MFS GOVERNMENT MARKETS INCOME TRUST
Form SC 13D/A
October 05, 2007

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

**SCHEDULE 13D/A**
**Under the Securities Exchange Act of 1934**
**(Amendment No. 3)**

___________

**MFS Government Markets Income Trust**
--------------------------------------------------------------------------------
(Name of Issuer)

Common Stock
--------------------------------------------------------------------------------
(Title of Class of Securities)

552939100
----------------------------------------
(CUSIP Number)

Bulldog Investors General Partnership
Park 80 West, Plaza Two, Suite 750
Saddle Brook, NJ 07663
Tel. (201) 556-0092

With a copy to:

Stephen P. Wink, Esq.
Cahill/Wink LLP
5 Penn Plaza
23rd Floor
New York, NY 10001

(646) 378-2105
---------------------------------------------------------------------------
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

October 4, 2007
---------------------------------------------------------------------------
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of ss.ss.240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. [ ]

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. *See* ss. §240.13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 552939100

**1 Name of Reporting Persons**
**I.R.S. Identification Nos. of above persons (entities only)**

Bulldog Investors General Partnership
56-2585535

**2 Check the Appropriate Box if a Member of a Group (See Instructions)**

(a) [ ]
(b) [X]

**3 SEC Use Only**

**4 Source of Funds (See Instructions)**
WC

**5 Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)[ ]**

**6 Citizenship or Place of Organization**

New York

| | | | |
|---|---|---|---|
| **Number of Shares Beneficially Owned by Each Reporting Person With:** | **7** | **Sole Voting Power** | 5,290,454 |
| | **8** | **Shared Voting Power** | 0 |
| | **9** | **Sole Dispositive Power** | 5,290,454 |
| | **10** | **Shared Dispositive Power** | 0 |

**11 Aggregate Amount Beneficially Owned by Each Reporting Person**

5,290,454

**12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)[ ]**

**13 Percent of Class Represented by Amount in Row (11)**

10.3%

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**14 Type of Reporting Person (See Instructions)**

PN

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This Amendment No. 3 amends the Schedule 13D filed May 1, 2007 (the "Schedule 13D"), as amended by Amendment No. 1 filed June 13, 2007, and Amendment No. 2 filed September 11, 2007, and is filed by Bulldog Investors General Partnership (the "Reporting Person"), with respect to the Common Stock of MGF. Capitalized terms used herein but not defined herein shall have the meanings attributed to them in the Schedule 13D.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.**

Item 6 of the Schedule 13D is supplemented as follows:

On October 4, 2007 the Reporting Person entered into an agreement (the "MGF Agreement") with Massachusetts Financial Services Company ("MFS"), the advisor of MGF, to terminate the Reporting Person's tender offer, which was announced on September 11, 2007, to purchase up to 5,000,000 of the outstanding shares (the "Shares") of common stock, no par value, of MGF for cash at a price equal to 96.25% of the net asset value per Share determined as of the close of the regular trading session of the New York Stock Exchange on the expiration date of the tender offer.

In addition, pursuant to the terms of the MGF Agreement:

(i) MFS shall recommend that the Board of Trustees of MGF approve a tender offer by MGF for 37.5% of its issued and outstanding common shares at a price equal to 99% of net asset value to expire as of market close on November 14, 2007, subject to certain conditions (the "MGF Tender");

(ii) the Reporting Person shall terminate its related proxy solicitation and withdraw its nominees for election at the 2007 Annual Meeting of Shareholders of MGF, withdraw its shareholder proposal to open-end MGF and support MGF's proposal to incur leverage;

(iii) for a period of five years after consummation of the MGF Tender, the Reporting Person shall (a) refrain from directly or indirectly making or supporting any shareholder proposals concerning MGF, (b) vote in accordance with the recommendations of MFS on any matters affecting MGF, (c) refrain from directly or indirectly soliciting or encouraging others to vote against MFS's recommendations on any matters affecting MGF; and (d) refrain from directly or indirectly proposing, or making any filing with respect to, any form of business combination, restructuring, recapitalization, dissolution or similar transaction involving MGF, including, without limitation, a merger, tender or exchange offer, open-ending, share repurchase or liquidation of the MGF's assets; and

