STANDEX INTERNATIONAL CORP/DE/
Form 10-K
August 27, 2010

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

FORM 10-K

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

For the fiscal year ended June 30, 2010	Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its Charter)

DELAWARE	31-0596149
(State of incorporation)	*(I.R.S. Employer Identification No.)*
11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	*(Zip Code)*

(603) 893-9701
(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE

SECURITIES EXCHANGE ACT OF 1934:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value $1.50 Per Share	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES [ ] **NO** [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES [ ] **NO** [X]

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer __ Accelerated filer X Non-accelerated filer __ Smaller Reporting Company __

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] **NO** [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant at the close of business on December 31, 2009 was approximately $250,000,000. Registrant s closing price as reported on the New York Stock Exchange for December 31, 2009 was $20.09 per share.

The number of shares of Registrant's Common Stock outstanding on August 23, 2010 was 12,472,648

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant s 2010 Annual Meeting of Stockholders (the Proxy Statement) are incorporated by reference into Part III of this report.

Forward Looking Statement

Statements contained in this Annual Report on Form 10-K that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as should, could, "may," will, expect," "believe "estimate," "anticipate," intends, "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company s business and the results of its operations and may cause the actual results of operations in future periods to differ materially from those currently expected or desired. These factors include, but are not limited to conditions in the financial and banking markets, including fluctuations in the exchange rates and the inability to repatriate foreign cash, general and international recessionary economic conditions, including the impact, length and degree of the current recessionary conditions on the customers and markets we serve and more specifically conditions in the food service equipment, automotive, construction, aerospace, energy, housing transportation and general industrial markets, lower-cost competition, the relative mix of products which impact margins and operating efficiencies, both domestic and foreign, in certain of our businesses, the impact of higher raw material and component costs, particularly steel, petroleum based products and refrigeration components, an inability to realize the expected cost savings from restructuring activities, effective completion of plant consolidations, cost reduction efforts, including procurement savings and productivity enhancements, capital management improvements, strategic capital expenditures, and the implementation of lean enterprise manufacturing techniques, the inability to achieve the savings expected from the sourcing of raw materials from and diversification efforts in emerging markets and the inability to achieve synergies contemplated by the Company. Other factors that could impact the Company include changes to future pension funding requirements and the failure by the purchaser of our former Berean bookstore chain to satisfy its obligations under those leases where the Company remains an obligor. In addition, any forward-looking statements represent management's estimates only as of the day made and should not be relied upon as representing management's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so, even if management's estimates change.

PART I

Item 1. Business

Standex International Corporation (the "Company" or "we" (1)) was incorporated in 1975 and is the successor of a corporation organized in 1955. We have paid dividends each quarter since Standex became a public corporation in November 1964.

We are a leading manufacturer of a variety of products and services for diverse industrial market segments. We have 12 operating segments, aggregated and organized for reporting purposes into five segments: Food Service Equipment Group, Air Distribution Products Group (ADP), Engraving Group, Engineering Technologies Group and Electronics and Hydraulics Group. Overall management, strategic development and financial control are maintained by the executive staff from our corporate headquarters located in Salem, New Hampshire.

Our corporate strategy has several primary components.

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It is our objective to grow larger and more profitable business units through both organic initiatives and acquisitions. On an ongoing basis we identify and implement organic growth initiatives such as new product development, geographic expansion, introduction of products and technologies into new markets and applications and leveraging of sales synergies between business units, key accounts and strategic sales channel partners. Also, we utilize strategically aligned or bolt on acquisitions to create both sales and cost synergies with our core business platforms to accelerate their growth and margin improvement. There is a particular focus on identifying and investing in opportunities to increase the global presence and capabilities of our businesses. From time to time we have divested businesses that we felt were not strategic or did not meet our growth and return expectations.

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Our focus is on the growth and development of businesses that provide customer solutions or engineered products that provide higher levels of value add to our customers. These types of businesses generally demonstrate the ability to sustain sales and profit growth over time and provide superior operating margins to enhance shareholder returns.

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We have a focus on operational excellence through the continuous improvement in the cost structure of our businesses and in management of working capital. We recognize that our businesses are competing in a global economy that requires that we constantly strive to improve our competitive position. We have deployed a number of management competencies including lean enterprise, the use of low cost manufacturing facilities in countries such as Mexico and China, the consolidation of manufacturing facilities to achieve economies of scale and leveraging of fixed infrastructure costs, alternate sourcing to achieve procurement cost reductions, and capital improvements to increase shop floor productivity, which drives improvements in the cost structure of our business units. Further, we have made a priority of improving the utilization and efficiency in the investment of working capital in our business units.

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Finally, we have a constant focus on cash flow generation. We recognize that cash flow is fundamental in our ability to invest in organic and acquisitive growth for our business units, to allow us to return cash to our shareholders in the form of dividends and that it is a measure of the quality of the earnings that we generate over time.

(1)

References in this Annual Report on Form 10-K to "Standex" or the "Company" or we, our or us shall mean

Standex International Corporation and its subsidiaries.

(2)

Unless otherwise noted, references to years are to fiscal years.

Please visit our web site at www.standex.com to learn more about us or to review our most recent SEC filings. The information on our web site is for informational purposes only and is not incorporated into this Annual Report on Form 10-K.

Description of Segments

Food Service Equipment Group

Our Food Service Equipment businesses are leading, broad-line manufacturers of commercial food service equipment which includes products on the cold or in the refrigerated segment of food service applications and on the hot in the cooking segment of the market. Our products are used throughout the entire food service process; from storage, to preparation, to cooking and to display. The equipment that we design and manufacture is utilized in restaurants, convenience stores, quick-service restaurants, supermarkets, drug stores and institutions such as hotels, casinos and corporate and school cafeterias to meet the challenges of providing food and beverages that are fresh and appealing with the comfort of knowing the food safety and reliability of the equipment. The Food Service Equipment Group also applies technology and product expertise in the health science and medical markets. Customers in this segment include laboratories, health care institutions, and blood banks. Our products are sold direct, through dealer buying groups and through industry representatives. Through innovation and acquisition, we continue to expand this segment. Our brands and products include:

- Master-Bilt® refrigerated cabinets, cases, display units, and walk-in coolers and freezers

- Nor-Lake, Incorporated and Kool Star refrigerated walk-in coolers, freezers, refrigeration systems and cases to meet food service and scientific needs

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APW Wyott, American Permanent Ware, Bakers Pride and BevLes commercial ovens, griddles, char broilers and toasters used in cooking, toasting, warming and merchandising food

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American Foodservice custom-fabricated food service counters, buffet tables and cabinets

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Barbecue King® and BKI® commercial cook and hold units, rotisseries, pressure fryers, ovens and baking equipment

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Federal Industries merchandizing display cases

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Procon® rotary vane pumps used in beverage and industrial fluid handling applications

Air Distribution Products Group

Our Air Distribution Products (ADP) business is a leading manufacturer of metal duct and fittings for residential heating, ventilating and air conditioning applications. With manufacturing locations throughout the United States, ADP s ability to service national accounts seamlessly gives ADP a competitive advantage over its smaller regional competitors. Our total procurement leverage on the purchase of galvanized steel used in the production of our products and the investment in technology allows ADP to produce high-volume output at a lower cost while providing superior customer service. Our products are sold through both HVAC wholesalers and through large scale do-it-yourself stores throughout the continental United States. Our brand names in Air Distribution Products include Snappy®, ACME, ALCO and Standex.

Engraving Group

Our Engraving Group is a world leader in texturizing molds used in the production of plastic components, giving the final product the cosmetic appearance and appeal that our consumers require. We provide texturizing services for molds used to produce plastic components used in automotive applications and consumer products including toys, computers and other electronics devices. Our worldwide locations enable us to better serve our customers within key geographic areas, including the United States, Canada, Europe, China, Southeast Asia, Australia and South America. In addition to mold texturizing, the Engraving Group also produces embossed and engraved rolls and plates and process tooling and machinery serving a wide variety of industries. Through the development of new digital based process technology and acquisitions, the Engraving Group continues to build its market leadership position and to expand the breadth of products and services it provides to its customers. The companies and products within the

Engraving Group include Roehlen®, I R International and Eastern Engraving which engrave and emboss rolls and plates used in manufacturing continuous length materials; Innovent which makes specialized tooling used to manufacture absorbent cores of many consumer and medical products; Mold-Tech® which texturizes molds used in manufacturing plastic injected components; Mullen® Burst Testers; and Perkins converting and finishing machinery. Our products are sold direct and through manufacturers representatives. The Engraving Group serves a number of industries including the automotive, plastics, building products, synthetic materials, converting, textile and paper industry, computer, houseware and construction industries.

Engineering Technologies Group

Our Engineering Technologies Group, consisting of our Spincraft® operating segment (formerly reported as part of the Engineered Products Group), provides customized solutions in the fabrication and machining of engineered components. Sales are made directly to our customers in the aerospace, energy, defense, marine, and aviation markets.

Electronics and Hydraulics Group

Our Electronics and Hydraulics Group consists of operating segments not otherwise aggregated under segment reporting criteria. The following describes the businesses and products of our Electronics and Hydraulics Group.

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Custom Hoists (formerly reported as the Hydraulic Products Group) which provides single and double acting telescopic and piston rod hydraulic cylinders to manufacturers of dump truck and dump trailers and other material handling applications. Sales are made directly to OEMs manufacturing dump trucks, trash collection vehicles, lift trucks and other mobile units requiring hydraulic power.

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Standex Electronics (formerly reported as part of the Engineered Products Group), which manufactures reed switches, electrical connectors, sensors, toroids and relays, fixed and variable inductors and electronic assemblies, fluid sensors, tunable inductors, transformers and magnetic components. Sales are made both directly to customers and through manufacturers representatives, dealers and distributors. End user market segments include automotive, white goods, lighting, HVAC, aerospace, military, medical, security, and general industrial applications.

Raw Materials

Raw materials and components necessary for the manufacture of our products are generally available from numerous sources. Generally, we are not dependent on a single source of raw materials and supplies. We do not foresee unavailability of materials or supplies which would have a significant adverse effect on any of our businesses, nor any of our segments, in the near term. The prices of many commodities that we use generally remain at higher levels than in past years. Discussion of the impacts of these materials is included in Management s Discussion and Analysis.

Seasonality

We are a diversified business with generally low levels of seasonality, however our fiscal third quarter is typically the period with the lowest level of sales volume.

Patents and Trademarks

We hold approximately 70 United States patents and patents pending covering processes, methods and devices and approximately 52 United States trademarks. Many counterparts of these patents have also been registered in various foreign countries. In addition, we have various foreign registered and common law trademarks.

While we believe that many of our patents are important, we credit our competitive position in our niche markets to engineering capabilities, manufacturing techniques and skills, marketing and sales promotions, service and the delivery of quality products.

Due to the diversity of our businesses and the markets served, the loss of any single patent or trademark would not, in our opinion, materially affect any individual segment.

Customers

Our business is not dependent upon a single customer or very few customers, the loss of any one of which would have a material adverse effect on our operations. No customer accounted for more than 5% of our consolidated revenue in fiscal 2010 or any of the years presented.

Working Capital

Our primary source of working capital is the cash generated from continuing operations. No segments require any special working capital needs outside of the normal course of business.

Backlog

Backlog orders believed to be firm at June 30, 2010 and 2009 are as follows (in thousands):

	2010	**2009**
Food Service Equipment	$37,009	$37,523

Air Distribution Products	898	726
Engraving	10,308	11,543
Engineering Technologies	51,844	65,261
Electronics and Hydraulics	15,825	9,290
Total	115,884	124,343
Net realizable beyond one year	16,415	28,008
Net realizable within one year	$99,469	$96,335

Competition

Standex manufactures and markets products many of which have achieved a unique or leadership position in their market. However, we encounter competition in varying degrees in all product groups and for each product line. Competitors include domestic and foreign producers of the same and similar products. The principal methods of competition are price, delivery schedule, quality of services, other terms and conditions of sale and product performance.

U. S. Domestic Housing Market

Our ADP segment is dependent upon demand in the new residential housing construction market. This market is in the midst of a cyclical downtown with demand at its lowest point in over 50 years. Discussion of the impact of this downturn on this segment is included in Management s Discussion and Analysis.

International Operations

Substantially all of our international operations are included in the Food Service Equipment, Engraving Group, and Electronics and Hydraulics Products business segments. International operations are conducted at 26 locations, in Europe, Canada, China, India, Singapore, Australia, Mexico and Brazil. See the Notes to Consolidated Financial Statements for international operations financial data. Our international operations contributed approximately 15% of operating revenues in 2010 and 13% in 2009. International operations are subject to certain inherent risks in connection with the conduct of business in foreign countries including, exchange controls, price controls, limitations on participation in local enterprises, nationalizations, expropriation and other governmental action and changes in currency exchange rates.

Research and Development

Developing new and improved products, broadening the application of established products, and continuing efforts to improve and develop new methods, processes and equipment, have driven our success. However, due to the nature of our manufacturing operations and the types of products manufactured, expenditures for research and development are not significant to any individual segment or in the aggregate. Research and development costs are quantified in the Notes to Consolidated Financial Statements. We develop and design new products to meet customer needs or in order to offer enhanced products or to provide customized solutions for customers.

Environmental Matters

During 2008, the Company entered into an Administrative Order of Consent with the U.S. Environmental Protection Agency related to the removal of various PCB-contaminated materials and soils at a site where the Company leased a building and conducted operations from 1967-1979. See the notes to our consolidated financial statements for further information regarding this event.

To the best of our knowledge, we believe that we are presently in substantial compliance with all existing applicable environmental laws and regulations and do not anticipate any instances of non-compliance that will have a material effect on our future capital expenditures, earnings or competitive position.

Financial Information about Geographic Areas

Information regarding revenues from external customers attributed to: the United States, all foreign countries and any individual foreign country, if material, is contained in the Notes to Consolidated Financial Statements for Industry Segment Information.

Number of Employees

As of June 30, 2010, we employed approximately 3,800 employees of which approximately 2,200 were in the United States. About 500 of our U.S. employees were represented by unions. Approximately 39% of our workforce is situated in low-cost manufacturing regions such as Mexico and Asia.

Executive Officers of Standex

The executive officers of the Company as of June 30, 2010 were as follows:

Name	Age	Principal Occupation During the Past Five Years
Roger L. Fix	57	Chief Executive Officer of the Company since January 2003; President of the Company since December 2001
Thomas D. DeByle	50	Vice President, Chief Financial Officer, and Treasurer of the Company since March 2008; Vice President of Finance and Chief Financial Officer of Bobcat Company Doosan Infracore November 2007 March 2008 due to the divestiture of the Compact Equipment businesses from Ingersoll Rand, prior thereto various senior financial positions in Ingersoll Rand from September 2001 through November 2007 including Sector CFO of the Compact Vehicle Technologies Sector (Club Car and Bobcat).
Deborah A. Rosen	55	Chief Legal Officer of the Company since October 2001; Vice President of the Company since July 1999; Secretary of the Company since 1997.
John Abbott	51	Group Vice President of the Food Service Group since December 2006; and prior thereto President of Filtration Group of Pentair from 2004 to 2006.

The executive officers are elected each year at the first meeting of the Board of Directors subsequent to the annual meeting of stockholders, to serve for one-year terms of office. There are no family relationships among any of the directors or executive officers of the Company.

Long-Lived Assets

Long-lived assets are described and discussed in the Notes to Consolidated Financial Statements under the caption Long-Lived Assets.

Available Information

Standex s corporate headquarters are at 11 Keewaydin Drive, Salem, New Hampshire 03079, and our telephone number at that location is (603) 893-9701.

The U. S. Securities and Exchange Commission (the SEC) maintains an internet website at http://www.sec.gov that contains our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements, and all amendments thereto. All reports that we file with the SEC may be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Standex s internet website address is www.standex.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements, and all amendments thereto, are available free of charge on our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our code of business conduct, our code of ethics for senior financial management, our corporate governance guidelines, and the charters of each of the committees of our Board of Directors (which are not deemed filed by this reference), are available on our website and are available in print to any Standex shareholder, without charge, upon request in writing to Chief Legal Officer, Standex International Corporation, 11 Keewaydin Drive, Salem, New Hampshire, 03079.

The certifications of Standex s Chief Executive Officer and Chief Financial Officer, as required by the rules adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, are filed as exhibits to this Form 10-K.

Item 1A. Risk Factors

An investment in the Company s common shares involves various risks, including those mentioned below and those that are discussed from time to time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information filed in this report, before making an investment decision regarding our common shares. There may be additional risks which the Company is currently unaware of or which we currently consider immaterial. All of these risks could have a material adverse effect on our financial condition, results of operations and/or value of our common shares.

A continuation of the deterioration in the economic environment could adversely affect our operating results and financial condition.

Recessionary economic conditions coupled with a tightening of credit could continue to adversely impact major markets served by our businesses, including cyclical markets such as residential housing, automotive, heavy construction vehicle, general industrial and food service. A continuation of the economic recession could adversely affect our business by:

reducing demand for our products and services, particularly in markets where demand for our products and services is cyclical;

causing delays or cancellations of orders for our products or services;

reducing capital spending by our customers;

increasing price competition in our markets;

increasing difficulty in collecting accounts receivable;

increasing the risk of excess or obsolete inventories;

increasing the risk of impairment to long-lived assets due to reduced use of manufacturing facilities;

increasing the risk of supply interruptions that would be disruptive to our manufacturing processes; and

reducing the availability of credit for our customers.

We rely on our credit facility to provide us with sufficient capital to operate our businesses.

