant positive or negative impact on our results of operations.

Products Division revenue for gas turbine auxiliary and control house equipment is recognized on the completed contract method, typically when the unit is shipped. Certain of these contracts specify separate delivery dates of individual equipment units or require customer acceptance of a product. In circumstances where separate delivery dates of individual equipment units exist, we recognize revenue when the customer assumes the risk of loss and title for the equipment and the unit has shipped,

which is generally the date the unit is shipped, and costs previously deferred are charged to expense. In circumstances where the contract requires customer acceptance of a product in addition to transfer of title and risk of loss to the customer, revenue is either recognized (i) upon shipment when we are able to demonstrate that the customer specific objective criteria have been met or (ii) upon customer acceptance. Once title and risk of loss have transferred and, where applicable, customer acceptance is complete, we have no further performance obligations. Our SCR product line follows percentage-of-completion method based on cost-to-cost input measures. Regardless of contract provisions, we require that the customer assumes risk of loss and title, and the installation is operating according to specifications or is an uninstalled unit that has been accepted by the customer for revenue to be recognized. Changes in job performance, job conditions, estimated profitability, final contract settlements and resolution of claims may result in revisions to job costs and income amounts that are different than amounts originally estimated.

Cost plus and time and material contracts represent the majority of the contracts in the Service Division. For these contract types, we recognize revenue when services are performed based upon an agreed-upon price for the completed services or based upon the hours incurred and agreed-upon hourly rates. Some of our contracts include provisions that adjust contract revenues for safety, schedule or other performance measures. On cost reimbursable contracts, revenue is recognized as costs are incurred and includes applicable mark up earned through the date services are provided. Fixed price contracts are recognized under the percentage-of-completion method using cost-to-cost measures. Occasionally, we may exclude certain costs from the cost-to-cost method such as significant costs for materials or subcontractors if the exclusion of such costs would result in a more meaningful measurement of actual progress towards completion of the contract.

Revenue and cost of revenue for the discontinued Deltak business unit in the Products Division were recognized on the percentage-of-completion method based on the percentage of actual hours incurred to date in relation to total estimated hours for each contract. This method was used because management considered expended labor hours to be the best available measure of progress on these contracts.

New Accounting Pronouncements

For a discussion of the new accounting pronouncements, see Note 2 to our condensed consolidated financial statements included in this Form 10-Q and Item 7 of Part II of the Form 10-K.

Contractual Obligations

There have been no material changes to the table of contractual obligations presented in the Form 10-K.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

We may be exposed to market risk through changes in interest rates and foreign currency exchange fluctuations. We have established policies to monitor and control these market risks.

Foreign Exchange Rate Risk. We operate in a number of international areas and are involved in transactions denominated in currencies other than the U.S. Dollar, which exposes us to foreign currency exchange rate risk. We have from time-to-time used derivative instruments to hedge our foreign currency transactions. We did not enter into any such instruments as of or during the three and nine months ended September 30, 2012. We do not hold or issue foreign currency forward contracts, option contracts or other derivative financial instruments for speculative purposes.

Interest Rate Risk. Our primary market risk exposure is volatility of interest rates, primarily in the U.S. We manage interest rates through the use of a combination of fixed and floating rate debt and interest rate swap agreements. We are subject to interest rate changes on our LIBOR-based variable interest under our New Credit Facility. As of September 30, 2012, we had no outstanding borrowings on our New Credit Facility and have not borrowed funds since the November 2010 payoff of the term loan on our Previous Credit Facility.

Interest Rate Sensitivity. Based on the absence of any borrowings as of September 30, 2012, a 50 basis point fluctuation in short-term interest rates would have a de minimis impact on our expected pre-tax income on an annual basis.

Item 4. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Table of Contents

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Controls over Financial Reporting

During the third quarter of 2012, we acquired Koontz-Wagner and TOG, (see Note 3 - *Acquisitions* to these condensed consolidated financial statements), which, in the aggregate, represented 16.7% of our total assets as of September 30, 2012. We are in the process of fully integrating Koontz-Wagner and TOG into our internal controls over financial reporting and, in reliance on interpretive guidance issued by the SEC staff, disclosure of changes in internal control over financial reporting related to Koontz-Wagner and TOG have been excluded. Otherwise, there were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II - OTHER INFORMATION

Item 1. ***Legal Proceedings.***
The information set forth under Note 8 *Commitments and Contingencies*, in Item 1 of Part I of this Quarterly Report on Form 10-Q, is incorporated herein by reference.

Item 1A. ***Risk Factors.***
There were no material changes to our risk factors from those reported in Part I, Item 1A, of the Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***
Issuer Purchases of Equity Securities

The following table presents information regarding our repurchases of shares of our common stock on a monthly basis during the third quarter of 2012.

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (2)	Maximum Number of Shares That May Yet Be Purchased Under the Plan (2)
July 1, 2012 through July 31, 2012		$		2,000,000
August 1, 2012 through August 31, 2012	444	20.11	1,703	1,998,297
September 1, 2012 through September 30, 2012			34,098	1,964,199
Total	444	$ 20.11	35,801	1,964,199

(1) Represents the surrender of shares of common stock to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock awards issued to employees under our stockholders-approved long-term incentive plan.

(2) Our share repurchase program was approved by the Board on May 30, 2012 and allows for repurchase of up to two million shares of our common stock until the earlier of June 30, 2014 or a determination by the Board of Directors to discontinue the repurchase program.

Item 3. ***Defaults Upon Senior Securities.***
None.

Item 4. ***Mine Safety Disclosures.***
Not applicable.

Item 5. ***Other Information*.**
None.

Item 6. ***Exhibits*.**

Exhibit	**Description**
10.1	Form of Global Power Equipment Group Inc. Restricted Shares Award Agreement. * +
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. +
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. +
32.1	Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
32.2	Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**

Table of Contents

Exhibit	Description
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Indicates a management contract or compensatory plan or arrangement.
+ Filed herewith.
** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	GLOBAL POWER EQUIPMENT GROUP INC.
Date: November 8, 2012	By: /s/ William G. Evans **William G. Evans,** **Vice President and Chief Accounting Officer**
	As a duly authorized officer of the Registrant and as principal accounting officer.

36