(iv) for a period of 18 months after consummation of the MGF Tender, the Reporting Person shall (a) refrain from directly or indirectly making or supporting any shareholder proposals concerning any other existing or future MFS-advised closed-end funds ("Other MFS Funds"), (b) vote in accordance with MFS's recommendations on any matters affecting the Other MFS Funds, (c) refrain from

directly or indirectly soliciting or encouraging others to vote against MFS's recommendations on any matters affecting the Other MFS Funds; and (d) refrain from directly or indirectly proposing, or making any filing with respect to, any form of business combination, restructuring, recapitalization, dissolution or similar transaction involving the Other MFS Funds, including, without limitation, a merger, tender or exchange offer, open-ending, share repurchase or liquidation of the Other MFS Funds' assets.

The foregoing description of the MGF Agreement does not purport to be complete and is qualified in its entirety by reference to the full text thereof, which is filed as Exhibit 1 hereto, and is incorporated herein by reference.

**Item 7. Material to be Filed as Exhibits.**

| Exhibit No. | Description |
| --- | --- |
| 1. | MGF Tender and Standstill Agreement, dated as of October 4, 2007, between Bulldog Investors General Partnership and Massachusetts Financial Services Company (filed herewith). |

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

**DATE:** October 5, 2007

**BULLDOG INVESTORS GENERAL PARTNERSHIP**

By: KIMBALL & WINTHROP, INC., general partner

By: /s/ Phillip Goldstein

Name: Phillip Goldstein
Title: President

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44,133

35,250

Income from continuing operations before income taxes
90,785

62,658

169,703

83,717

Income tax expense
32,221

20,837

60,235

30,316

Income from continuing operations
58,564

41,821

109,468

53,401

Loss from discontinued operations, net
(76
)

(281
)

(765
)

(489
)

Net income
$
58,488

$
41,540

$
108,703

$
52,912

Earnings per share—basic:

Income from continuing operations
$
1.20

$

0.87

$
2.25

$
1.28

Loss from discontinued operations, net
—

(0.01
)

(0.02
)

(0.01
)

Net income
$
1.20

$
0.86

$
2.24

*
$
1.26

*

Weighted average common shares outstanding—basic

48,697

48,115

48,582

41,845

Earnings per share—diluted:

Income from continuing operations
$
1.13

$
0.84

$
2.13

$
1.22

Loss from discontinued operations, net
—

(0.01
)

(0.01
)

(0.01
)

Net income
$
1.13

$
0.83

$
2.11

*
$
1.21

Weighted average common shares outstanding—diluted
51,646

50,036

51,478

43,782

Dividends declared and paid per common share
$
0.04

$
0.02

$
0.06

$
0.04

* Difference due to rounding.
SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

| | Six Months Ended September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Operating Activities | | |
| Net income | $108,703 | $52,912 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 58,933 | 41,877 |
| Amortization of acquired contract liabilities | (13,510) | (9,581) |
| Accretion of debt discount | 4,272 | 3,463 |
| Other amortization included in interest expense | 7,948 | 1,927 |
| Provision for doubtful accounts receivable | 601 | 88 |
| Provision for deferred income taxes | 59,665 | 1,293 |
| Employee stock-based compensation | 2,397 | 1,482 |
| Changes in other current assets and liabilities, excluding the effects of acquisitions and dispositions of businesses: | | |
| Trade and other receivables | (10,784) | 62,477 |
| Rotable assets | (5,874) | (315) |
| Inventories | (36,654) | (11,329) |
| Prepaid expenses and other current assets | (6,422) | (2,873) |
| Accounts payable, accrued expenses and other current liabilities | (24,521) | 43,287 |
| Accrued pension and other postretirement benefits | (85,766) | (67,701) |
| Changes in discontinued operations | 241 | 148 |
| Other | 1,881 | 553 |
| Net cash provided by operating activities | 61,110 | 117,708 |
| Investing Activities | | |
| Capital expenditures | (33,920) | (41,228) |
| Proceeds from sale of assets | 7,450 | 1,132 |
| Acquisitions, net of cash acquired | 19,205 | (333,228) |
| Net cash used in investing activities | (7,265) | (373,324) |
| Financing Activities | | |
| Net increase in revolving credit facility | 306,608 | 97,145 |
| Proceeds from issuance of long-term debt | 59,800 | 746,105 |
| Repayment of debt and capital lease obligations | (417,701) | (662,520) |
| Payment of deferred financing costs | (3,903) | (22,663) |
| Dividends paid | (2,943) | (1,636) |
| Repurchase of restricted shares for minimum tax obligation | (608) | (1,861) |
| Proceeds from exercise of stock options, including excess tax benefit of $0 and $251 in fiscal 2012 and 2011 | 674 | 1,017 |
| Net cash (used in) provided by financing activities | (58,073) | 155,587 |
| Effect of exchange rate changes on cash | (350) | 222 |
| Net change in cash | (4,578) | (99,807) |
| Cash at beginning of period | 39,328 | 157,218 |