We rely on our revolving credit facility to provide us with sufficient capital to operate our businesses. The availability of borrowings under our revolving credit facility is dependent upon our compliance with the covenants set forth in the facility, including the maintenance of certain financial ratios. Our ability to comply with these covenants is dependent upon our future performance, which is subject to economic conditions in our markets along with factors that are beyond our control. Violation of those covenants, whether as a result of recording goodwill impairment charges, incurring operating losses or otherwise, could result in our lenders restricting or terminating our borrowing ability under our credit facility, cause us to be liable for covenant waiver fees or other obligations, or trigger an event of default under the terms of our credit facility which could result in acceleration of the debt under the facility and require prepayment of the debt before its due date. Even if new financing is available in the event of a default under our current credit facility, the interest rate charged on any new borrowing could be substantially higher than under the current credit facility, thus adversely affecting our overall financial condition. If our lenders reduce or terminate our access to amounts under our credit facility, we may not have sufficient capital to fund our working capital needs or we may need to secure additional capital or financing to fund our working capital requirements or to repay outstanding debt under our credit facility.

Our credit facility contains covenants that restrict our activities.

Our revolving credit facility contains covenants that restrict our activities, including our ability to:

incur additional indebtedness;

make investments;

create liens;

pay cash dividends unless we are in compliance with certain financial covenants; and

sell material assets.

Our global operations subject us to international business risks.

We operate in 26 locations outside of the United States in North America, South America, Europe, Australia, and Asia. If we are unable to successfully manage the risks inherent to the operation and expansion of our global businesses, those risks could have a material adverse effect on our business, results of operations or financial condition. Those international business risks include:

fluctuations in currency exchange rates;

restrictions on repatriation of earnings;

import and export controls;

political, social and economic instability or disruptions;

potential adverse tax consequences;

difficulties in staffing and managing multi-national operations;

difficulties in our ability to enforce legal rights and remedies; and

changes in regulatory requirements.

Failure to achieve expected savings and synergies could adversely impact our operating profits and cash flows.

We focus on reducing operating costs through lean and low cost sourcing and manufacturing initiatives, improving working capital management, developing new and enhanced products, consolidating factories where appropriate, automating manufacturing capabilities, diversification efforts and completing acquisitions which deliver synergies to supplement sales and growth. If we were unable to reduce costs and expenses through such programs, this failure could adversely affect our operating profits and cash flows. In addition, actions we may take to consolidate manufacturing operations to achieve cost savings or adjust to market developments may result in restructuring charges that adversely affect our profits.

We face significant competition in our markets and, if we are not able to respond to competition in our markets, our net sales, profits and cash flows could decline.

Our businesses operate in highly competitive markets. In order to effectively compete, we must retain longstanding relationships with significant customers, offer attractive pricing, develop enhancements to products that offer performance features that are superior to our competitors and which maintain our brand recognition, continue to automate our manufacturing capabilities, continue to grow our business by establishing relationships with new customers, diversify into emerging markets and penetrate new markets. If we are unable to compete effectively, our net sales, profitability and cash flows could decline. Pricing pressures resulting from competition may adversely affect our net sales and profitability.

If we are unable to successfully introduce new products and product enhancements, our future growth could be impaired.

Our ability to develop new products and innovations to satisfy customer needs or demands in the markets we serve can affect our competitive position and often requires significant investment of resources. Difficulties or delays in research, development or production of new products and services or failure to gain market acceptance of new products and technologies may significantly reduce future net sales and adversely affect our competitive position.

Increased prices or significant shortages of the commodities that we use in our businesses could result in lower net sales, profits and cash flows.

We purchase large quantities of steel, refrigeration components, foam insulation and other metal commodities for the manufacture of our products. Historically, prices for these commodities have fluctuated, and we have not entered into long term contracts or other arrangements to hedge the risk of price increases in these commodities. Significant price increases for these commodities could adversely affect our operating profits if we cannot timely mitigate the price increases by successfully sourcing lower cost commodities or by passing the increased costs on to customers. Shortages or other disruptions in the supply of these commodities could delay sales or increase costs.

An inability to identify or complete future acquisitions could adversely affect our future growth.

As part of our growth strategy, we intend to pursue acquisitions that provide opportunities for profitable growth for our businesses and which enable us to leverage our competitive strengths. For example, in 2007, we made two acquisitions in our Food Service Equipment Group which significantly increased the size of that group. While we continue to evaluate potential acquisitions, we may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions or otherwise complete acquisitions in the future. An inability to identify or complete future acquisitions could limit our future growth.

We may experience difficulties in integrating acquisitions.

Integration of acquired companies involves a number of risks, including:

inability to operate acquired businesses profitably;

failure to accomplish strategic objectives for those acquisitions;

unanticipated costs relating to acquisitions or to the integration of the acquired businesses;

difficulties in achieving planned cost-savings and synergies; and

possible future impairment charges for goodwill and non-amortizable intangible assets that are recorded as a result of acquisitions.

Additionally, our level of indebtedness may increase in the future if we finance acquisitions with debt, which would cause us to incur additional interest expense and could increase our vulnerability to general adverse economic and industry conditions and limit our ability to service our debt or obtain additional financing. We cannot assure that future acquisitions will not have a material adverse effect on our financial condition, results of operations and cash flows.

Impairment charges could reduce our profitability.

We test goodwill and our other intangible assets with indefinite useful lives for impairment on an annual basis or on an interim basis if an event occurs that might reduce the fair value of the reporting unit below its carrying value. During fiscal 2009, we incurred an impairment charge of $21.3 million relating to goodwill and intangible assets in our Food Service Equipment Group. Various uncertainties, including continued adverse conditions in the capital markets or changes in general economic conditions, could impact the future operating performance at one or more of our businesses which could significantly affect our valuations and could result in additional future impairments. The recognition of an impairment of a significant portion of goodwill would negatively affect our results of operations, the effect of which could be material to us.

Material adverse or unforeseen legal judgments, fines, penalties or settlements could have an adverse impact on our profits and cash flows.

We are and may, from time to time, become a party to legal proceedings incidental to our businesses, including, but not limited to, alleged claims relating to product liability, environmental compliance, patent infringement, commercial disputes and employment matters. In accordance with United States generally accepted accounting principles, we have established reserves based on our assessment of contingencies. Subsequent developments in legal proceedings may affect our assessment and estimates of loss contingencies recorded as reserves which could require us to record additional reserves or make additional material payments which could adversely affect our profits and cash flows. Even the successful defense of legal proceedings may cause us to incur substantial legal costs and may divert management's time and resources away from our businesses.

The costs of complying with existing or future environmental regulations, and of correcting any violations of these regulations, could increase our expenses and reduce our profitability.

We are subject to a variety of environmental laws relating to the storage, discharge, handling, emission, generation, use and disposal of chemicals, hazardous waste and other toxic and hazardous materials used to manufacture, or resulting from the process of manufacturing, our products. We cannot predict the nature, scope or effect of regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. We are also exposed to potential legacy environmental risks relating to businesses we no longer own or operate. Future regulations could be applied to materials, products or activities that have not been subject to regulation previously. The costs of complying with new or more stringent regulations, or with more vigorous enforcement of these or existing regulations, could be significant.

In addition, properly permitted waste disposal facilities used by us as a legal and legitimate repository for hazardous waste may in the future become mismanaged or abandoned without our knowledge or involvement. In such event, legacy landfill liability could attach to or be imposed upon us in proportion to the waste deposited at any disposal facility.

Environmental laws require us to maintain and comply with a number of permits, authorizations and approvals and to maintain and update training programs and safety data regarding materials used in our processes. Violations of these requirements could result in financial penalties and other enforcement actions. We could be required to halt one or more portions of our operations until a violation is cured. Although we attempt to operate in compliance with these environmental laws, we may not succeed in this effort at all times. The costs of curing violations or resolving enforcement actions that might be initiated by government authorities could be substantial.

Contingent liabilities from businesses that we have sold could adversely affect our results of operations and financial condition.

We have retained responsibility for some of the known and unknown contingent liabilities related to a number of businesses we have sold, such as lawsuits, tax liabilities, product liability claims and environmental matters and have agreed to indemnify purchasers of these businesses for certain of those contingent liabilities. The purchaser of Berean Christian Bookstores, a former subsidiary of the Company, filed a Chapter 11 bankruptcy petition on June 9, 2009. On July 27, 2009, the Bankruptcy Court approved a sale under Section 363 of the Bankruptcy Code of substantially all of the assets of Berean to a newly-formed entity, Berean Christian Stores Endeavor, LLC ("Berean Endeavor"), which has assumed all of the Berean leases on which we remain an obligor. The failure of Berean Endeavor to improve the performance of the business could make it unable to satisfy its obligations under the leases, which could trigger our continuing obligation.

The trading price of our common stock has been volatile, and investors in our common stock may experience substantial losses.

The trading price of our common stock has been volatile and may become volatile again in the future. The trading price of our common stock could decline or fluctuate in response to a variety of factors, including:

our failure to meet the performance estimates of securities analysts;

changes in financial estimates of our net sales and operating results or buy/sell recommendations by securities analysts;

fluctuations in our quarterly operating results;

substantial sales of our common stock;

changes in the amount or frequency of our payment of dividends or repurchases of our common stock;

general stock market conditions; or

other economic or external factors.

Decreases in discount rates and actual rates of return could require future pension contributions to our pension plans which could limit our flexibility in managing our company.

Key assumptions inherent in our actuarially calculated pension plan obligations and pension plan expense are the discount rate and the expected rate of return on plan assets. If discount rates and actual rates of return on invested plan assets were to decrease significantly, our pension plan obligations could increase materially. The size of future required pension contributions could require us to dedicate a greater portion of our cash flow from operations to making contributions, which could negatively impact our financial flexibility.

Various restrictions in our charter documents, Delaware law and our credit agreement could prevent or delay a change in control of us that is not supported by our board of directors.

We are subject to a number of provisions in our charter documents, Delaware law and our credit facility that may discourage, delay or prevent a merger, acquisition or change of control that a stockholder may consider favorable. These anti-takeover provisions include:

maintaining a classified board and imposing advance notice procedures for nominations of candidates for election as directors and for stockholder proposals to be considered at stockholders' meetings;

a provision in our certificate of incorporation that requires the approval of the holders of 80% of the outstanding shares of our common stock to adopt any agreement of merger, the sale of substantially all of the assets of Standex to a third party or the issuance or transfer by Standex of voting securities having a fair market value of $1 million or more to a third party, if in any such case such third party is the beneficial owner of 10% or more of the outstanding shares of our common stock, unless the transaction has been approved prior to its consummation by all of our directors;

requiring the affirmative vote of the holders of at least 80% of the outstanding shares of our common stock for stockholders to amend our amended and restated by-laws;

covenants in our credit facility restricting mergers, asset sales and similar transactions; and the Delaware anti-takeover statute contained in Section 203 of the Delaware General Corporation Law.

Section 203 of the Delaware General Corporation Law prohibits a merger, consolidation, asset sale or other similar business combination between Standex and any stockholder of 15% or more of our voting stock for a period of three years after the stockholder acquires 15% or more of our voting stock, unless (1) the transaction is approved by our board of directors before the stockholder acquires 15% or more of our voting stock, (2) upon completing the transaction the stockholder owns at least 85% of our voting stock outstanding at the commencement of the transaction, or (3) the transaction is approved by our board of directors and the holders of 66 2/3% of our voting stock, excluding shares of our voting stock owned by the stockholder.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate a total of 65 manufacturing plants and warehouses located throughout the United States, Europe, Canada, Australia, Singapore, China, India, Brazil and Mexico. The Company owns 29 of the facilities and the balance are leased. The approximate building space utilized by each product group is as follows (in thousands):

	Area in Square Feet	
	Owned	**Leased**
Food Service Equipment	1,273	230
Air Distribution Products	269	245
Engraving	321	293
Engineering Technologies	174	45
Electronics and Hydraulics	152	107
Corporate and other	43	12
Total	2,232	932

In general, the buildings are in sound operating condition and are considered to be adequate for their intended purposes and current uses.

We own substantially all of the machinery and equipment utilized in our businesses.

Item 3. Legal Proceedings

There are no material pending legal proceedings.

Item 4. Reserved

PART II

Item 5. Market for Standex Common Stock

Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market in which the Common Stock of Standex is traded is the New York Stock Exchange under the ticker symbol SXI . The high and low sales prices for the Common Stock on the New York Stock Exchange and the dividends paid per Common Share for each quarter in the last two fiscal years are as follows:

	Common Stock Price Range				Dividends Per Share	
	2010		2009			
Year Ended June 30	**High**	**Low**	**High**	**Low**	**2010**	**2009**
First quarter	$20.93	$9.56	$30.00	$18.84	$0.05	$0.21
Second quarter	21.96	16.94	29.48	17.00	0.05	0.21
Third quarter	28.58	19.49	20.82	7.85	0.05	0.05
Fourth quarter	30.93	21.21	15.04	8.30	0.05	0.05

The approximate number of stockholders of record on August 23, 2010 was 2,200.

Additional information regarding our equity compensation plans is presented in the Notes to Consolidated Financial Statements under the caption Stock-Based Compensation and Purchase Plans and Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

On May 8, 2009, the Company issued 42,783 shares of common stock from its treasury shares to the former owners of IR International, which was acquired by Standex in 2003. The shares, along with a cash payment of $3.6 million, were issued upon the receipt of a Certificate of Satisfactory Completion of Remediation from the Virginia Department of Environmental Quality for the Company s Richmond, Virginia, Engraving Group facility, which was a contingent requirement of the acquisition whereby Standex purchased the facility. An exemption from registration of the shares was claimed under Regulation D, Rule 506 of the Securities Act. The exemption applied because there were fewer than 35 purchasers, each purchaser was an accredited investor and the transaction did not involve a public offering.

Issuer Purchases of Equity Securities (1)

Quarter Ended June 30, 2010

Period	(a) Total Number of Shares (or units) Purchased	(b) Average Price Paid per Share (or unit)	(c) Total Number of Shares (or units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Appropriate Dollar Value) of Shares (or units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2010 - April 30, 2010	7,092	$29.91	7,092	651,022
May 1, 2010 - May 31, 2010	3,588	$27.59	3,588	647,434
June 1, 2010 - June 30, 2010	6,728	$29.41	6,728	640,706
TOTAL	17,408	$29.24	17,408	640,706

[1]The Company has a Stock Buyback Program (the Program) which was originally announced on January 30, 1985. Under the Program, the Company may repurchase its shares from time to time, either in the open market or through private transactions, whenever it appears prudent to do so. On December 15, 2003, the Company authorized an additional 1 million shares for repurchase pursuant to its Program. The Program has no expiration date, and the Company from time to time may authorize additional increases of 1 million share increments for buyback authority so as to maintain the Program.

The following graph compares the cumulative total stockholder return on the Company s Common Stock as of the end of each of the last five fiscal years, with the cumulative total stockholder return on the Standard & Poor s Small Cap 600 (Industrial Segment) Index and on the Russell 2000 Index, assuming an investment of $100 in each at their closing prices on June 30, 2005 and the reinvestment of all dividends.

Item 6. Selected Consolidated Financial Data

Selected financial data for the five years ended June 30, 2010 is as follows:

See Item 7 for discussions on comparability of the below.

	2010	2009	2008	2007	2006
SUMMARY OF OPERATIONS (in thousands)					
Net sales					
Food Service Equipment	$337,578	$350,358	$381,254	$299,009	$245,049
Air Distribution Products	50,974	66,534	88,334	110,081	129,383

Engraving	77,372	77,311	92,167	84,223	87,377
Engineering Technologies	58,732	51,693	51,615	41,829	37,616
Electronics and Hydraulics	53,798	61,190	84,171	86,069	90,513

Total	$578,454	$607,086	$697,541	$621,211	$ 589,938
Gross profit	$183,403	$175,975	$201,847	$172,804	$172,614
Operating income (loss)					
Food Service Equipment (a)	$39,682	$9,900	$31,460	$18,242	$18,771
Air Distribution Products	(3,186)	713	(340)	2,610	11,089
Engraving	9,395	7,028	9,611	7,595	12,835
Engineering Technologies	13,843	8,667	9,770	6,824	6,665
Electronics and Hydraulics	4,888	3,459	8,106	9,158	9,257
Restructuring (b)	(3,772)	(7,839)	(590)	(286)	(930)
Gain on sale of real estate	1,405	--	--	1,023	410
Corporate	(19,989)	(15,907)	(19,088)	(15,069)	(19,346)
Total	$42,266	$6,021	$38,929	$30,097	$38,751
Interest expense	(3,624)	(6,532)	(9,510)	(9,025)	(7,681)
Other non-operating Income	754	215	324	1,464	893
Provision for income taxes	(11,436)	(1,594)	(10,459)	(6,611)	(11,028)
Income from continuing operations	27,960	(1,890)	19,284	15,925	20,935
Income/(loss) from discontinued operations	739	(3,515)	(774)	5,317	2,208
Net income	$28,699	($5,405)	$18,510	$21,242	$23,143

(a)

Includes $21.3 million of impairment of goodwill and intangible assets during 2009.

(b)

See discussion of restructuring activities in Note 16 of the consolidated financial statements.

Financial results after January 1, 2007, reflect the acquisition of Associated American Industries and American Foodservice.

PER SHARE DATA

Basic

Income from continuing operations	$2.25	($0.15)	$1.57	$1.30	$1.71
Income/(loss) from discontinued operations	0.06	(0.29)	(0.06)	0.44	0.18
Total	$2.31	($0.44)	$1.51	$1.74	$1.89
Diluted					
Income from continuing operations	$2.20	($0.15)	$1.55	$1.28	$1.67
Income/(loss) from discontinued operations	0.06	(0.29)	(0.06)	0.43	0.18
Total	$2.26	($0.44)	$1.49	$1.71	$1.85
Dividends paid	$0.20	$0.68	$0.84	$0.84	$0.84

	2010	**2009**	**2008**	**2007**	**2006**
BALANCE SHEET (in thousands)					
Total assets	$446,279	$433,709	$523,034	$539,900	$478,673
Accounts receivable	92,520	81,893	103,055	106,116	99,310
Inventories	69,554	75,634	87,619	91,301	91,719
Accounts payable	(58,514)	(58,802)	(66,174)	(65,977)	(62,742)
Goodwill	102,804	101,722	120,650	118,911	73,272
Short-term debt	$ --	$ --	$28,579	$4,162	$3,873
Long-term debt	93,300	94,300	106,086	164,158	113,729
Total debt	93,300	94,300	106,086	168,320	117,602
Less cash	33,630	8,984	28,657	24,057	32,590
Net debt	59,670	85,316	77,429	144,263	85,012
Stockholders' equity	192,063	176,286	223,158	204,431	200,295
Depreciation and amortization	$14,407	$15,541	$17,113	$15,198	$12,033
Capital expenditures	$4,273	$5,689	$10,989	$10,341	$15,144

Accounts receivable, inventories, and accounts payable in the above table include the applicable amounts from discontinued operations in fiscal year 2006

KEY STATISTICS	**2010**	**2009**	**2008**	**2007**	**2006**
Gross profit margin	31.71%	28.99%	28.94%	27.82%	29.30%
Operating income margin (a)	7.31%	0.99%	5.58%	4.84%	6.57%

(a) Includes $21.3 million of impairment of goodwill and intangible assets during 2009.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a leading manufacturer of a variety of products and services for diverse commercial and industrial market segments. We have five reporting segments: Food Service Equipment Group, Air Distribution Products Group (ADP), Engraving Group, Engineering Technologies Group, and Electronics and Hydraulics. Our continuing objective is to identify those of our businesses which hold the greatest potential for profitable growth, and direct our resources to supporting both organic growth and acquisition opportunities in those businesses.

Our customer base in the food service equipment, automotive, U.S. residential housing and general industrial sectors have all experienced difficult recessionary market conditions that have negatively impacted our sales volume. During the second half of 2010, we began to see an uneven sales recovery across all of our segments, indicating that end-user markets have begun to stabilize. This trend is evidenced by an upturn in sales beginning in the third quarter of 2010, as sales were up 3.4% in the third quarter and up 8.7% in the fourth quarter. We remain cautiously optimistic, however, as we expect to continue to experience challenging market conditions in the near term, especially in the construction and housing markets.

Since the beginning of 2009, our focus had been on reducing our cost structure through company-wide headcount reductions, plant consolidations, procurement savings, and improved productivity in all aspects of our operations. Over the course of their phase-in, these cost reduction efforts have allowed the Company to substantially improve margins and increase its bottom line despite substantial year over year sales declines. The cost reduction initiatives that have been undertaken, which are expected to deliver sustainable annual savings of $36 million per year, allowed the Company to improve margins and improve its bottom line in 2010 despite a year over year sales decline of 5%. Substantially all of our remaining restructuring initiatives were completed during 2010, and we expect to see their full impact in our run rate beginning in 2011, with an additional $4 million of savings.

In addition to the focus on cost reductions, we have improved the Company s liquidity through better working capital management, more strategic capital expenditures, and sale of excess land and buildings. We retired substantially all of our private placement debt during 2009, and in 2010, we further reduced our net debt by an additional $25.6 million even while expending $2.5 million on dividends, $4.0 million on capital expenditures, and $20.2 million in total pension plan contributions. $16.7 million of these pension contributions were voluntary, and, at current borrowing rates, will be accretive to future earnings. Our net debt to capital ratio improved from 32.6% on June 30, 2009 to 23.7% as of June 30, 2010.

Going forward, we are turning our attention to driving market share gains in a highly competitive environment coupled with what we expect to be low growth in our end-user markets. Each of our business units has developed a series of top-line initiatives that we believe will provide opportunities for market share gains which should supplement future natural growth in our markets. These growth initiatives include new product introductions , expansion of product offerings through private labeling, geographic expansion of sales coverage, the use of new channels of sales, leveraging strategic customer relationships, development of energy efficient products, new applications for existing products and technology and next generation products and services for our end-user markets. At the same time, over the past several years we have created a strong lean enterprise culture within our business units whereby we seek continuous improvement in our manufacturing processes, working capital management, and overall cost structure.

Because of the diversity of the Company s businesses, end user markets and geographic locations, management does not use specific external indices to predict the future performance of the Company, other than general information about broad macroeconomic trends. Each of our individual business units serves niche markets and attempts to identify trends other than general business and economic conditions which are specific to their businesses and which could impact their performance. Those units report any such information to senior management, which uses it to the extent relevant to assess the future performance of the Company. A description of any such material trends is described below in the applicable segment analysis.

We monitor a number of key performance indicators including net sales, income from operations, backlog and gross profit margin. A discussion of these key performance indicators is included within the discussion below.

Unless otherwise noted, references to years are to fiscal years.

Consolidated Results from Continuing Operations (in thousands):

	2010	2009	2008
Net sales	$578,454	$607,086	$697,541
Gross profit margin	31.7%	29.0%	28.9%
Restructuring costs	($3,772)	($7,839)	($590)
Income from operations	$42,266	$6,021	$38,929
Backlog (realizable within 1 year)	$99,469	$96,335	$111,663

Net Sales

	2010	2009	2008
Net sales, as reported	$578,454	$607,086	$697,541
Components of change in sales:			
Effect of acquisitions	--	--	$51,285
Effect of exchange rates	$1,950	($10,528)	$10,262
Organic sales/(decline) growth	($30,582)	($79,927)	$14,783

Net sales decreased $28.6 million in 2010, a 4.7% decrease from the prior year. Organic sales decreased $30.6 million or 5.0%, with a positive offset due to exchange rates of $2.0 million. The decrease was due to the fact that sales for the first half of fiscal 2010 were substantially below sales levels in the first half of fiscal 2009. Severe recessionary conditions did not begin to significantly affect the Company until the second quarter of fiscal 2009. Sales for the second half of fiscal 2010 were 6% higher than sales in the second half of 2009. In 2010 the Engineering Technologies Group reported record sales due to several large projects, while the Engraving Group sales were flat year over year. The Food Service Equipment Group was down slightly, and the ADP and Electronics and Hydraulics Groups continued to experience sales declines due to ongoing depressed conditions in the housing and dump truck/dump trailer markets.

Net sales decreased $90.5 million in 2009, a 13.0% decrease from the prior year. Organic sales decreased $79.9 million or 11.5%, with the remaining difference due to exchange rates. While we experienced a recession-driven decrease in sales across all segments except for the Engineering Technologies Group, sales in our ADP and Electronics and Hydraulics segments had the most significant declines, as continuing downturns in the housing, white goods, and heavy truck industries negatively impacted the sales of these segments.

Gross Profit Margin

Our gross profit margin increased in 2010 to 31.7% from 29.0% in 2009. This increase in margin is due to our successful reduction in our cost structure, as well as reductions in materials and value added costs. We believe that our cost reduction actions better position our operations for higher gross margins as macroeconomic recovery occurs, as demonstrated by higher margins on lower sales in 2010. Our gross profit margin increased in fiscal 2009 to 29.0% from 28.9% in 2008.

Restructuring

During 2010, the Company incurred restructuring expense of $3.8 million related to both headcount reductions and a strategic realignment of our manufacturing footprint. This expense consisted primarily of $2.6 million of restructuring costs in the Food Service Equipment Group, where we consolidated a facility in Dallas into our Nogales, Mexico facility. Additional expense of $0.7 million was incurred in the European operations of the Engraving Group, where we closed one facility and reduced headcount across the continent, and in our ADP Group, where the costs of a facility move were offset by the settlement of the multi-employer pension liability at the Bartonville, Illinois ADP facility, which was closed in July 2008.

In 2009, the Company incurred restructuring expense of $7.8 million. Of this amount, $4.6 million consisted of costs to close the Bartonville facility. In the third quarter of 2009, the Company closed an additional three plants, one each in the Food Service Equipment, Engraving, and Electronics and Hydraulics Groups at a cost of $1.9 million. Production from these plants was absorbed into other existing facilities as part of our goal of reducing our global manufacturing footprint.

Also during 2009, the Company reduced its US based employment by 25% across all divisions in order to reduce costs in response to the macroeconomic recessionary environment and its expected effects on the Company in the immediate future. The Company recorded $1.3 million of pre-tax restructuring expense related to this initiative.

Income from Operations

Income from operations during 2010 increased $36.2 million from 2009. Excluding $21.3 million of impairment charges taken during 2009, income from operations increased $14.9 million. This improvement reflects the impact of restructuring actions and other cost reductions taken during 2009, as well as the partial impact of additional restructuring projects in the Food Service Equipment and Engraving Groups performed during the year partially offset by reduced sales volume.

Income from operations during 2009 decreased $32.9 million, or 84.5% when compared to 2008. This includes the impact of $21.3 million of impairment of goodwill and intangible assets during the year, as well as restructuring costs of $7.8 million during the year. Absent these costs, income from operations decreased $3.7 million, or 9.6%, from 2008, which is attributable to the 13% year-over-year decline in sales offset by the aforementioned improvements in our cost structure.

Discussion of the performance of all of our Groups is more fully explained in the segment analysis that follows.

Income Taxes

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2010 was $11.4 million, or an effective rate of 29.0%, compared to $1.6 million for the fiscal year ended June 30, 2009 and $10.5 million, or an effective rate of 35.2%, for the fiscal year ended June 30, 2008. Changes in the effective tax rates from period to period may be significant as they depend on many factors including, but not limited to, size of the Company's income or loss and any one time activities occurring during the period.

The Company s income tax provision from continuing operations for the fiscal year ended June 30, 2010 was impacted by a benefit of $1.1 million from the reversal of a deferred tax asset valuation allowance primarily related to foreign loss carryforwards whose recovery was assessed as more likely than not based on events occurring during the year ended June 30, 2010.

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2009 was impacted by the following items (i) a benefit of $0.8 million from the reversal of income tax contingency reserves that were determined to be no longer needed due to the expiration of applicable limitation statutes, (ii) the $21.3 million impairment for which only $1.3 million of tax benefit could be realized, as the goodwill had no tax basis, (iii) a benefit totaling $1.7 million from the reversal of the deferred tax liability that was no longer required due to a change in the U.S. tax classification of one of our foreign entities, (iv) a benefit of $0.6 million related primarily to the retroactive extension of the R&D credit recorded during the second quarter and (v) a benefit related to the receipt of $1.1 million of nontaxable life insurance proceeds during the first quarter.

Capital Expenditures

In general, our capital expenditures over the longer term are expected to be approximately equivalent to our annual depreciation costs. In 2010 and 2009, capital expenditures of $4.3 million and $5.7 million were below our annual depreciation of $11.1 million and $12.3 million, respectively, and reflect our strategy of cash conservation and debt reduction in response to the current recessionary environment.

Backlog

Backlog at June 30, 2010 increased $3.1 million to $99.5 million when compared to fiscal 2009, a 3.3% increase when compared to prior year. This increase is correspondent with our increase in sales volume, and was driven primarily by higher backlog in the Electronics and Hydraulics Group. Backlog was roughly flat year over year for our other segments.

Segment Analysis (in thousands)

Food Service Equipment

	2010 compared to 2009			2009 compared to 2008		
	2010	**2009**	**% Change**	**2009**	**2008**	**% Change**
Sales	$337,578	$350,358	-3.6%	$350,358	$381,254	-8.1%
Income (loss) from operations	39,682	9,900	300.8%	9,900	31,460	-68.5%
Operating income margin	11.8%	2.8%		2.8%	8.3%	

Net sales for the year ended June 30, 2010 decreased $12.8 million, or 3.6%, from the same period one year earlier. The year over year top line sales comparisons were negatively impacted by a rollout at one of the YUM! Brands restaurants that generated $2 million in sales in the prior year quarter. The effects of foreign exchange rates accounted for $0.3 million of this

total, and the remainder was organic decline offset by price increases. Pricing pressure offset by market share gains led to a 5% organic sales decline in our Refrigeration Solutions businesses (walk-in cooler and refrigerated cabinets) businesses, which was impacted by the moderation in construction, and we showed a 1.7% organic decline in our Cooking Solutions and Custom Solutions businesses. Despite the decline, the segment continues to grow market share through its buying group relationships and through new product offerings. Our Procon business posted double-digit year over year sales growth driven by strength in the beverage customer base and increasing demand from industrial customers.

Income from operations for fiscal 2010 increased $29.8 million, or 300.8%, when compared to the same period one year earlier. Fiscal 2009 included a $21.3 million impairment of goodwill and intangible assets related to our 2007 acquisition of the American Associated Industries (AAI) operating unit. Excluding the prior year impairment, the group s fiscal 2010 income from operations increased $8.4 million, or 85.3%. We are continuing to see a recovery in the Cooking Solutions Group as we are benefiting from improving market conditions, increased market penetration in key dealer buying groups and new products. The impact of the year over year volume decreases and market pricing pressures was more than offset by cost reductions due to facility consolidations, staffing reductions, supply chain cost reductions and labor productivity increases. With the completion of our consolidation of two Cooking Solutions Group facilities into Nogales, Mexico, during the year, the beginning of 2011 will mark the full run rate of our initiatives from the last two years.

Net sales in 2009 decreased $30.9 million, or 8.1%, from 2008. The effects of foreign exchange rates accounted for $3.7 million of the decline. When removing the effect of foreign exchange rate impact, sales decreased $27.3 million, or 7.2%, when compared with the same period one year earlier. We achieved slight organic growth in our Refrigerated Solutions businesses generally due to market share gains and nominal price increases. Our Cooking Solutions and Custom Solutions businesses experienced sales declines primarily due to the market deterioration that began in the second fiscal quarter.

Income from operations for fiscal 2009 decreased approximately $21.6 million, or 68.5%, when compared to the same period one year earlier. Excluding the effect of a $21.3 million impairment of goodwill and intangible assets during the third quarter, operating income was approximately flat year-over-year. A 8.1% decline in sales volume was offset by staffing reductions, material and labor productivity improvements, and nominal price increases. These savings initiatives were partially offset by commodity cost increases in the first half and negative sales mix in the first quarter..

Air Distribution Products

	2010 compared to 2009		2009 compared to 2008	
		%		%

	2010	2009	Change	2009	2008	Change
Sales	$ 50,974	$ 66,534	-23.4%	$ 66,534	$ 88,334	-24.7%
Income (loss) from operations	(3,186)	713	N/A	713	(340)	N/A
Operating income margin	-6.3%	1.1%		1.1%	-0.4%	

Net sales for the fiscal year ended June 30, 2010 declined 23.4% or $15.6 million. Standex evaluates the available market for ADP by monitoring new housing start data, published monthly by the U.S. Department of Housing and Urban Development. Sales to the Group s customers typically lag new home starts by three to four months. Comparing the period from April 2009 to March 2010 to the same period one year earlier, housing starts declined 30.2%. Pricing declined 17.9% and sales unit volume was lower by 7.7%. ADP continues to pursue market share gains through its traditional wholesaler channels by emphasizing our ability to service nationwide wholesalers and large do-it-yourself retailers through our network of factory locations and by working in conjunction with our wholesalers to target contractor business. We continue to roll out our flex duct product, and have also expanded our product line to include other HVAC supplies, which enables us to be a one-stop shop for our customers in a down market so that they can more easily meet minimum order requirements and thereby improve their working capital management. The relatively low decline in unit volume as compared to the precipitous decline in housing starts is a testament to the success of this strategy, which we expect to leave us well positioned when markets recover.

Income from operations for the year ended June 30, 2010 decreased $3.9 million to a loss of $3.2 million as compared to the prior fiscal year. Pricing declines, totaling $12.1 million, and lower volume were the most significant reasons for the change in earnings. Metal costs were $5.5 million less than fiscal 2009, $3.5 million of which was the result of a lower of cost or market charge recorded in the third quarter of 2009. Decreases in hourly and salaried workforces implemented in the third and fourth quarters of fiscal 2009, lower workers compensation costs and lower distribution costs comprised the majority of the remaining offset to price and volume declines.

Net sales for 2009 declined $21.8 million, or 24.7%, from 2008. A volume decline of 34.3% was driven by a similar decline in housing starts of 36.8 % during the year.

Income from operations for 2009 was $0.7 million, an increase of $1.1 million from 2008. Price increases implemented in early 2009 partially offset raw steel price increases and declining sales volume. These raw material price increases were also offset by significant year over year cost savings achieved from the shutdown of the Bartonville, Illinois, facility in July 2008 and salaried and hourly workforce reductions which took place primarily in the third quarter of the year. Additionally, the Group recorded expenses of $3.5 million during the third quarter of 2009 to write down inventory of higher-cost metal purchased in the first half the year to its fair market value.

Engraving

	2010 compared to 2009			2009 compared to 2008		
	2010	2009	% Change	2009	2008	% Change
Sales	$ 77,372	$ 77,311	0.1%	$ 77,311	$ 92,167	-16.1%
Income from operations	9,395	7,028	33.7%	7,028	9,611	-26.9%
Operating income margin	12.1%	9.1%		9.1%	10.4%	

Net sales in the Engraving Group were flat from fiscal 2009 levels at $77.4 million compared to $77.3 million in the prior year. Foreign exchange had a favorable impact on sales of $1.4 million in fiscal year 2010. Without the favorable foreign exchange, sales declined 1.8% year over year. While our roll plate and machinery equipment sales continue to experience a soft market due to tight capital spending budgets at our customers, our Innovent division s sales increased, showing the benefit of our expansion and broadening of our focus from tools to technology-driven system solutions. Our mold texturizing businesses continue to strengthen based on the release of new automotive programs, which also creates an improved product mix due to their generally higher margins. We expect this trend to continue into 2011, and will continue to seek out this business through further expansion into emerging markets, including a strategic acquisition in India which will enable us to capitalize on the fast growing Indian automotive market and the opening of a third facility in China. We believe that global presence, as well as our technology and responsiveness to automotive OEM customers needs, will allow us to remain the number one choice for their texturing services.

Income from operations increased by $2.4 million, or 33.7%, when compared to fiscal 2009. Restructuring the business and significant cost reduction efforts implemented in 2009, as well as headcount reductions in our European operations, were significant in the improvement of operating income year over year. With our new lower cost structure and focus on growth, we have demonstrated our ability to improve income from operations on flat sales, and we anticipate that we will be able to favorably leverage future sales growth and further improve our operating performance. In addition, the Group continues to expand the use of lean enterprise techniques and develop cutting edge technology throughout its operations in order to further improve profitability and responsiveness to our customers.