| | | |
|---|---|---|
| Cash at end of period | $34,750 | $57,411 |

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Consolidated Statements of Comprehensive Income
(dollars in thousands)
(unaudited)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | $58,488 | $41,540 | $108,703 | $52,912 |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustment | (6,877) | 5,234 | (4,870) | 1,910 |
| Pension and postretirement adjustments, net of income taxes of $427 and $854, respectively | (698) | — | (1,396) | — |
| Unrealized (loss) gain on cash flow hedge, net of tax of $0, $136, $88 and $424, respectively | — | 297 | 232 | 594 |
| Total other comprehensive income (loss) | (7,575) | 5,531 | (6,034) | 2,504 |
| Total comprehensive income | $50,913 | $47,071 | $102,669 | $55,416 |

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

1. BASIS OF PRESENTATION AND ORGANIZATION

The accompanying unaudited consolidated financial statements of Triumph Group, Inc. (the "Company") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the results of operations, financial position and cash flows. The results of operations for the three and six months ended September 30, 2011 are not necessarily indicative of results that may be expected for the year ending March 31, 2012. The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the fiscal 2011 audited consolidated financial statements and notes thereto, included in the Form 10-K for the year ended March 31, 2011 filed in May 2011.

The Company designs, engineers, manufactures, repairs and overhauls a broad portfolio of aerostructures, aircraft components, accessories, subassemblies and systems. The Company serves a broad, worldwide spectrum of the aviation industry, including original equipment manufacturers of commercial, regional, business and military aircraft and aircraft components, as well as commercial and regional airlines and air cargo carriers.

On June 9, 2011, the Company's Board of Directors approved a two-for-one split of the Company's common stock. The stock split resulted in the issuance of one additional share for each share issued and outstanding. The stock split was effective on July 14, 2011, to stockholders of record at the close of business on June 22, 2011. Additionally, the Board of Directors approved a 100% increase in the quarterly cash dividend rate on the Company's common stock to $0.04 per common share from $0.02 per common share on a post-split basis. All share and per share information included in this report has been retroactively adjusted to reflect the impact of the stock split.

Reclassifications have been made to prior-year amounts in order to conform to the current-year presentation related to the completion of the measurement period adjustments for the acquisition of Vought Aircraft Industries, Inc. ("Vought") (Note 3), the effect of the two-for-one stock split announced by the Company in June 2011 and the cash flow presentation of the settlement of deferred and/or contingent payments on acquisitions as financing activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Revenues are generally recognized in accordance with the contract terms when products are shipped, delivery has occurred or services have been rendered, pricing is fixed and determinable, and collection is reasonably assured. A significant portion of the Company's contracts are within the scope of the Revenue - Construction-Type and Production-Type Contracts topic of the Accounting Standards Codification ("ASC") and revenue and costs on contracts

are recognized using percentage-of-completion method of accounting. Accounting for the revenue and profit on a contract requires estimates of (1) the contract value or total contract revenue, (2) the total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract's scope of work and (3) the measurement of progress towards completion. Depending on the contract, the Company measures progress toward completion using either the cost-to-cost method or the units-of-delivery method, with the great majority measured under the units of delivery method.