In 2009, net sales in the Engraving Group decreased by $14.9 million, or 16.1% from fiscal 2008 levels. The Group experienced a widespread decrease in sales of mold texturizing for automotive OEM platform work in most geographic regions, especially Europe, in 2009 due to OEM s launching fewer new auto platforms and delaying existing programs. Lower mold texturing sales were partially offset by stronger sales in core forming tools and filtration screens related to our Innovent business. North American operations sales declined 12.8% and international operations sales declined 22.5%.

Income from operations decreased by $2.6 million, or 26.9%, to $7.0 million when compared to fiscal 2008. Restructuring measures taken during the year consist of the completion of the closure of our Ohio mold texturizing and New Jersey roll embossing facilities begun in 2008, and an additional consolidation during the year of our Michigan mold texturizing facility. In addition, the Group continued to expand the use of lean enterprise techniques throughout its operations in order to further improve profitability and responsiveness to our customers.

Engineering Technologies

	2010 compared to 2009			**2009 compared to 2008**		
	2010	**2009**	**% Change**	**2009**	**2008**	**% Change**
Sales	$ 58,732	$ 51,693	13.6%	$ 51,693	$ 51,615	0.2%
Income from operations	13,843	8,667	59.7%	8,667	9,770	-11.3%
Operating income margin	23.6%	16.8%		16.8%	18.9%	

Net sales increased by $7.0 million, or 13.6%, in fiscal 2010 when compared to the prior year. Our metal spinning and fabrication businesses continued to experience strong demand across its energy, aerospace, missile, aviation, and marine end-user markets. We completed contracts related to NASA hardware for the Ares and Orion programs. In addition, we secured new aerospace and tank hardware contracts during the year. While the federal government has reduced its funding for heavy-lift launch vehicles, we expect that the continued diversification of our end markets will offset this trend.

Income from operations increased by $5.2 million or 59.7% in fiscal 2010 when compared to the same period one year earlier. The increase was primarily due to growth with several aerospace launch vehicle customers. A favorable product mix, cost cutting initiatives, and improved manufacturing efficiencies also contributed to the performance.

Net sales increased $0.1 million in fiscal 2009 when compared to the prior year. Our metal spinning and fabrication businesses experienced steady performance and we secured new contracts for tank systems for the growing unmanned aerial vehicles market and contracts for tooling and hardware related to NASA s Orion and Ares rocket programs. In addition this group saw an increase in demand for land based turbine components.

Income from operations decreased $1.1 million or 11.3% in fiscal 2009 when compared to the same period one year earlier. The reduced profitability was the result of a shift in mix to lower margin products for the energy markets and away from aerospace sales. The introduction of lean manufacturing techniques as a regular element of daily production is helping to improve margins in this segment.

Electronics and Hydraulics

	2010 compared to 2009			**2009 compared to 2008**		
	2010	**2009**	**% Change**	**2009**	**2008**	**% Change**
Sales	$ 53,798	$ 61,190	-12.1%	$ 61,190	$ 84,171	-27.3%
Income from operations	4,888	3,459	41.3%	$ 3,459	8,106	-57.3%
Operating income margin	9.1%	5.7%		5.7%	9.6%	

Net sales for the Electronics and Hydraulics Segment decreased $7.4 million, or 12.1%, when compared to 2009. Although sales were down year over year, sales in the second half of the year were up 19.5% driven by improvements in the automotive, appliance, computer, toy and security markets for our Electronics unit. Sales were also buoyed by the reed switch product line, where sales increased 26% year over year, and by significant new business in the medical, HVAC, and toy switch markets. Sales at our Hydraulics unit continued to be plagued by depressed market conditions in the domestic and international dump truck/trailer sectors due to a lack of available credit to customers, as well as a high inventories in the used equipment market. While sales have stabilized in some of our traditional OEM customers, we also continue to seek new applications and geographic markets for our products.

Income from operations for 2010 increased $1.4 million, or 41.3%, as compared to the prior year. During 2009, we took aggressive measures to reduce our cost structure, including plant closures and workforce reductions. As a result, the Electronics unit showed a 340 basis point increase in operating margin year over year. The Hydraulics unit, where we reduced our workforce by over 50%, also showed an increase in operating income compared to 2009 despite significantly lower sales. Both these improvements reflect the full-year impact of our restructuring efforts.

Net sales declined by $23.0 million, or 27.3% in 2009 when compared to the same period one year earlier. For the Electronics unit, the decline is attributable to the global recession in the automotive, white goods and HVAC market segments, which experienced steep declines during the second half of fiscal 2009. Within the Hydraulics unit, the global decline in new orders for dump trucks and dump trailers was dramatic, as the recession resulted in a general lack of credit availability for buyers, as well as an excess of used and repossessed equipment flooding the market.

Income from operations decreased $4.6 million in fiscal 2009, or 57.3% when compared to the same period one year earlier, due primarily to the year over year sales decline of over 25%. Sales demand for this segment was negatively impacted by recessionary market conditions that existed in the automotive, housing white goods and off road, construction vehicles, end user segments. In the Electronics unit, aggressive cost reduction measures and plant closures resulted in a moderate increase in earnings as a percent of net sales. In the Hydraulics unit, we have successfully introduced new capital equipment to improve productivity and closed one facility.

Corporate, Restructuring and Other

	2010 compared to 2009			2009 compared to 2008		
	2010	2009	% Change	2009	2008	% Change
Income (loss) from operations:						
Corporate	$(19,989)	$(15,907)	25.7%	$(15,907)	$(19,088)	-16.7%
Gain on sale of real estate	1,405	-	N/A	-	-	N/A

Restructuring	$ (3,772)	$ (7,839)	-51.9%	$ (7,839)	$ (590)	1228.6%

Corporate expenses increased $4.0 million, or 25.7% compared to 2009. This increase was primarily due to expenses for bonuses and stock compensation expenses that were not accrued in 2009 due to austerity measures taken in the face of the recession.

The Company recorded a gain of $1.4 million during the year related to the sale of its corporate headquarters facility in Salem, New Hampshire. During the year we relocated our headquarters to a leased facility in Salem that is 50% smaller and more suited to our current operational needs.

Corporate expenses decreased $3.2 million, or 16.7% during 2009. The reduction in corporate expenses was attributed to a salaried headcount reduction of over 25%, as well as the suspension of bonuses during the year in response to the recessionary macroeconomic environment. Also, in 2009, there was no expense for current-year awards under the Company s performance-based long term stock compensation program, as we determined that the achievement of the performance criteria for outstanding awards was not probable, whereas in 2008 these awards resulted in expense of $1.3 million.

Discontinued Operations

In 2007, the Company sold substantially all the assets of the Berean Christian Stores (Berean) business in an all cash deal resulting in the recognition of a pre-tax gain of $0.2 million. As the former owner of Berean, the Company is party under a number of operating leases which were assigned to the purchaser of the business for the remaining initial terms of the leases at the stated lease costs. The Company remained an obligor of these leases until the expiration of the initial terms. In the second quarter of 2009, noting Berean s deteriorating operating performance and precarious financial position, the Company recorded liabilities of $2.9 million, net of estimated subleases, in anticipation of the impairment of leases remaining under the obligation.

In June 2009, Berean filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code and, in July 2009, its assets were sold to a third party under Section 363 of the Code. The new owner of the Berean assets has infused capital into the business, and we believe the Berean bookstores can now be operated successfully as a going concern. As part of this transaction, the Company agreed to provide lease supplement payments to the new owner of the Berean assets. These payments included an upfront payment of $0.5 million and additional payments totaling $1.2 million which will be made in equal monthly installments through December 2011. The Company will remain an obligor of the leases assumed by the new owner, however, our obligation has been reduced for locations where the new owner was able to obtain rent concessions. In addition, the Company remains responsible for three sites formerly operated by Berean. Liabilities associated with these three leases, net of expected subleases at current market rates, total $1.3 million at June 30, 2010. Subsequent to these transactions, the aggregate amount of our obligations in the event of default is $4.4 million at June 30, 2010.

During 2008, the Company entered into an Administrative Order of Consent with the U.S. Environmental Protection Agency (EPA) related to the removal of various PCB-contaminated materials and soils at a site where the Company leased a building and conducted operations from 1967-1979. The Company established an accrual of $2.0 million related to the matter in 2008 and an additional $2.0 million accrual in 2009. Remediation efforts were substantially completed during the third quarter of 2009, and the Company received a closure letter from the EPA in the first half of 2010.

The Company actively sought the recovery of costs incurred in carrying out the terms of the AOC through negotiations with its legacy insurers. Based on the status of these negotiations at September 30, 2009, the Company determined that a settlement was probable and recorded $2.3 million ($1.4 million net of tax) in discontinued operations during the first quarter. As expected, the settlement came to fruition during the second quarter, with a final recovery of $2.5 million ($1.6 million net of tax), net of costs incurred to negotiate the settlement.

The following table summarizes the Company s discontinued operations activity, by operation, for the years ended June 30, 2010, 2009 and 2008 (in thousands):

Division Disposed Of	**Year Disposed**	**2010**	**2009**	**2008**
Berean Christian Bookstores	2007	(659)	(3,057)	--
Club Products and Monarch Aluminum	1982	2,291	(2,065)	(2,000)
Standard Publishing	2007	--	--	1,034
Other loss from discontinued operations		(452)	(493)	(285)
Income (loss) before taxes from discontinued operations		$ 1,180	$(5,615)	$ (1,251)
(Provision) benefit for tax		(441)	2,100	477

Net income (loss) from discontinued operations	$ 739	$(3,515)	$ (774)

Liquidity and Capital Resources

Cash Flow

Cash flows from continuing operations for the year ended June 30, 2010, were $22.2 million compared to $43.3 million for the same period in 2009. Impacting cash flows during the year were $16.7 million in voluntary pension contributions and an additional settlement of $2.75 million to the Bartonville multi-employer plan. Additionally, excluding the impact of foreign exchange, working capital increased $4.8 million due to robust sales growth of 8.7%, or $12.2 million in the fourth quarter of 2010.

Investing activities provided $5.7 million of cash during 2010, including $8.7 million from sales of excess real estate during the year. We used $4.0 million for capital expenditures, which reflects our current strategy of reduced capital spending during the recession. Cash inflows were also augmented by life insurance proceeds of $1.7 million resulting from the death of a former executive and the penalty-free withdrawal of excess funding from our policies.

Subsequent to the end of fiscal 2010, the Company completed the sale of an excess facility located in Lyon, France. The Company anticipates recording pretax gain of approximately $3.9 million and will realize cash proceeds of $3.6 million, net of associated costs.

During the year ended June 30, 2010, we used $4.2 million of cash for financing activities. While we generated sufficient cash flow during the year to further pay down debt, we elected not to do so in order to make voluntary pension contributions and to add an additional $30 million of interest rate swaps. While these actions have resulted in the net pay down of only $1.0 million in debt, the pension contribution will be accretive to earnings in 2011 and we have fixed a significant portion of our revolving debt for the next five years at historically low interest rates.

Capital Structure

We have in place a five year, $150 million unsecured revolving credit facility (the facility) with seven participating banks which originated in September 2007. Funds available under the facility may be used for general corporate purposes or to provide financing for acquisitions. Borrowings under the agreement bear interest at a rate equal to LIBOR plus an applicable percentage based on our consolidated leverage ratio, as defined by the agreement. As of June 30, 2010, the effective rate of interest for outstanding borrowings under the facility was 3.94%. We are required to pay an annual fee of 0.125% on the maximum credit line.

In the past two years, the Company has undertaken a series of initiatives to generate cash and reduce debt, including cost reductions, improved working capital management, and plant consolidations. These initiatives have enabled us to pay down substantially all of our private placement debt. As of June 30, 2010, we had borrowings of $90.0 million under the facility. We believe that the remaining $60.0 million available provides us with sufficient capacity to meet both our short- and long-term liquidity needs. Our facility also allows for up to $15 million of private placement debt in addition to our revolving borrowings.

Our funded debt agreements contain certain customary affirmative and negative covenants, as well as specific financial covenants. The Company s current financial covenants under the facility are as follows:

Interest Coverage Ratio - The Company is required to maintain a ratio of Earnings Before Interest and Taxes (EBIT) to interest expense for the trailing twelve months of at least 3:1. EBIT is defined in the revolving credit facility to specifically exclude extraordinary and certain defined items such as non-cash restructuring charges and goodwill impairment. At June 30, 2010, the Company s Interest Coverage Ratio was 10.90:1.

Leverage Ratio - The Company s ratio of funded debt to trailing twelve month EBITDA, defined as EBIT plus Depreciation and Amortization, may not exceed 3.5:1. At June 30, 2010, the Company s Leverage Ratio was 1.73:1.

Consolidated Net Worth The Company is required to maintain a Consolidated Net Worth of at least $163.7 million plus 50% of cumulative net income since the inception of the agreement. Consolidated Net Worth is defined as the Company s net worth as adjusted for unamortized pension losses (not to exceed $40 million) and certain foreign exchange gains and losses. At June 30, 2010, the Company s Consolidated Net Worth was $225.5 million, $12.3 million greater than the required amount of $213.2 million.

We also utilize two uncommitted money market credit facilities to help manage daily working capital needs. These unsecured facilities, which are renewed annually, provide for a maximum aggregate credit line of $15 million. No amounts were outstanding under these facilities at June 30, 2010 and 2009. At June 30, 2010, and 2009, we had standby letters of credit outstanding, primarily for insurance purposes, of $15.6 million and $14.3 million, respectively.

Through our shelf registration statement on file with the SEC, depending on conditions prevailing in the public capital markets, we may issue unsecured debt securities from time to time in one or more series, which may consist of notes, debentures or other evidences of indebtedness in one or more offerings.

Our primary cash requirements in addition to day-to-day operating needs include interest and mandatory principal payments, capital expenditures, and dividends. Our primary sources of cash for these requirements are cash flows from continuing operations and borrowings under the facility. We expect to spend between $11-13 million on capital expenditures during 2011, and expect that depreciation and amortization expense for the year will be approximately $10-13 million and $1.5-2.5 million, respectively.

In July 2008, we entered into a series of swap agreements with one and two year terms effectively converting interest payments on our long-term debt from variable to fixed rates. We converted interest payments on $88.5 million of debt due under the facility from variable rates based on LIBOR to a weighted average effective rate of 3.89% based on our current leverage ratio. The one year swaps totaling $22.5 million expired in July 2009. The two years swaps totaling $60 million expired in July 2010. In June 2010, we entered into an additional $30.0 million of five-year floating to fixed rate swaps. On a go-forward basis, these swaps will convert our interest payments to a weighted average effective rate of 2.94% based on our current leverage ratio. Additionally, due to the expiration of the 2008 swaps in July 2010, our rate on the remaining $60.0 million of outstanding revolving debt balances will return to the historically low LIBOR rates the market is currently experiencing.

The following table sets forth our capitalization at June 30:

Year Ended June 30 *(in thousands)*:	**2010**	**2009**
Short-term debt	$ --	$ --
Long-term debt	93,300	94,300
Total debt	93,300	94,300
Less cash	33,630	8,984
Total net-debt	59,670	85,316
Stockholders equity	192,063	176,286
Total capitalization	$251,733	$261,602

Stockholders equity increased year over year primarily as a result of net income of $28.7 million. Also affecting equity were dividends of $2.5 million, unfavorable foreign currency movements of $2.4 million and unrealized pension losses of $12.0 million. The remaining changes are attributable to the treasury stock activity offset by the additional paid in capital increases associated with stock option exercises and stock-based compensation in the current year. The Company's net debt to capital percentage improved from 32.6% to 23.7% in 2010 due the year over year change in cash and the contribution of the current year net income to retained earnings.

We sponsor a number of defined benefit and defined contribution retirement plans. The Company s pension plan for U.S. salaried employees was frozen as of January 2008. All participants in the U.S. salaried pension plan and the supplemental defined benefit plan no longer accrue future benefits. The fair value of the Company's U.S. pension plan assets was $174.3 million at June 30, 2010 and the accumulated benefit obligation in the U.S. was $212.9 million at that time. We made $16.7 million of voluntary cash contributions to our defined benefit plans in the U.S., U.K., and Ireland in 2010. Additionally, the Company paid $2.75 million during the year to settle its liability to a multi-employer plan incurred due to the closure of our Bartonville, IL, ADP Group facility in 2009. As a result of the voluntary contributions, the Company estimates, based on current Pension Protection Act and other funding rules, that we will not incur a mandatory funding requirement until 2013. We do not expect contributions to our other defined benefit plans to be material in 2011.

During the third quarter of 2009, the Company announced that it would suspend employer matching contributions to its 401(k) plans, with the exception of obligations under collective bargaining agreements. This suspension was lifted at the end of calendar year 2009 and contributions resumed as normal beginning in January 2010.

We have evaluated the current and long-term cash requirements of our defined benefit and defined contribution plans as of June 30, 2010. Our operating cash flows from continuing operations and available liquidity are expected to be sufficient to cover required contributions under ERISA and other governing regulations.

We have an insurance program for certain retired key executives. The underlying policies have a cash surrender value of $17.1 million and are reported net of loans of $10.5 million for which we have the legal right of offset. These policies have been purchased to fund supplemental retirement income benefits. The aggregate present value of future obligations was $1.0

million and $1.4 million at June 30, 2010 and 2009, respectively. During 2010, the Company withdrew $0.2 million of excess funding from these policies with no related tax consequences and received $1.4 million of cash proceeds upon the death of a former executive covered by this program.

Contractual obligations of the Company as of June 30, 2010 are as follows (in thousands):

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations	$93,300	--	$90,000	--	$3,300
Operating lease obligations	16,909	4,426	5,843	3,206	3,434
Estimated interest payments [1]	3,289	1,427	1,798	27	37
Post-retirement benefit payments [2]	1,341	153	291	273	624
Other [3]	732	540	192	--	--
Total	$115,571	$6,546	$98,124	$3,506	$7,395

1 Estimated interest payments are based upon effective interest rates as of June 30, 2010, and includes the impact of interest rate swaps. See Item 7A for further discussions surrounding interest rate exposure on our variable rate borrowings.

2 Post-retirement benefit payments are based upon current benefit payment levels.

3 Lease supplement payments to Berean Christian Stores Endeavor, LLC.

At June 30, 2010, we had $1.9 million of non-current liabilities for uncertain tax positions. We are not able to provide a reasonable estimate of the timing of future payments related to these obligations.

Off Balance Sheet Items

In connection with the sale of the Berean Christian Bookstores completed in August 2006, we assigned all but one lease to the buyers. During June 2009, the Berean business filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The Berean assets were subsequently resold under section 363 of the Code. The new owners of the Berean business have negotiated lower lease rates and extended lease terms at certain of the leased locations. We remain an obligor on these leases, but at the renegotiated rates and to the original term of the leases. The aggregate amount of our obligations in the event of default is $4.4 million at June 30, 2010. We had no other material off balance sheet items at June 30, 2010, other than the operating leases and purchase obligations summarized above.

Other Matters

Inflation Certain of our expenses, such as wages and benefits, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Inflation for medical costs can impact both our reserves for self-insured medical plans as well as our reserves for workers' compensation claims. We monitor the inflationary rate and make adjustments to reserves whenever it is deemed necessary. Our ability to manage medical costs inflation is dependent upon our ability to manage claims and purchase insurance coverage to limit the maximum exposure for us.

Foreign Currency Translation Our primary functional currencies used by our non-U.S. subsidiaries are the Euro, British Pound Sterling (Pound), Mexican Peso, and Chinese Yuan. During the current year, the Pound Sterling and Euro have experienced decreases in value relative to the U.S. Dollar, our reporting currency. Since June 30, 2009 the Euro has depreciated by 12.8% and the Pound has depreciated by 9.2% (all relative to the U.S. Dollar). These lower exchange values were used in translating the appropriate non-U.S. subsidiaries balance sheets into U.S. Dollars at the end of the current year.

Environmental Matters During 2008, the Company entered into an Administrative Order of Consent with the U.S. Environmental Protection Agency related to the removal of various PCB-contaminated materials and soils at a site where the Company leased a building and conducted operations from 1967-1979. See the notes to our consolidated financials statements for further information regarding this event.

We are party to various other claims and legal proceedings, generally incidental to our business. We do not expect the ultimate disposition of these other matters will have a material adverse effect on our financial statements.

Seasonality We are a diversified business with generally low levels of seasonality, however our fiscal third quarter is typically the period with the lowest level of activity.

Employee Relations The Company has labor agreements with a number of union locals in the United States and a number of European employees belong to European trade unions. We renegotiated two union contracts during 2010, and in each case reached an agreement. A total of two union contracts covering approximately 160 employees will expire in 2011. The company maintains good working relations with all of its unions, however, there can be no guarantee that agreements can be reached in future negotiations.

Critical Accounting Policies

The Consolidated Financial Statements include accounts of the Company and all of our subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements. Although we believe that materially different amounts would not be reported due to the accounting policies described below, the application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We have listed a number of accounting policies which we believe to be the most critical.

Collectability of Accounts Receivable Accounts Receivable are reduced by an allowance for amounts that may become uncollectible in the future. Our estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where we have information that the customer may have an inability to meet its financial obligation together with a general provision for unknown but existing doubtful accounts.

Realizability of Inventories Inventories are valued at the lower of cost or market and are reduced by a reserve for excess and potentially obsolete inventories. The Company regularly reviews inventory values on hand using specific aging categories, and records a provision for obsolete and excess inventory based on historical usage and estimated future usage. As actual future demand or market conditions may vary from those projected by management, adjustments to inventory valuations may be required.

Realization of Goodwill - Goodwill and certain indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying amount of the asset. The Company s annual test for impairment is performed using a May 31st measurement date.

We have identified our reporting units for impairment testing as our twelve operating segments, which are aggregated into our five reporting segments as disclosed in Note 18 Industry Segment Information.

The test for impairment is a two step process. The first step compares the carrying amount of the reporting unit to its estimated fair value (Step 1). To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit s carrying value is compared to the implied fair value (Step 2). To the extent that the carrying value exceeds the implied fair value, impairment exists and must be recognized.

As quoted market prices are not available for the Company s reporting units, the fair value of the reporting units is determined using a discounted cash flow model (income approach). This method uses various assumptions that are specific to each individual reporting unit in order to determine the fair value. In addition, the Company compares the estimated aggregate fair value of its reporting units to its overall market capitalization.

Our annual impairment testing at each reporting unit relied on assumptions surrounding general market conditions, short-term growth rates, and terminal growth rates ranging from 0% to 2.5%, and detailed management forecasts of future cash flows prepared by the relevant reporting unit. Fair values were determined primarily by discounting estimated future cash flows at a weighted average cost of capital of 11.42%. An increase in the weighted average cost of capital of approximately 100 basis points in the analysis would not result in the identification of any impairments.

While we believe that our estimates of future cash flows are reasonable, changes in assumptions could significantly affect our valuations and result in impairments in the future. The most significant assumption involved in the Company s determination of fair value is the cash flow projections of each reporting unit. Certain of our reporting units have been significantly impacted by the current global economic downturn, specifically the Air Distribution Products Group, which has been significantly impacted by the declines in new housing starts and other factors impacting residential housing. If the effects of the current global economic environment are protracted or the recovery is slower than we have projected estimates of future cash flows for each reporting unit may be insufficient to support the carrying value of the reporting units, requiring the Company to re-assess its conclusions related to fair value and the recoverability of goodwill.

Cost of Employee Benefit Plans We provide a range of benefits to our employees, including pensions and some postretirement benefits. We record expenses relating to these plans based upon various actuarial assumptions such as discount rates, assumed rates of return, compensation increases, turnover rates, and health care cost trends. The expected return on plan assets assumption of 8.1% in the U.S. is based on our expectation of the long-term average rate of return on assets in the pension funds and is reflective of the current and projected asset mix of the funds and considers the historical returns earned on the funds. We have analyzed the rates of return on assets used and determined that these rates are reasonable based on the plans historical performance relative to the overall markets as well as our current expectations for long-term rates of returns for our pension assets. The U.S. discount rate of 5.9% reflects the current rate at which pension liabilities could be effectively settled at the end of the year. The discount rate is determined by matching our expected benefit payments from a stream of AA- or higher bonds available in the marketplace, adjusted to eliminate the effects of call provisions. We review our actuarial assumptions, including discount rate and expected long-term rate of return on plan assets, on at least an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. Based on information provided by our actuaries and other relevant sources, we believe that our assumptions are reasonable.

The cost of employee benefit plans includes the selection of assumptions noted above. A twenty-five basis point change in the expected return on plan assets assumptions, holding our discount rate and other assumptions constant, would increase or decrease pension expense by approximately $0.4 million per year. A twenty-five basis point basis point change in our discount rate, holding all other assumptions constant, would increase or decrease pension expense by approximately $0.3 million annually. See the Notes to the Consolidated Financial Statements for further information regarding pension plans.

Recently Issued Accounting Pronouncements

In January 2010, the FASB issued Accounting Standard Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (ASC Topic 820) Improving Disclosures About Fair Value Measurements*. The ASU requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for the Company's third quarter of fiscal year 2010. Other than requiring additional disclosures, the adoption of this new guidance did not and will not have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13 *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 amends ASC 605-25 *Revenue Recognition Multiple-Element Arrangements.* The update replaces the concept of allocating revenue consideration amongst deliverables in a multiple-element revenue arrangement according to fair value with an allocation based on selling price. ASU 2009-13 also establishes a hierarchy for determining the selling price of revenue deliverables sold in multiple element revenue arrangements. The selling price used for each deliverable will be based on vendor-specific objective evidence (VSOE) if available, third-party evidence if VSOE is not available, or management s estimate of an element s stand-alone selling price if neither VSOE nor third-party evidence is available. The amendments in this update also require an allocation of selling price amongst deliverables be performed based upon each deliverable s relative selling price to total revenue consideration, rather than on the residual method previously permitted. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted, but then requires retrospective application of its provisions from the beginning of the fiscal year. We will adopt the amendment provisions of ASU 2009-13 on July 1, 2010; the adoption of this standard is not expected to have a material impact on our financial condition, results of operations or cash flows.

In April 2010, the FASB issued ASU 2010-17 *Revenue Recognition Milestone Method* (ASU 2010-17). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. ASU 2010-17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. Early adoption is permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. We will adopt this provision on July 1, 2010; the adoption of this standard is not expected to have a material impact on our financial condition, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We are exposed to market risks from changes in interest rates, commodity prices and changes in foreign currency exchange. To reduce these risks, we selectively use, from time to time, financial instruments and other proactive management techniques. We have internal policies and procedures that place financial instruments under the direction of the Treasurer and restrict all derivative transactions to those intended for hedging purposes only. The use of financial instruments for trading purposes (except for certain investments in connection with the KEYSOP plan and non-qualified defined contribution plan) or speculation is strictly prohibited. The Company has no majority-owned subsidiaries that are excluded from the consolidated financial statements. Further, we have no interests in or relationships with any special purpose entities.

Exchange Risk

We are exposed to both transactional risk and translation risk associated with exchange rates. The transactional risk is mitigated, in large part, by natural hedges developed with locally denominated debt service on intercompany accounts. We also mitigate certain of our foreign currency exchange rate risk by entering into forward foreign currency contracts from time to time. The contracts are used as a hedge against anticipated foreign cash flows, such as dividend payments, loan payments, and materials purchases, and are not used for trading or speculative purposes. The fair value of the forward foreign currency exchange contracts is sensitive to changes in foreign currency exchange rates, as an adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts. However, any such losses or gains would generally be offset by corresponding gains and losses, respectively, on the related hedged asset or liability. At June 30, 2010 and 2009, the fair value of the Company s open foreign exchange contracts were not material.

Our primary translation risk is with the Euro, British Pound Sterling, and Chinese Yuan. A hypothetical 10% appreciation or depreciation of the value of any these foreign currencies to the U.S. Dollar at June 30, 2010, would not result in a material change in our operations, financial position, or cash flows. We do not hedge our translation risk. As a result, fluctuations in currency exchange rates can affect our stockholders equity.

Interest Rate

The Company s effective rate on variable-rate borrowings under the revolving credit agreement decreased from 4.11% at June 30, 2009 to 3.94% at June 30, 2010. Our interest rate exposure is limited primarily to interest rate changes on our variable rate borrowings. From time to time, we will use interest rate swap agreements to modify our exposure to interest rate movements. In July 2008 and June 2010, we entered into a series of swap agreements with two and five year terms effectively converting interest payments on $90.0 million of debt due under our revolving credit agreement from variable rates based on LIBOR to a fixed rate of 3.55% based on the Company s effective leverage ratio at June 30, 2010. Due to the impact of the swaps, an increase in interest rates would not materially impact our annual interest expense at June 30, 2010.

Concentration of Credit Risk

We have a diversified customer base. As such, the risk associated with concentration of credit risk is inherently minimized. As of June 30, 2010, no one customer accounted for more than 5% of our consolidated outstanding receivables or of our sales.

Commodity Prices

The Company is exposed to fluctuating market prices for all commodities used in its manufacturing processes. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While Standex considers our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

The ADP, Engineering Technologies, Food Service Equipment and Electronics and Hydraulics Groups are all sensitive to price increases for steel products, other metal commodities and petroleum based products. In the past year, we have experienced price fluctuations for a number of materials including steel, copper wire, other metal commodities, refrigeration components and foam insulation. These materials are some of the key elements in the products manufactured in these segments. Wherever possible, we will implement price increases to offset the impact of changing prices. The ultimate acceptance of these price increases, if implemented, will be impacted by our affected divisions respective competitors and the timing of their price increases.

Item 8. Financial Statements and Supplementary Data

Consolidated Balance Sheets

Standex International Corporation and Subsidiaries

As of June 30 (*in thousands, except share data*)	**2010**	**2009**
ASSETS		
Current assets:		
Cash and cash equivalents	$33,630	$8,984
Accounts receivable, net	92,520	81,893
Inventories, net	69,554	75,634
Income tax receivables	3,634	2,186
Prepaid expenses and other current assets	5,346	2,730
Deferred tax asset	12,351	13,278
Total current assets	217,035	184,705

Property, plant, equipment, net	93,227	108,612
Intangible assets, net	17,791	20,450
Goodwill	102,804	101,722
Other non-current assets	15,422	18,220
Total non-current assets	229,244	249,004
Total assets	$446,279	$433,709
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	58,514	58,802
Accrued liabilities	40,683	36,902
Current liabilities discontinued operations	2,319	3,543
Total current liabilities	101,516	99,247
Long-term debt	93,300	94,300
Deferred income taxes	2,261	4,859
Pension obligations	44,945	43,281
Other non-current liabilities	12,194	15,736
Total non-current liabilities	152,700	158,176
Commitments and Contingencies (Notes 11 and 12)		
Stockholders' equity:		
Common stock, par value $1.50 per share - 60,000,000 shares authorized, 27,984,278 issued, 12,447,891 and 12,386,821 shares outstanding in 2010 and 2009	41,976	41,976
Additional paid-in capital	31,460	28,690
Retained earnings	445,313	419,157
Accumulated other comprehensive loss	(66,456)	(52,591)
Treasury shares (15,536,387 shares in 2010		

and 15,597,457 shares in 2009)	(260,230)	(260,946)
Total stockholders' equity	192,063	176,286
Total liabilities and stockholders' equity	$446,279	$433,709

See notes to consolidated financial statements.

Consolidated Statements of Operations

Standex International Corporation and Subsidiaries

For the Years Ended June 30 (in thousands, except per share data)	**2010**	**2009**	**2008**
Net sales	$578,454	$607,086	$697,541
Cost of sales	395,051	431,111	495,694
Gross profit	183,403	175,975	201,847
Selling, general and administrative	138,770	140,776	162,328
Impairment of goodwill and intangible assets	--	21,339	--
Gain on sale of real estate	(1,405)	--	--
Restructuring costs	3,772	7,839	590
Income from operations	42,266	6,021	38,929

Interest expense	3,624	6,532	9,510
Other, net	(754)	(215)	(324)
Total	2,870	6,317	9,186
Income (loss) from continuing operations before income taxes	39,396	(296)	29,743
Provision for income taxes	11,436	1,594	10,459
Income (loss) from continuing operations	27,960	(1,890)	19,284
Income (loss) from discontinued operations, net of tax	739	(3,515)	(774)
Net income (loss)	$28,699	($5,405)	$18,510
Basic earnings per share:			
Income (loss) from continuing operations	$2.25	($0.15)	$1.57
Income (loss) from discontinued operations	0.06	(0.29)	(0.06)
Total	$2.31	($0.44)	$1.51
Diluted earnings per share:			
Income (loss) from continuing operations	$2.20	($0.15)	$1.55
Income (loss) from discontinued operations	0.06	(0.29)	(0.06)
Total	$2.26	($0.44)	$1.49

See notes to consolidated financial statements.

Standex International Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)

			Accumulated		
	Additional		**Other**		**Total**
Common	**Paid-in**	**Retained**	**Comprehensive**	**Treasury Stock**	**Stockholders**

Year End (in thousands)	Stock	Capital	Earnings	Income (Loss)	Shares	Amount	Equity
Balance, July 1, 2007	$41,976	$25,268	$426,171	($26,533)	15,737	($262,451)	$204,431
Stock issued for employee stock option and							
purchase plans, including related income tax benefit		(547)			(89)	1,497	950
Stock-based compensation		2,437					2,437
Treasury stock acquired					40	(926)	(926)
Comprehensive income							
Net Income			18,510				18,510
Foreign currency translation adjustment				4,644			4,644
Change in unrealized pension losses, net of tax				(6,698)			(6,698)
Total comprehensive income							16,456
Adjustment to adopt change in measurement							
provisions of ASC 715 as of July 1, 2007			(928)	11,056			10,128
Dividends paid ($.84 per share)			(10,318)				(10,318)
Balance, June 30, 2008	$41,976	$27,158	$433,435	($17,531)	15,688	($261,880)	$223,158
Stock issued for employee stock option and							
purchase plans, including related income tax benefit		(1,049)			(113)	1,870	821
Stock-based compensation		2,398					2,398
Treasury stock acquired					65	(1,652)	(1,652)
Stock issued for acquisition		183			(43)	716	899
Comprehensive income							

Net loss			(5,405)				(5,405)
Foreign currency translation adjustment				(10,426)			(10,426)
Change in unrealized pension losses, net of tax				(23,484)			(23,484)
Change in fair value of derivatives, net of tax				(1,150)			(1,150)
Total comprehensive loss							(40,465)
Dividends paid ($.68 per share)			(8,873)				(8,873)
Balance, June 30, 2009	$41,976	$28,690	$419,157	($52,591)	15,597	($260,946)	$176,286
Stock issued for employee stock option and							
purchase plans, including related income tax benefit		(1,075)			(107)	1,790	715
Stock-based compensation		3,845					3,845

Treasury stock acquired					46	(1,074)	(1,074)
Comprehensive income							
Net Income			28,699				28,699
Foreign currency translation adjustment				(2,360)			(2,360)
Change in unrealized pension losses, net of tax				(12,032)			(12,032)
Change in fair value of derivatives, net of tax				527			527
Total comprehensive income							14,834
Dividends paid ($.20 per share)			(2,543)				(2,543)
Balance, June 30, 2010	41,976	31,460	445,313	(66,456)	15,536	(260,230)	192,063

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Standex International Corporation and Subsidiaries

For the Years Ended June 30 *(in thousands)*	**2010**	**2009**	**2008**
Cash Flows from Operating Activities			
Net income (loss)	$28,699	($5,405)	$18,510
Income (loss) from discontinued operations	739	(3,515)	(774)
Income (loss) from continuing operations	27,960	(1,890)	19,284
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	14,407	15,541	17,113
Stock-based compensation	3,845	2,398	2,437
Deferred income taxes	5,320	(3,563)	(467)
Impairment Charges	--	21,339	

Non-cash portion of restructuring charge	873	3,730	94
(Gain)/loss on sale of investments, real estate, equipment and debt extinguishment	(1,405)	375	(344)
Increase/(decrease) in cash from changes in assets and liabilities,			
net of effects from discontinued operations and business acquisitions:			
Accounts receivables, net	(12,022)	18,360	4,738
Inventories	5,393	11,605	4,299
Contributions to defined benefit plans	(17,414)	--	(620)
Prepaid expenses and other	(5,746)	1,001	471
Accounts payable	(1,081)	(6,034)	(912)
Accrued payroll, employee benefits and other liabilities	3,838	(18,039)	836
Income taxes payable	(1,722)	(1,550)	(1,746)
Net cash provided by operating activities - continuing operations	22,246	43,273	45,183
Net cash used for operating activities - discontinued operations	(845)	(3,829)	(477)
Net cash provided by operating activities	21,401	39,444	44,706
Cash Flows from Investing Activities			
Expenditures for capital assets	(4,030)	(5,238)	(9,907)
Expenditures for acquisitions, net of cash acquired	--	(5,617)	--
Expenditures for executive life insurance policies	(640)	(695)	(626)
Proceeds withdrawn from life insurance policies	1,649	3,753	3,129
Proceeds from sale of real estate and equipment	8,693	639	8,129
Net cash provided by (used for) investing activities from continuing operations	5,672	(7,158)	725
Net cash provided by investing activities from discontinued operations	--	--	1,661
Net cash provided by (used for) investing activities	5,672	(7,158)	2,386
Cash Flows from Financing Activities			
Proceeds from borrowings	78,000	66,650	150,000
Payments of debt	(79,000)	(107,311)	(183,624)
Stock issued under employee stock option and purchase plans	376	821	950
Debt issuance costs	--	--	(231)
Cash dividends paid	(2,490)	(8,384)	(10,318)
Purchase of treasury stock	(1,074)	(1,652)	(926)
Net cash used for financing activities from continuing operations	(4,188)	(49,876)	(44,149)

Net cash used for financing activities from discontinued operations	--	--	--
Net cash used for financing activities	(4,188)	(49,876)	(44,149)
Effect of exchange rate changes on cash	1,761	(2,083)	1,657
Net change in cash and cash equivalents	24,646	(19,673)	4,600
Cash and cash equivalents at beginning of year	8,984	28,657	24,057
Cash and cash equivalents at end of year	$33,630	$8,984	$28,657
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	$3,071	$6,378	$9,921
Income taxes, net of refunds	$9,068	$5,002	$10,314
Capital expenditures included in accounts payable at year end	$495	$0	$1,082

See notes to consolidated financial statements.