- Under the cost-to-cost method, progress toward completion is measured as the ratio of total costs incurred to estimated total costs at completion. Costs are recognized as incurred. Profit is determined based on estimated profit margin on the contract multiplied by progress toward completion. Revenue represents the sum of costs and profit on the contract

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Triumph Group, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for the period.

- Under the units-of-delivery method, revenue on a contract is recorded as the units are delivered and accepted during the period at an amount equal to the contractual selling price of those units. The costs recorded on a contract under the units-of-delivery method are equal to the total costs at completion divided by the total units to be delivered. As contracts can span multiple years, the Company often segments the contracts into production lots for the purposes of accumulating and allocating cost. Profit is recognized as the difference between revenue for the units delivered and the estimated costs for the units delivered.

Adjustments to original estimates for a contract's revenues, estimated costs at completion and estimated total profit are often required as work progresses under a contract, as experience is gained and as more information is obtained, even though the scope of work required under the contract may not change, or if contract modifications occur. These estimates are also sensitive to the assumed rate of production. Generally, the longer it takes to complete the contract quantity, the more relative overhead that contract will absorb. The impact of revisions in cost estimates is recognized on a cumulative catch-up basis in the period in which the revisions are made. Provisions for anticipated losses on contracts are recorded in the period in which they become evident (''forward losses'') and are first offset against costs that are included in inventory, with any remaining amount reflected in accrued contract liabilities in accordance with the Construction and Production-Type Contracts topic. Revisions in contract estimates, if significant, can materially affect results of operations and cash flows, as well as valuation of inventory. Furthermore, certain contracts are combined or segmented for revenue recognition in accordance with the Construction and Production-Type Contracts topic.

Amounts representing contract change orders or claims are only included in revenue when such change orders or claims have been settled with the customer and to the extent that units have been delivered. Additionally, some contracts may contain provisions for revenue sharing, price re-determination, requests for equitable adjustments, change orders or cost and/or performance incentives. Such amounts or incentives are included in contract value when the amounts can be reliably estimated and their realization is reasonably assured.

Although fixed-price contracts, which extend several years into the future, generally permit the Company to keep unexpected profits if costs are less than projected, the Company also bears the risk that increased or unexpected costs may reduce profit or cause the Company to sustain losses on the contract. In a fixed-price contract, the Company must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs the Company will incur in performing these contracts and in projecting the ultimate level of revenue that may otherwise be achieved.

Failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a fixed-price contract or cause a loss. The Company believes that it has recognized adequate provisions in the financial statements for losses on fixed-price contracts, but cannot be certain that the contract loss provisions will be adequate to cover all actual future losses.

Included in net sales of the Aerostructures Group is the non-cash amortization of acquired contract liabilities recognized as fair value adjustments through purchase accounting of the acquisition of Vought. For the three months ended September 30, 2011 and 2010, the Company recognized $5,770 and $8,722, respectively, into net sales in the accompanying consolidated statements of income. For the six months ended September 30, 2011 and 2010, the Company recognized $13,510 and $9,581, respectively, into net sales in the accompanying consolidated statements of income.

The Aftermarket Services Group provides repair and overhaul services, a small portion of which services are provided under long-term power-by-the-hour contracts. The Company applies the proportional performance method to recognize revenue under these contracts. Revenue is recognized over the contract period as units are delivered based on the relative value in proportion to the total estimated contract consideration. In estimating the total contract consideration, management evaluates the projected utilization of its customers' fleet over the term of the contract, in connection with the related estimated repair and overhaul servicing requirements to the fleet based on such utilization. Changes in utilization of the fleet by customers, among other factors, may have an impact on these estimates and require adjustments to estimates of revenue to be realized.

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Triumph Group, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Company's trade accounts receivable are exposed to credit risk. However, the risk is limited due to the diversity of the customer base and the customer base's wide geographical area. Trade accounts receivable from The Boeing Company ("Boeing") (representing commercial, military and space) represented approximately 33% and 32% of total trade accounts receivable as of September 30, 2011 and March 31, 2011, respectively. The Company had no other significant concentrations of credit risk. Sales to Boeing for the six months ended September 30, 2011 were $745,957, or 46% of net sales, of which $702,331, $31,002 and $12,624 were from the Aerostructures segment, the Aerospace Systems segment and Aftermarket Services segment, respectively. Sales to Boeing for the six months ended September 30, 2010 were $494,518, or 42% of net sales, of which $447,597, $29,216 and $17,705 were from the Aerostructures segment, the Aerospace Systems segment and Aftermarket Services segment, respectively. No other single customer accounted for more than 10% of the Company's net sales. However, the loss of any significant customer, including Boeing, could have a material adverse effect on the Company and its operating subsidiaries.