STANDEX INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation and Consolidation

Standex International Corporation (Standex or the Company) is a diversified manufacturing company with operations in the United States, Europe, Asia, and Latin America. The accompanying consolidated financial statements include the accounts of Standex International Corporation and its subsidiaries and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All intercompany accounts and transactions have been eliminated in consolidation.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. We evaluated subsequent events through the date and time our consolidated financial statements were issued.

Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. Estimates are based on historical experience, actuarial estimates, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities when they are not readily apparent from other sources. These estimates assist in the identification and assessment of the accounting treatment necessary with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with a maturity of three months or less. These investments are carried at cost, which approximates fair value. At June 30, 2010 and 2009, the Company s cash was comprised solely of cash on deposit.

Trading Securities

The Company purchases investments in connection with the KEYSOP Plan for certain retired executives and for its non-qualified defined contribution plan for employees who exceed certain thresholds under our traditional 401(k) plan. These investments are classified as trading and reported at fair value. The investments generally consist of mutual funds, are included in other non-current assets and amounted to $5.7 million and $4.9 million at June 30, 2010 and 2009, respectively.

Accounts Receivable Allowances

The Company has provided an allowance for doubtful accounts reserve which represents the best estimate of probable loss inherent in the Company s account receivables portfolio. This estimate is derived from the Company s knowledge of its end markets, customer base, products, and historical experience.

The changes in the allowances for uncollectible accounts during 2010, 2009 and 2008 were as follows (in thousands):

	2010	**2009**	**2008**
Balance at beginning of year	$2,636	$3,299	$3,339
Provision charged to expense	564	155	732
Write-offs, net of recoveries	(622)	(818)	(772)
Balance at end of year	$2,578	$2,636	$3,299

Inventories

Inventories are stated at the lower of first-in, first-out cost or market.

Long-Lived Assets

Long-lived assets that are used in operations, excluding goodwill and identifiable intangible assets, are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Recognition and measurement of a potential impairment loss is performed on assets grouped with other assets and liabilities at the lowest level where identifiable cash flows are largely independent of the cash flows of other assets and liabilities. An impairment loss is the amount by which the carrying amount of a long-lived asset (asset group) exceeds its estimated fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

Property, Plant and Equipment

Property, plant and equipment are reported at cost less accumulated depreciation. Depreciation is recorded on assets over their estimated useful lives, generally using the straight-line method. Lives for property, plant and equipment are as follows:

Buildings	40 to 50 years
Leasehold improvements	Lesser of term or useful life
Machinery and equipment	8 to 15 years
Furniture and Fixtures	3 to 10 years
Computer hardware and software	3 to 7 years

Routine maintenance costs are expensed as incurred. Major improvements are capitalized. Major improvements to leased buildings are capitalized as leasehold improvements and depreciated over the lesser of the lease term or the life of the improvement.

Goodwill and Identifiable Intangible Assets

All business combinations are accounted for using the purchase method, and goodwill and identifiable intangible assets with indefinite lives are not amortized, but are reviewed annually for impairment or more frequently if impairment indicators arise. Identifiable intangible assets that are not deemed to have indefinite lives are amortized on an accelerated basis over the following useful lives:

Customer relationships	15 to 16 years
Patents	8.5 to 12 years
Non-compete agreements	4 years
Other	6.2 to 10 years

See discussion of the Company s assessment of impairment in Note 5 Goodwill, and Note 6 Intangible Assets.

Assets Held for Sale

Assets held for sale are reported at the lower of the assets carrying amount or fair value, less costs to sell. At June 30, 2010, assets held for sale of $2.3 million consisted of excess real estate and was included in other current assets in the consolidated balance sheet. At June 30, 2009, assets held for sale of $2.9 million were classified as other non-current assets and were also comprised of excess real estate.

Fair Value of Financial Instruments

Our financial instruments, shown below, are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in our balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and the methodologies used in valuation are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities. The Company s KEYSOP and deferred compensation plan assets consist of shares in various mutual funds (for the deferred compensation plan, investments are participant-directed) which invest in a broad portfolio of debt and equity securities. These assets are valued based on publicly quoted market prices for the funds shares as of the balance sheet dates. For pension assets, securities are valued based on quoted market prices for securities held directly by the trust.

Level 2 Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data. For foreign exchange forward contracts and interest rate swaps, the Company values the instruments based on the market price of instruments with similar terms, which are based on spot and forward rates as of the balance sheet dates. The Company has considered the creditworthiness of counterparties in valuing all assets and liabilities. For pension assets held in commingled funds, the Company values investments based on the net asset value of the funds, which are derived from the quoted market prices of the underlying fund holdings.

Level 3 Unobservable inputs based upon the Company s best estimate of what market participants would use in pricing the asset or liability. The Company does not hold any Level 3 instruments as of the balance sheet dates.

Cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value.

The fair values of our financial instruments at June 30, 2010 and 2009 were (in thousands):

2010

	Total	Level 1	Level 2	Level 3
Financial Assets				
Marketable securities - KEYSOP assets	$ 5,018	$ 5,018	$ -	$ -
Marketable securities - deferred compensation plan	670	670	-	-
Foreign Exchange contracts	106	-	106	-
Financial Liabilities				
Foreign Exchange contracts	$ 31	-	$ 31	-
Interest rate swaps	920	-	920	-

		2009		
	Total	Level 1	Level 2	Level 3
Financial Assets				
Marketable securities - KEYSOP assets	$ 4,387	$ 4,387	$ -	$ -
Marketable securities - deferred compensation plan	477	477	-	-
Foreign Exchange contracts	25	-	25	-
Financial Liabilities				
Foreign Exchange contracts	$ 296	-	$ 296	-
Interest rate swaps	1,799	-	1,799	-

Concentration of Credit Risk

The Company is subject to credit risk through trade receivables and short-term cash investments. Concentration of risk with respect to trade receivables is minimized because of the diversification of our operations, as well as our large customer base and our geographical dispersion. No individual customer accounts for more than 10% of revenues or accounts receivable in the periods presented.

Short-term cash investments are placed with high credit-quality financial institutions. The Company monitors the amount of credit exposure in any one institution or type of investment instrument.

Revenue Recognition

The Company s product sales are recorded when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectability is reasonably assured. For products that include installation, and if the installation meets the criteria to be considered a separate element, product revenue is recognized upon delivery, and installation revenue is recognized when the installation is complete. Revenues under certain fixed price contracts are generally recorded when deliveries are made.

Cost of Goods Sold and Selling, General and Administrative Expenses

The Company includes expenses in either cost of goods sold or selling, general and administrative categories based upon the natural classification of the expenses. Cost of goods sold includes expenses associated with the acquisition, inspection, manufacturing and receiving of materials for use in the manufacturing process. These costs include inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs as well as depreciation, amortization, wages, benefits and other costs that are incurred directly or indirectly to support the manufacturing process. Selling, general and administrative includes expenses associated with the distribution of our products, sales effort, administration costs and other costs that are not incurred to support the manufacturing process. The Company records distribution costs associated with the sale of inventory as a component of selling, general and administrative expenses in the Consolidated Statements of Operations. These expenses include warehousing costs, outbound freight charges and costs associated with distribution personnel. Our gross profit margins may not be comparable to those of other entities due to different classifications of costs and expenses.

Research and Development

Research and development expenditures are expensed as incurred. Total research and development costs charged to expense were $3.6 million, $3.9 million, and $4.1 million for the years ended June 30, 2010, 2009, and 2008, respectively.

Warranties

The expected cost associated with warranty obligations on our products is recorded when the revenue is recognized. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

The changes in warranty reserve during 2010, 2009, and 2008 were as follows (in thousands):

	2010	**2009**	**2008**
Balance at beginning of year	$4,821	$4,987	$4,387
Warranty expense	2,827	1,497	5,238
Warranty claims	(2,887)	(1,663)	(4,638)
Balance at end of year	$4,761	$4,821	$4,987

Stock-Based Compensation Plans

Restricted stock awards generally vest over a three-year period and generally have a maturity of three years. Compensation expense associated with these awards is recorded based on their grant-date fair values and is generally recognized on a straight-line basis over the vesting period. Compensation cost for an award with a performance condition is based on the probable outcome of that performance condition. The stated vesting period is considered non-substantive for retirement eligible participants. Accordingly, the Company recognizes any remaining unrecognized compensation expense when a participant achieves retirement eligibility.

Foreign Currency Translation

The functional currency of our non-U.S. operations is generally the local currency. Assets and liabilities of non-U.S. operations are translated into U.S. Dollars on a monthly basis using period-end exchange rates. Revenues and expenses of these operations are translated using average exchange rates. The resulting translation adjustment is reported as a component of comprehensive income, in the statements of consolidated stockholders equity and comprehensive income. Gains and losses from foreign currency transactions are included in results of operations and were not material for any period presented.

Derivative Instruments and Hedging Activities

The Company recognizes all derivatives on its balance sheet at fair value.

Forward foreign currency exchange contracts are periodically used to limit the impact of currency fluctuations on certain anticipated foreign cash flows, such as foreign purchases of materials, dividends and loan payments from subsidiaries. The Company enters into such contracts for hedging purposes only. For hedges of intercompany loan payments, the Company records derivative gains and losses directly to the statement of operations due to the general short-term nature and predictability of the transactions.

Company also uses interest rate swaps to manage exposure to interest rates on the Company s variable rate indebtedness. The Company values the swaps based on contract prices in the derivatives market for similar instruments. The Company has designated the swaps as cash flow hedges, and changes in the fair value of the swaps are recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with the swaps will be reported by the Company in interest expense.

The Company does not hold or issue derivative instruments for trading purposes.

Income Taxes

Deferred assets and liabilities are recorded for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statements and the tax bases of assets and liabilities using enacted tax rates. Valuation allowances are provided when the Company does not believe it more likely than not the benefit of identified tax assets will be realized.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. The Company accounts for uncertain tax positions based on a determination of whether and how much of a tax benefit taken by the Company in its tax filings or positions is more likely than not to be realized following resolution of any potential contingencies present related to the tax benefit, assuming that the matter in question will be raised by the tax authorities. Interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense.

Earnings Per Share

(share amounts in thousands)	**2010**	**2009**	**2008**
Basic Average Shares Outstanding	12,440	12,326	12,291
Effect of Dilutive Securities Stock Options and Restricted Stock Awards	245	--	104
Diluted Average Shares Outstanding	12,685	12,326	12,395

Both basic and dilutive income are the same for computing earnings per share. There were no outstanding instruments that had an anti-dilutive effect at June 30, 2010. Options to purchase 106,497 shares and 234,602 restricted shares were not included in the computation of diluted earnings per share for the year ended June 30, 2009, due to the Company s net loss for the period. Instruments which were not included in the computation of diluted earnings per share because to do so would have had an anti-dilutive effect, totaled 5,240 shares for the year ended June 30, 2008.

Recently Issued Accounting Pronouncements

In January 2010, the FASB issued Accounting Standard Update (ASU) 2010-06, Fair Value Measurements and Disclosures (ASC Topic 820) Improving Disclosures About Fair Value Measurements. The ASU requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for the Company's third quarter of fiscal year 2010. Other than requiring additional disclosures, the adoption of this new guidance did not and will not have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13 Multiple-Deliverable Revenue Arrangements (ASU 2009-13). ASU 2009-13 amends ASC 605-25 Revenue Recognition Multiple-Element Arrangements. The update replaces the concept of allocating revenue consideration amongst deliverables in a multiple-element revenue arrangement according to fair value with an allocation based on selling price. ASU 2009-13 also establishes a hierarchy for determining the selling price of revenue deliverables sold in multiple element revenue arrangements. The selling price used for each deliverable will be based on vendor-specific objective evidence (VSOE) if available, third-party evidence if VSOE is not available, or management s estimate of an element s stand-alone selling price if neither VSOE nor third-party evidence is available. The amendments in this update also require an allocation of selling price amongst deliverables be performed based upon each deliverable s relative selling price to total revenue consideration, rather than on the residual method previously permitted. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted, but then requires retrospective application of its provisions from the beginning of the fiscal year. We will adopt the amendment provisions of ASU 2009-13 on July 1, 2010; the adoption of this standard is not expected to have a material impact on our financial condition, results of operations or cash flows.

In April 2010, the FASB issued ASU 2010-17 Revenue Recognition Milestone Method (ASU 2010-17). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. ASU 2010-17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. Early adoption is permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. We will adopt this provision on July 1, 2010; the adoption of this standard is not expected to have a material impact on our financial condition, results of operations or cash flows.

2. ACQUISITIONS

In connection with an acquisition in 2003, the Company entered into a lease agreement for its Richmond, Virginia, Engraving Group facility pending the completion of a number of environmental requirements by the former owner. Upon satisfaction of those requirements, as evidenced by the issuance of a certificate by the Virginia Department of Environmental Quality, the Company was required to purchase the land and building for $4.5 million. In May 2009, the certificate was issued, and the Company paid $3.6 million in cash and issued 42,783 shares of common stock from its treasury shares in order to consummate the purchase. The Company recognized an additional $1.4 million of goodwill related to the completion of the transaction, with the remaining purchase price allocated to the land and building.

3. INVENTORIES

Inventories are comprised of (in thousands):

June 30	**2010**	**2009**

Raw materials	$ 34,329	$ 36,391
Work in process	20,640	22,616
Finished goods	14,585	16,627
Total	$ 69,554	$ 75,634

Distribution costs associated with the sale of inventory are recorded as a component of selling, general and administrative expenses and were $20.3 million, $23.4 million, and $29.4 million in 2010, 2009, and 2008, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

June 30	2010	2009
Land, buildings and leasehold improvements	$80,765	$92,817
Machinery, equipment and other	148,493	150,604
Total	229,258	243,421
Less accumulated depreciation	136,031	134,809
Property, plant and equipment - net	$93,227	$108,612

Depreciation expense for the years ended June 30, 2010, 2009, and 2008 totaled $11.1 million, $12.2 million, and $13.2 million, respectively.

5. GOODWILL

Goodwill and certain indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying amount of the asset. The Company s annual test for impairment is performed using a May 31st measurement date.

The Company has identified our reporting units for impairment testing as its twelve operating segments, which are aggregated into five reporting segments as disclosed in Note 18 Industry Segment Information.

As quoted market prices are not available for the Company s reporting units, the fair value of the reporting units is determined using one or both of (1) a discounted cash flow model (income approach); and (2) a market adjusted multiple of earnings and revenues (market approach) where comparable data exists for those reporting units. Both methods use various assumptions that are specific to each individual reporting unit in order to determine the fair value. In addition, the Company compares the estimated aggregate fair value of its reporting units to its overall market capitalization.

2010 Impairment Analysis

In the fourth quarter of 2010, the Company performed its annual impairment test on goodwill and other indefinite-lived intangible assets. As a result, the Company determined that the fair value of the reporting units and indefinite-lived intangible assets exceeded their respective carrying values. Therefore, no impairment charges were recorded during 2010.

2009 Impairment Analysis

Due to deterioration in the U.S. equity and credit markets and industry-wide declines in profitability, the Company s market capitalization decreased below its book value during the third quarter of 2009. After taking into consideration this triggering event, the Company concluded that an interim assessment was required and measured goodwill for impairment as of March 31, 2009.

The Company completed Step 1 of the impairment test and determined that the carrying value of the Associated American Industries (AAI) reporting unit within the Food Service Equipment Group exceeded its fair value. Based on the allocation of the unit s fair value in accordance with Step 2, it was determined that goodwill and trademarks at AAI were impaired. As a result, the Company determined that the fair value of the goodwill at AAI was approximately $29 million compared to a carrying value of $47 million resulting in an impairment of $17.9 million. In addition, intangible assets were assessed for impairment. Based upon those assessments, it was determined the fair value of a non-amortizing intangible asset included in the AAI reporting unit was impaired, and recognized an impairment of $3.4 million related to the carrying value of AAI s trademarks.