Stock-Based Compensation

The Company recognizes compensation expense for share-based awards based on the fair value of those awards at the date of grant. Stock-based compensation expense for the three months ended September 30, 2011 and 2010 was $1,199 and $841, respectively. Stock-based compensation expense for the six months ended September 30, 2011 and 2010 was $2,397 and $1,482, respectively. The benefits of tax deductions in excess of recognized compensation expense were $0 and $251 for the six months ended September 30, 2011 and 2010, respectively. The Company has classified share-based compensation within selling, general and administrative expenses to correspond with the same line item as the majority of the cash compensation paid to employees. Upon the exercise of stock options or vesting of restricted stock, the Company first transfers treasury stock, then will issue new shares.

Intangible Assets

The components of intangible assets, net, are as follows:

| | September 30, 2011 | | | |
|---|---|---|---|---|
| | Weighted-Average Life | Gross Carrying Amount | Accumulated Amortization | Net |
| Customer relationships | 16.4 | $455,944 | $(55,278) | $400,666 |
| Product rights and licenses | 12.0 | 73,739 | (58,405) | 15,334 |
| Non-compete agreements and other | 12.7 | 13,239 | (11,737) | 1,502 |
| Tradename | Indefinite-lived | 425,000 | — | 425,000 |
| Total intangibles, net | | $967,922 | $(125,420) | $842,502 |

| | March 31, 2011 | | | |
|---|---|---|---|---|
| | Weighted-Average Life | Gross Carrying Amount | Accumulated Amortization | Net |
| Customer relationships | 16.4 | $456,282 | $(40,657) | $415,625 |
| Product rights and licenses | 12.0 | 73,739 | (56,640) | 17,099 |

| | | | | |
|---|---|---|---|---|
| Non-compete agreements and other | 12.7 | 13,239 | (11,343 ) | 1,896 |
| Tradename | Indefinite-lived | 425,000 | — | 425,000 |
| Total intangibles, net | | $968,260 | $(108,640 ) | $859,620 |

Amortization expense for the three and six months ended September 30, 2011 and 2010 was $8,441 and $16,893 and $7,779 and $11,245, respectively.

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Triumph Group, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplemental Cash Flow Information

The Company paid $1,273 and $2,162 for income taxes, net of refunds received for the six months ended September 30, 2011 and 2010, respectively. The Company made interest payments of $39,181 and $31,407 for the six months ended September 30, 2011 and 2010, respectively, including $12,401 of interest on debt assumed in the acquisition of Vought (Note 3) during the six months ended September 30, 2010.

During the six months ended September 30, 2011 and 2010, the Company financed $61 and $6,845 of property and equipment additions through capital leases, respectively. During the six months ended September 30, 2011, the Company issued 379,838 shares in connection with certain redemptions of convertible senior subordinated notes (Note 6). During the six months ended September 30, 2010, the Company issued 14,992,330 shares valued at $504,867 as partial consideration for the acquisition of Vought (Note 3).

3. ACQUISITIONS
Vought Aircraft Industries, Inc.

On June 16, 2010, the Company acquired by merger all of the outstanding shares of Vought, now operating as Triumph Aerostructures-Vought Commercial Division, Triumph Aerostructures-Vought Integrated Programs Division, and Triumph Structures – Everett, for cash and stock consideration. The acquisition of Vought establishes the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft.