The Company updated its assessment of goodwill impairment as of its annual measurement date of May 31, 2009. No additional impairments were recorded as a result of this update.

While the Company believes that estimates of future cash flows are reasonable, changes in assumptions could significantly affect valuations and result in impairments in the future. The most significant assumption involved in the Company s determination of fair value is the cash flow projections of each reporting unit. Certain reporting units have been significantly impacted by the current global economic downturn, specifically the Air Distribution Products Group, which has been significantly impacted by the declines in new housing starts and other factors impacting residential housing. If the effects of the current global economic environment are protracted or the recovery is slower than projected, estimates of future cash flows for each reporting unit may be insufficient to support the carrying value of the reporting units, requiring the Company to re-assess its conclusions related to fair value and the recoverability of goodwill.

Changes to goodwill during the years ended June 30, 2010 and 2009 are as follows (in thousands):

	2010	**2009**
Balance at beginning of year	$101,722	$120,650
Additions	--	1,557
Impairment charge	--	(17,939)
Foreign currency translation	1,082	(2,546)
Balance at end of year	$102,804	$101,722

6. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	Customer Relationships	**Trademarks**	**Other**	**Total**
June 30, 2010				
Cost	$21,055	$8,808	$4,165	$34,028

Accumulated amortization	(12,162)	--	(4,075)	(16,237)
Balance, June 30, 2010	$8,893	$8,808	$90	$17,791
June 30, 2009				
Cost	$21,402	$8,808	$4,409	$34,619
Accumulated amortization	(9,977)	--	(4,192)	(14,169)
Balance, June 30, 2009	$11,425	$8,808	$217	$20,450

Amortization expense (excluding impairment) for the years ended June 30, 2010, 2009, and 2008 totaled $2.5 million, $3.3 million, and $3.9 million, respectively. At June 30, 2010, aggregate amortization expense is estimated to be $2.0 million in fiscal 2011, $1.6 million in fiscal 2012, $1.2 million in fiscal 2013, $1.0 million in fiscal 2014, and $0.8 million in fiscal 2015.

As discussed in Note 5 - Goodwill, the Company identified trademarks within the AAI operating segment that were impaired and therefore recorded an asset impairment charge of $3.4 million in the Food Service Equipment Group during 2009.

7. DEBT

Debt is comprised of the following (in thousands):

	2010	**2009**
Bank credit agreements	$90,000	$91,000
Other, due 2018 (0.45%		
effective rate at June 30, 2010)	3,300	3,300
Total	93,300	94,300
Less current portion	-	-
Total long-term debt	$93,300	$94,300

Bank Credit Agreements

The Company has in place a five year, $150 million unsecured revolving credit facility (the facility) with seven participating banks which originated in September 2007. Funds available under the facility may be used for general corporate purposes or to provide financing for acquisitions. Borrowings under the agreement bear interest at a rate equal to LIBOR plus an applicable percentage based on our consolidated leverage ratio, as defined by the agreement. As of June 30, 2010, the effective rate of interest for outstanding borrowings under the facility was 1.26%. Including the impact of interest rate swaps, the effective rate of interest at June 30, 2010, was 3.94%. The Company is required to pay an annual fee of 0.125% on the maximum credit line. The Company had the ability to borrow an additional $60.0 million under the facility at June 30, 2010.

The Company also utilizes two uncommitted money market credit facilities to help manage daily working capital needs. These unsecured facilities, which are renewed annually, provide for a maximum aggregate credit line of $15 million. No amounts were outstanding under these facilities at June 30, 2010 and 2009. At June 30, 2010, and 2009, the Company had standby letters of credit outstanding, primarily for insurance purposes, of $15.6 million and $14.3 million, respectively

Loan Covenants and Repayment Schedule

Our funded debt agreements contain certain customary affirmative and negative covenants, as well as specific financial covenants. The Company s current financial covenants under the facility are as follows:

Interest Coverage Ratio - The Company is required to maintain a ratio of Earnings Before Interest and Taxes (EBIT) to interest expense for the trailing twelve months of at least 3:1. EBIT is defined in the revolving credit facility to specifically exclude extraordinary and certain defined items such as non-cash restructuring charges and goodwill impairment. At June 30, 2010, the Company s Interest Coverage Ratio was 10.90:1.

Leverage Ratio - The Company s ratio of funded debt to trailing twelve month EBITDA, defined as EBIT plus Depreciation and Amortization, may not exceed 3.5:1. At June 30, 2010, the Company s Leverage Ratio was 1.73:1.

Consolidated Net Worth The Company is required to maintain a Consolidated Net Worth of at least $163.7 million plus 50% of cumulative net income since the inception of the agreement. Consolidated Net Worth is defined as the Company s net worth as adjusted for unamortized pension losses (not to exceed $40 million) and certain foreign exchange gains and losses.

At June 30, 2010, the Company s Consolidated Net Worth was $225.5 million, $12.3 million greater than the required amount of $213.2 million.

Debt is due as follows (in thousands):

2011	-
2012	-
2013	90,000
2014	-
2015	-
Thereafter	3,300

The carrying value of borrowings under the facility exceeded its estimated fair value by $3.9 million and $6.2 million at June 30, 2010 and 2009, respectively.

8. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	2010	**2009**
Payroll and employee benefits	$21,284	$15,505
Workers' compensation	4,019	5,408
Other	15,380	15,989
Total	$40,683	$36,902

9. DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps

In July 2008 and June 2010, the Company entered into a series of interest rate swap agreements designed to manage exposure to interest rates on the Company s variable rate indebtedness. The swap agreements convert interest payments on borrowings under our revolving credit agreement from variable rates based on LIBOR to a weighted average fixed rate of 3.55% based on the Company s effective credit spread at June 30, 2010. The fair value of the swaps recognized in accrued expenses and in other comprehensive income at June 30, 2010 and 2009 is as follows (in thousands):

				Fair Value at June 30,	
Effective Date	**Notional Amount**	**Fixed Interest Rate**	**Maturity**	**2010**	**2009**
July 14, 2008	10,000,000	2.92%	July 14, 2009	-	(22)
July 10, 2008	18,500,000	2.95%	July 10, 2009	-	(42)
July 14, 2008	30,000,000	3.35%	July 19, 2010	(77)	(864)
July 10, 2008	30,000,000	3.38%	July 28, 2010	(76)	(871)
June 1, 2010	5,000,000	2.495%	May 26, 2015	(148)	-
June 1, 2010	5,000,000	2.495%	May 26, 2015	(148)	-
June 4, 2010	10,000,000	2.395%	May 26, 2015	(243)	-
June 9, 2010	5,000,000	2.34%	May 26, 2015	(108)	-
June 18, 2010	5,000,000	2.38%	May 26, 2015	(120)	-
				(920)	(1,799)

The Company reported no losses for the years ended June 30, 2010, 2009, and 2008, as a result of hedge ineffectiveness. Future changes in these swap arrangements, including termination of the agreements, may result in a reclassification of any gain or loss reported in accumulated other comprehensive income into earnings as an adjustment to interest expense. Because the 2008 swaps mature in July 2010, $0.2 million of accumulated other comprehensive income at June 30, 2010 is expected to be recognized in the first quarter of fiscal 2011. Accumulated other comprehensive income related to the 2010 swaps is not expected to be recognized until their maturity in 2015.

Foreign Exchange Contracts

At June 30, 2010 and 2009, the Company s outstanding forward foreign exchange contracts were not material.

10. INCOME TAXES

The components of income (loss) from continuing operations before income taxes are as follows (in thousands):

	2010	2009	2008
U.S. Operations	$27,359	($8,781)	$14,627
Non-U.S. Operations	12,037	8,485	15,116
Total	$39,396	($296)	$29,743

The Company utilizes the asset and liability method of accounting for income taxes. Deferred income taxes are determined based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities given the provisions of the enacted tax laws. The components of the provision for income taxes on continuing operations (in thousands) were as shown below:

	2010	2009	2008
Current:			
Federal	$3,264	$2,358	$5,805
State	250	778	1,150
Non-U.S.	2,602	2,021	3,971
Total Current	6,116	5,157	10,926
Deferred:			
Federal	$5,150	($2,777)	($125)
State	928	(714)	(637)
Non-U.S.	(758)	(72)	295
Total Deferred	5,320	(3,563)	(467)
Total	$11,436	$1,594	$10,459

A reconciliation from the U.S. Federal income tax rate on continuing operations to the total tax provision is as follows (in thousands):

	2010	2009	2008
Provision at statutory tax rate	13,395	(102)	10,409
State taxes	778	259	334
Foreign rate differential	(2,245)	(887)	(782)
Impact of foreign repatriation	-	-	407

Change in US tax classification	-	(1,812)	-
Impairment of goodwill	-	6,099	-
Federal tax credits	(33)	(992)	(247)
Other	(459)	(971)	338
Effective income tax provision	11,436	1,594	10,459

Changes in the effective tax rates from period to period may be significant as they depend on many factors including, but not limited to, size of the Company s income or loss and any one-time activities occurring during the period.

The Company s income tax provision from continuing operations for the fiscal year ended June 30, 2010 was impacted by a benefit of $1.1 million from the reversal of a deferred tax asset valuation allowance primarily related to foreign loss carryforwards whose recovery was assessed as more likely than not based on events occurring during the year ended June 30, 2010.

The Company s income tax provision from continuing operations for the fiscal year ended June 30, 2009 was impacted by the following items (i) a benefit of $0.8 million from the reversal of income tax contingency reserves that were determined to be no longer needed due to the expiration of applicable limitation statutes, (ii) the $21.3 million impairment for which only $1.3 million of tax benefit could be realized as the goodwill had no tax basis, (iii) a benefit totaling $1.7 million from the reversal of the deferred tax liability that was no longer required due to a change in the U.S. tax classification of one of our foreign entities, (iv) a benefit of $0.6 million related primarily to the retroactive extension of the R&D credit recorded during the second quarter and (v) a benefit related to the receipt of $1.1 million of nontaxable life insurance proceeds during the first quarter and other minor adjustments.

Significant components of the Company s deferred income taxes are as follows (in thousands):

	2010	2009
Deferred tax liabilities:		
Depreciation and amortization	$ (25,055)	$ (27,163)
Deferred tax assets:		
Accrued compensation	4,523	3,270
Accrued expenses and reserves	7,549	10,273
Pension	16,345	15,054
Inventory	1,916	1,879
Other	1,012	1,356
Net operating loss and credit carry forwards	4,167	4,601
Total deferred tax asset	35,512	36,433
Less: Valuation allowance	(367)	(851)
Net deferred tax asset	$ 10,090	$ 8,419

The Company estimates the degree to which deferred tax assets, including net operating loss and credit carry forwards will result in a benefit based on expected profitability by tax jurisdiction and provides a valuation allowance for tax assets and loss carry forwards that it believes will more likely than not go unrealized. The valuation allowances at June 30, 2010 apply to the tax benefit of foreign and state loss carry forwards, which management has concluded that it is more likely than not that these tax benefits will not be realized. The increase (decrease) in the valuation allowance totaled ($0.5 million), ($1.2 million) and $0.4 million in 2010, 2009, and 2008, respectively.

As of June 30, 2010, the Company had state net operating loss ("NOL") and credit carry forwards of approximately $27.8 million and $1.3 million, respectively, which may be available to offset future state income tax liabilities and expire at various dates from 2011 through 2030. In addition, the Company had foreign NOL carry forwards of approximately $6.2 million, $6.1 million of which carry forward indefinitely and $0.1 million that carry forward for 5 years.

The Company s income taxes currently payable for federal and state purposes have been reduced by the benefit of the tax deduction in excess of recognized compensation cost from employee stock compensation transactions. The provision for income taxes that is currently payable has not been adjusted by approximately ($0.2) million and $0.1 million of such benefits of the Company that have been allocated to capital in excess (deficit) of par value in 2010 and 2009, respectively.

A provision has not been made for U.S. or additional non-U.S. taxes on $37.4 million of undistributed earnings of international subsidiaries that could be subject to taxation if remitted to the U.S. It is not practicable to estimate the amount of tax that might be payable. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so. Accordingly, we believe that U.S. tax on any earnings that might be repatriated would be substantially offset by U.S. foreign tax credits.

The total provision for income taxes included in the consolidated financial statements was as follows (in thousands):

	2010	**2009**	**2008**
Continuing operations	$11,436	$1,594	$10,459
Discontinued operations	441	(2,100)	(477)
	$11,877	($506)	$9,982

The changes in the amount of gross unrecognized tax benefits during 2010 were as follows (in thousands):

	2010	**2009**	**2008**
Beginning Balance	$2,346	$3,196	$2,830
Additions based on tax positions related to the current year	110	745	439
Additions for tax positions of prior years	-	-	-
Reductions for tax positions of prior years	(674)	(690)	(73)
Settlements	-	(905)	-

Ending Balance	$1,782	$2,346	$3,196

If these tax benefits were recognized in a future period, the entire amount of unrecognized tax benefit would impact the Company s effective tax rate.

Within the next twelve months, the statute of limitations will close in various U.S., state and non-U.S. jurisdictions. As a result, it is reasonably expected that net unrecognized tax benefits from these various jurisdictions would be recognized within the next twelve months. The recognition of these tax benefits is not expected to have a material impact to the Company's financial statements. The Company does not reasonably expect any other significant changes in the next twelve months. The following tax years, in the major tax jurisdictions noted, are open for assessment or refund:

Country	Years Ending June 30,
United States	2007 to 2010
Canada	2007 to 2010
Ireland	2007 to 2010
Portugal	

2007 to 2010

United Kingdom

2009 to 2010

The Company s policy is to include interest expense and penalties related to unrecognized tax benefits within the provision for income taxes on the consolidated statements of operations. At June 30, 2010 and June 30, 2009, the Company had approximately $0.1 million and $0.2 million, respectively, accrued for interest expense on unrecognized tax benefits.

11. COMMITMENTS

The Company leases certain property and equipment under agreements with initial terms ranging from one to twenty years. Rental expense related to continuing operations for the years ended June 30, 2010, 2009, and 2008 were approximately $4.7 million, $4.8 million and $5.4 million, respectively. At June 30, 2010, the gross minimum annual rental commitments under noncancelable operating leases, principally real estate, were approximately $4.4 million in 2011, $3.3 million in 2012, $2.5 million in 2013, $1.8 million in 2014, $1.4 million in 2015, and $3.4 million thereafter. These amounts are offset by sublease income of $0.2 million in 2011, $0.4 million in 2012, $0.6 million in 2013, $0.5 million in 2014, $0.3 million in 2015 and less than $0.1 million thereafter.

In September 2007, Standex Air Distribution Products, Inc. (ADP), a subsidiary of the Company, sold its manufacturing facility located in Philadelphia and leased back approximately two-thirds of the floor space of the facility. The lease has an initial term of ten years with two consecutive additional five-year options to renew. The net proceeds from the sale, after transaction and other related costs, were $7.2 million resulting in a gain of approximately $2.3 million which was deferred and is being recognized in proportion to the lease payments expensed over the initial 10-year lease term. The deferred gain is classified as other non-current liabilities on the balance sheet.

The Company is an obligor for certain assigned leases to Berean Christian Bookstores (Berean), an operation disposed of by the Company in 2006. As the former owner of Berean, the Company is party under a number of operating leases which were assigned to the purchaser of the business for the remaining initial terms of the leases at the stated lease costs. The Company remained responsible for these leases until the expiration of the initial terms. In the second quarter of 2009, noting Berean s deteriorating operating performance and precarious financial position, the Company recorded liabilities of $2.9 million, net of estimated subleases, in anticipation of the impairment of leases remaining under the obligation.

In June 2009, Berean filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code and, in July 2009, its assets were sold to a third party under Section 363 of the Code. The new owner of the Berean assets is infusing capital into the business, and we believe the Berean bookstores can now be operated successfully as a going concern. As part of this transaction, the Company agreed to provide lease supplement payments to the new owner of the Berean assets. These payments included an upfront payment of $0.5 million and additional payments totaling $1.2 million which will be made in equal monthly installments through December 2011. The Company remains an obligor of the leases assumed by the new owner, however, the Company s obligation has been reduced for locations where the new owner was able to obtain rent concessions. In addition, the Company remains responsible for three sites formerly operated by Berean. Liabilities associated with these three leases, net of expected subleases at current market rates, total $1.3 million at June 30, 2010. Subsequent to these transactions, the aggregate amount of our obligations in the event of default is $4.4 million at June 30, 2010.

12. CONTINGENCIES

The Company is a party to a number of actions filed or has been given notice of potential claims and legal proceedings related to environmental, commercial disputes, employment matters and other matters generally incidental to our business. Liabilities are recorded when the amount can be reasonably estimated and the loss is deemed probable. Management has evaluated each matter based, in part, upon the advice of our independent environmental consultants and in-house personnel. Management believes the ultimate resolution will not be material to our financial position, results of operations or cash flows.

During 2008, the Company entered into an Administrative Order on Consent (AOC) with the U.S. Environmental Protection Agency (EPA) related to the removal of various PCB-contaminated materials and soils at a site where the Company leased a building and conducted operations from 1967-1979. The Company established an accrual of $2.0 million related to the matter in 2008 and an additional $2.0 million in 2009. As the site is the former location of the Club Products and Monarch Aluminum divisions, the charge was included in results from discontinued operations for the period. Remediation efforts were substantially completed during the 3rd quarter of 2009, and the Company received a closing letter from the EPA in October 2009.

The Company actively sought the recovery of costs incurred in carrying out the terms of the AOC through negotiations with its legacy insurers. Based on the status of these negotiations at September 30, 2009, the Company determined that a settlement was probable and recorded $2.3 million ($1.4 million net of tax) in discontinued operations during the first quarter. The settlement came to fruition as expected during the second quarter, with a final recovery of $2.5 million ($1.6 million net of tax), which is net of costs incurred to negotiate the settlement.

13. STOCK-BASED COMPENSATION AND PURCHASE PLANS

Stock-Based Compensation Plans

Under incentive compensation plans, the Company is authorized to make grants of stock options, restricted stock and performance share units to provide equity incentive compensation to key employees and directors. In fiscal 2004, the Company began granting stock awards instead of stock options. The stock award program offers employees and directors the opportunity to earn shares of our stock over time, rather than options that give the employees and directors the right to purchase stock at a set price. The Company has stock plans for directors, officers and certain key employees.

Total compensation cost recognized in income for equity based compensation awards was $3.8 million, $2.4 million, and $2.4 million for the years ended June 30, 2010, 2009 and 2008, respectively. The total income tax benefit recognized in the consolidated income statement for equity-based compensation plans was $1.3 million, $0.8 million, and $0.9 million for the years ended June 30, 2010, 2009 and 2008, respectively.

At June 30, 2010, 438,892 shares of common stock were reserved for issuance under various compensation plans.

Restricted Stock Awards

The Company may award shares of restricted stock to eligible employees and non-employee directors of the Company at no cost, giving them in most instances all of the rights of stockholders, except that they may not sell, assign, pledge or otherwise encumber such shares and rights during the restriction period. Such shares and rights are subject to forfeiture if certain employment conditions are not met. During the restriction period, recipients of the shares are entitled to dividend equivalents on such shares, providing that such shares are not forfeited. Dividends are accumulated and paid out at the end of the restriction period. During 2010, 2009 and 2008 the Company granted 110,278, 64,091, and 70,351 shares, respectively, of restricted stock to eligible participants. Restrictions on the stock awards lapse between fiscal 2011 and fiscal 2013, with the exception of one award which vests upon the employee s retirement. For the years ended June 30, 2010, 2009 and 2008, $1.7 million, $1.4 million, and $1.1 million, respectively, was recognized as compensation expense related to restricted stock awards. Substantially all awards are expected to vest.

A summary of stock options and restricted stock awards activity during the year ended June 30, 2010 is as follows:

	Stock Options			Restricted Stock Awards	
	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number of Shares	Aggregate Intrinsic Value
Outstanding, July 1, 2009	7,060	$19.90	--	174,602	$1,561,383
Granted	--	--		110,278	
Exercised / vested	--	--	--	(40,910)	788,002
Canceled	(7,060)	19.90		(3,800)	
Outstanding, June 30, 2010	--	--	--	240,170	$6,088,310

Restricted stock awards granted during 2010, 2009 and 2008 had a weighted average grant date fair value of $18.33, $24.19, and $22.63, respectively. The grant date fair value of restricted stock awards is determined based on the closing price of the Company s common stock on the date of grant. The total intrinsic value of awards exercised during the years ended June 30, 2010, 2009, and 2008 was $0.8 million, $0.9 million, and $0.9 million, respectively.

As of June 30, 2010, there was $2.0 million of unrecognized compensation costs related to awards expected to be recognized over a weighted-average period of 1.34 years.

Executive Compensation Program

The Company operates a compensation program for key employees. The plan contains both an annual component as well as long-term component. Under the annual component, participants are required to defer 20% (and may elect to defer up to 50%) of their annual incentive compensation in restricted stock which is purchased at a discount to the market. Additionally, non-employee directors of the Company may defer a portion of their director s fees in restricted stock units which is purchased at a discount to the market. During the restriction period, recipients of the shares are entitled to dividend equivalents on such units, providing that such shares are not forfeited. Dividend equivalents are accumulated and paid out at the end of the restriction period. The restrictions on the units expire after three years. At June 30, 2010 and 2009, respectively, 92,599 and 99,437 shares of restricted stock units are outstanding and subject to restrictions that lapse between fiscal 2011 and fiscal 2013. The compensation expense associated with this incentive program is charged to income over the restriction period. The Company recorded compensation expense related to this program of $0.3 million, $0.4 million, and $0.2 million for the years ended June 30, 2010, 2009 and 2008, respectively.

The fair value of the awards under the annual component of this incentive program is measured using the Black-Scholes option-pricing model. Key assumptions used to apply this pricing model are as follows:

	2010	**2009**	**2008**
Range of risk-free interest rates	1.37%	2.45%	4.11%

Range of expected life of option grants (in years)	3	3	3
Expected volatility of underlying stock	44.5%	44.5%	34.9%
Expected quarterly dividends (per share)	$0.05	$0.21	$0.21

Under the long-term component, grants of performance share units (PSUs) are made annually to key employees and the share units are earned based on the achievement of certain overall corporate financial performance targets over the performance period. At the end of the performance period, the number of shares of common stock issued will be determined by adjusting upward or downward from the target in a range between 10% and 200%. No shares will be issued if the minimum performance threshold is not achieved. The final performance percentage, on which the payout will be based, considering the performance metrics established for the performance period, will be determined by the Compensation Committee of the Board of Directors.

The awards granted by the Committee on September 2, 2009 provided that the PSUs will be converted to shares of common stock if the Company s EBITDA (earnings before interest, taxes, depreciation and amortization) and return on assets meet specified levels approved by the Committee. A participant s right to any shares that are earned will vest in three equal installments. An executive whose employment terminates prior to the vesting of any installment for a reason other than death, disability, retirement, or following a change in control, will forfeit the shares represented by that installment. In certain circumstances, such as death, disability, or retirement, PSUs are paid on a pro-rata basis. In the event of a change in control, vesting of the awards granted is accelerated. The awards granted by the Committee during fiscal 2009 expired without vesting due to failure to meet the performance criteria.

A summary of the awards activity under the executive compensation program during the year ended June 30, 2010 is as follows:

	Annual Component			Performance Stock Units	
	Number of Shares	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	**Number of Shares**	**Aggregate Intrinsic Value**
Non-vested, July 1, 2009	99,437	$17.31	--	30,000	$348,000
Granted	18,602	8.70		159,800	

Vested	(25,440)	21.37	(54,867)	(81,901)	2,073,590
Expired	--	--		(4,833)	
Non-vested, June 30, 2010	92,599	$14.46	1,008,279	103,066	$2,612,723

Restricted stock awards granted under the annual component of this program in fiscal 2010, 2009 and 2008 had a grant date fair value of $13.12, $28.98, and $23.54, respectively. The PSU s granted in fiscal 2010, 2009 and 2008 had a grant date fair value of $17.45, $23.43, and $24.20, respectively. The total intrinsic value of awards vested under the executive compensation program during the years ended June 30, 2010, 2009 and 2008 was $2.0 million, $1.5 million, and $0.7 million, respectively.

The Company recognized compensation expense related to the PSU s of $1.8 million, $0.7 million, and $1.2 million for the years ended June 30, 2010, 2009 and 2008, respectively. The total unrecognized compensation costs related to non-vested performance share units was $1.1 million at June 30, 2010 which is expected to be recognized over a weighted average period of 2.0 years.

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan that allows employees to purchase shares of common stock of the Company at a discount from the market each quarter. Shares of our stock may be purchased by employees quarterly at 95% of the fair market value on the last day of each quarter. Shares of stock reserved for the plan were 129,406 at June 30, 2010. Shares purchased under this plan aggregated 17,790, 30,634, and 27,808, in 2010, 2009 and 2008, respectively at an average price of $21.15, $14.12, and $19.06, respectively.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss are as follows (in thousands):

June 30	**2010**	**2009**
Foreign currency translation adjustment	$ 6,542	$ 8,902
Unrealized pension losses (net of tax benefit of $43.3 million and $36.1 million, respectively)	(72,375)	(60,343)
Unrealized loss on derivative instruments (net of tax benefit of $0.3 million and $0.6 million, respectively)	(623)	(1,150)
Accumulated other comprehensive loss	$ (66,456)	$ (52,591)

15. DISCONTINUED OPERATIONS AND DISPOSITIONS

In 2007, the Company sold substantially all the assets of the Berean Christian Stores (Berean) business in an all cash deal resulting in the recognition of a pre-tax gain of $0.2 million. As the former owner of Berean, the Company is party under a number of operating leases which were assigned to the purchaser of the business for the remaining initial terms of the leases at the stated lease costs. The Company remained an obligor of these leases until the expiration of the initial terms. In the second quarter of 2009, noting Berean s deteriorating operating performance and precarious financial position, the Company recorded liabilities of $2.9 million, net of estimated subleases, in anticipation of the impairment of leases remaining under the obligation.

In June 2009, Berean filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code and, in July 2009, its assets were sold to a third party under Section 363 of the Code. The new owner of the Berean assets is infusing capital into the business, and we believe the Berean bookstores can now be operated successfully as a going concern. As part of this transaction, the Company agreed to provide lease supplement payments to the new owner of the Berean assets. These payments included an upfront payment of $0.5 million and additional payments totaling $1.2 million which will be made in equal monthly installments through December 2011. The Company remains an obligor of the leases assumed by the new owner, however, the Company s obligation has been reduced for locations where the new owner was able to obtain rent concessions. In addition, the Company remains responsible for three sites formerly operated by Berean. Liabilities associated with these three leases, net of expected subleases at current market rates, total $1.3 million at June 30, 2010. Subsequent to these transactions, the aggregate amount of our obligations in the event of default is $4.4 million at June 30, 2010..

During 2008, the Company entered into an Administrative Order of Consent with the U.S. Environmental Protection Agency (EPA) related to the removal of various PCB-contaminated materials and soils at a site where the Company leased a building and conducted operations from 1967-1979. The Company established an accrual of $2.0 million related to the matter in 2008 and an additional $2.0 million accrual in 2009. Remediation efforts were substantially completed during the third quarter of 2009, and the Company received a closure letter from the EPA in the first half of 2010.

The Company actively sought the recovery of costs incurred in carrying out the terms of the AOC through negotiations with its legacy insurers. Based on the status of these negotiations at September 30, 2009, the Company determined that a settlement was probable and recorded $2.3 million ($1.4 million net of tax) in discontinued operations during the first quarter. As expected, the settlement came to fruition during the second quarter, with a final recovery of $2.5 million ($1.6 million net of tax), net of costs incurred to negotiate the settlement.

Earnings (losses) from discontinued operations include the following results for the years ended June 30 (in thousands):

	2010	**2009**	**2008**
Net sales	$ --	$ --	$ --
Berean lease impairment (net of tax benefit of $0.2 million, $1.1 million, and $0, respectively)	(413)	(1,834)	--
EPA remediation recovery (expense) (net of tax (provision) benefit of ($0.9 million), $0.8 million, and $0.8 million, respectively)	1,434	(1,293)	(1,238)
Other loss from discontinued operations (net of tax benefit of $0.2 million, $0.2 million, and $0.1 million, respectively)	(282)	(388)	(176)
Gains from disposal (net of taxes of $0, $0, and $0.4 million, respectively)	--	--	640
Total net earnings (loss) from discontinued operations	$739	($3,515)	($774)

The Company has $2.3 million of accrued liabilities related to discontinued operations in its balance sheet at June 30, 2010, primarily related to accrued lease liabilities for Berean.

16. RESTRUCTURING

The Company has undertaken cost reduction and facility consolidation initiatives that have resulted in severance, restructuring, and related charges. A summary of charges by initiative is as follows (in thousands):

	Year Ended June 30,		
	2010		
	Involuntary Employee Severance and Benefit Costs	Other	Total
Workforce Reduction	$ 991	$ 64	$ 1,055
Consolidation of Global Manufacturing Footprint	877	1,840	2,717
Total expense	$ 1,868	$ 1,904	$ 3,772
	2009		
Workforce Reduction	$ 1,288	$ -	$ 1,288
Consolidation of Global Manufacturing Footprint	1,819	4,732	6,551
Total expense	$ 3,107	$ 4,732	$ 7,839
	2008		
Consolidation of Global Manufacturing Footprint	$ 459	$ 131	$ 590

Workforce Reduction

In response to the recession taking place in the current macroeconomic environment and its impact on the Company, management reduced the number of salaried and indirect labor employees via workforce reductions. During 2009, the Company reduced its U.S.-based workforce by approximately 25%. During 2010, the Company made additional reductions which primarily affected our international headcount.

Activity in the reserves for the Workforce Reduction is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring Liabilities at June 30, 2008	$ -	$ -	$ -
Additions	1,288	-	1,288
Payments	(1,234)	-	(1,234)
Restructuring Liabilities at June 30, 2009	$ 54	$ -	$ 54
Additions	991	64	1,055
Payments	(867)	(64)	(931)
Restructuring Liabilities at June 30, 2010	$ 178	$ -	$ 178

Consolidation of Global Manufacturing Footprint

As part of the Company s ongoing effort to generate operational efficiencies and in response to downturn in certain markets served by the Company s operating segments, the Company has closed several of its manufacturing facilities and consolidating production. These costs are composed primarily of severance, other termination benefits, and expenses associated with the relocation of the plants production capacities to other facilities. Activities related to the most recent of these closures were largely completed during the first half of 2010. The liabilities associated with this initiative are expected to be paid though 2011.

Additionally, during 2010, the Company recorded a net realizable value reduction of $0.8 million ($0.5 million net of tax) related to the sale of the former Bakers Pride facility in New Rochelle, New York, which was completed in the second quarter of 2010, and a $0.5 million ($0.3 million net of tax) net realizable value reduction related to the Air Distribution Products facility in Bartonville, Illinois, which is currently classified as an asset held for sale by the

Company. These reductions were offset by a gain of $0.5 million from the sale of a consolidated Engraving Group facility in Europe and a gain of $0.6 million due to the settlement of the Bartonville multi-employer pension liability at an amount lower than previously expected.

Activity in the reserves related to optimization of the Company s manufacturing locations is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring Liabilities at June 30, 2007	$ 105	$ -	$ 105
Additions	459	131	590
Payments	(486)	(131)	(617)
Restructuring Liabilities at June 30, 2008	$ 78	$ -	$ 78
Additions	1,819	4,732	6,551
Payments	(1,604)	(1,271)	(2,875)
Restructuring Liabilities at June 30, 2009	$ 293	$ 3,461	$ 3,754
Additions	752	825	1,577
Payments	(898)	(4,103)	(5,001)
Restructuring Liabilities at June 30, 2010	$ 147	$ 183	$ 330

The Company s total restructuring expenses by segment are as follows (in thousands):

Year Ended June 30, 2010

	Involuntary Employee Severance and Benefit Costs	Other	Total
Food Service Equipment Group	$ 520	$ 2,055	$ 2,575
Air Distribution Products Group	166	112	278
Engraving Group	1,045	(270)	775
Electronics and Hydraulics Group	49	7	56
Corporate	88	--	88
Total expense	$ 1,868	$ 1,904	$ 3,772
		2009	
Food Service Equipment Group	$ 1,009	$ 402	$ 1,411
Air Distribution Products Group	1,054	3,913	4,967
Engraving Group	413	281	694
Electronics and Hydraulics Group	475	136	611
Corporate	156	--	156
Total expense	$ 3,107	$ 4,732	$ 7,839
		2008	
Engraving Group	$ 205	$ 55	$ 260
Electronics and Hydraulics Group	254	76	330
Total expense	$ 459	$ 131	$ 590

17. EMPLOYEE BENEFIT PLANS

Retirement Plans

The Company has defined benefit pension plans covering certain employees both inside and outside of the U.S. All pension benefits accruing under the U.S. salaried defined benefit plan and the supplemental defined benefit plan have been frozen as of December 31, 2007.

Plan assets are generally invested in equity securities (exclusive of common stock of the Company) debt, and global balanced securities. Contributions for U.S. plans are generally equal to the minimum amounts required by federal laws and regulations. Foreign plans are funded in accordance with the requirements of regulatory bodies governing each plan.

Net periodic benefit cost for U.S. and non-U.S. plans included the following components (in thousands):

	U.S. Plans			**Foreign Plans**		
	Year Ended June 30,			**Year Ended June 30,**		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Service Cost	$314	$565	$3,153	$127	$150	$180
Interest Cost	12,887	12,966	12,306	1,735	1,766	2,062
Expected return on plan assets	(15,601)	(16,859)	(16,770)	(1,506)	(1,578)	(2,046)
Recognized net actuarial loss	1,777	1,404	2,194	253	330	653
Amortization of prior service cost (benefit)	172	169	195	(61)	(60)	(65)
Amortization of transition obligation (asset)	2	2	1	--	--	--
Curtailment	--	--	--	(180)	--	--
Net periodic benefit cost (benefit)	($449)	($1,753)	$1,079	$368	$608	$784

The following table sets forth the funded status and amounts recognized as of June 30, 2010 and 2009 for our U.S. and foreign defined benefit pension plans (in thousands):

	U.S. Plans	**Foreign Plans**

	Year Ended June 30,		Year Ended June 30,	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	$186,153	$191,708	$29,575	$35,261
Service cost	314	565	127	150
Interest cost	12,887	12,966	1,735	1,766
Plan participants' contributions	--	--	47	49
Actuarial loss (gain)	27,385	(5,574)	5,041	(827)
Benefits paid	(13,809)	(13,747)	(1,360)	(1,230)
Plan Amendments	--	235	--	--
Curtailment	--	--	(682)	--
Foreign currency exchange rate	--	--	(3,341)	(5,595)
Projected benefit obligation at end of year	$212,930	$186,153	$31,142	$29,574
Change in plan assets				
Fair value of plan assets at beginning of year	$149,656	$191,803	$22,432	$28,965
Actual return on plan assets	$23,304	($28,592)	3,417	(790)
Employer contribution	15,198	192	1,830	71
Plan participants' contribution	--	--	370	356
Benefits paid	(13,809)	(13,747)	(1,360)	(1,230)
Foreign currency exchange rate	--	--	(2,392)	(4,940)
Fair value of plan assets at end of year	$174,349	$149,656	$24,297	$22,432
Funded Status	($38,581)	($36,497)	($6,845)	($7,142)

Amounts recognized in the consolidated balance sheets consist of:

Current liabilities	($189)	($184)	($292)	($330)
Non-current liabilities	(38,392)	(36,313)	(6,553)	(6,813)
Net amount recognized	($38,581)	($36,497)	($6,845)	($7,143)

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