Recording of assets acquired and liabilities assumed: The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate for the acquisition of Vought:

| | June 16, 2010 |
|---|---|
| Cash and cash equivalents | $214,833 |
| Trade and other receivables | 165,789 |
| Inventory | 410,279 |
| Prepaid expenses and other | 4,850 |
| Property and equipment | 375,229 |
| Goodwill | 1,026,763 |
| Intangible assets | 807,000 |
| Deferred tax assets | 244,895 |
| Other assets | 384 |
| Total assets | $3,250,022 |
| | |
| Accounts payable | $143,995 |
| Accrued expenses | 269,492 |
| Deferred tax liabilities | 4,674 |
| Debt | 590,710 |
| Acquired contract liabilities, net | 124,548 |
| Accrued pension and other postretirement benefits, noncurrent | 993,189 |
| Other noncurrent liabilities | 70,597 |

| | |
|---|---|
| Total liabilities | $2,197,205 |

The recorded amounts for assets and liabilities were completed as of June 15, 2011. The measurement period adjustments recorded in the first quarter of fiscal 2012 did not have a significant impact on the Company's consolidated balance sheet, statements of income, or statements of cash flows.

Pro forma impact of the acquisition: The unaudited pro forma results presented below include the effects of the acquisition of Vought as if it had been consummated as of April 1, 2010. The pro forma results include the amortization associated with acquired intangible assets and interest expense associated with debt used to fund the acquisition, as well as fair value adjustments for property and equipment, off-market contracts and favorable leases. To better reflect the combined operating results, material nonrecurring charges directly attributable to the transaction have been excluded. In addition, the pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of April 1, 2010.

| | Six Months Ended September 30, 2010 |
|---|---|
| Net sales | $1,539,474 |
| Income from continuing operations | 55,989 |
| | |
| Income from continuing operations – basic | $1.16 |
| Income from continuing operations – diluted | $1.12 |

The unaudited pro forma information includes adjustments for interest expense that would have been incurred to finance the purchase, additional depreciation based on the estimated fair market value of the property and equipment acquired, and the amortization of the intangible assets arising from the transaction. The unaudited pro forma financial information is not necessarily indicative of the results of operations of the Company as it would have been had the transaction been effected on the assumed date.

4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In September 2007, the Company decided to sell Triumph Precision Castings Co., a casting facility in its Aftermarket Services segment that specializes in producing high-quality hot gas path components for aero and land-based gas turbines.

In July 2011, the Company completed the sale of Triumph Precision Castings Co. for proceeds of $3,902, plus contingent consideration, resulting in no gain or loss on the disposal.

Revenues of discontinued operations were $40 and $286, and $478 and $958 for the three and six months ended September 30, 2011 and 2010, respectively. The loss from discontinued operations was $76 and $765, and $281 and $489, net of income tax benefit of $42 and $412, and $152 and $263 for the three and six ended September 30, 2011 and 2010, respectively. Interest expense of $6 and $68, and $64 and $127 was allocated to discontinued operations for the three and six months ended September 30, 2011 and 2010, respectively, based upon the actual borrowings of the operations, and such interest expense is included in the loss from discontinued operations.

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Triumph Group, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)
4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (Continued)

Assets and liabilities held for sale are comprised of the following:

| | March 31, 2011 |
|---|---|
| Assets held for sale: | |
| Trade and other receivables, net | $1,314 |
| Inventories | 237 |
| Property, plant and equipment | 3,000 |
| Other | 23 |
| Total assets held for sale | $4,574 |
| Liabilities related to assets held for sale: | |
| Accounts payable | $99 |
| Accrued expenses | 154 |
| Other noncurrent liabilities | 178 |
| Total liabilities related to assets held for sale | $431 |

5. INVENTORIES
Inventories are stated at the lower of cost (average cost or specific identification methods) or market. The components of inventories are as follows:

| | September 30, 2011 | March 31, 2011 |
|---|---|---|
| Raw materials | $51,068 | $72,174 |
| Work-in-process, including manufactured and purchased components | 847,704 | 805,642 |
| Finished goods | 40,743 | 42,104 |
| Less: unliquidated progress payments | (121,389) | (138,206) |
| Total inventories | $818,126 | $781,714 |

6. LONG-TERM DEBT
Long-term debt consists of the following:

| | September 30, 2011 | March 31, 2011 |
|---|---|---|
| Revolving credit facility | $391,608 | $85,000 |
| Receivable securitization facility | 130,000 | 100,000 |
| Equipment leasing facility and other capital leases | 61,653 | 67,822 |
| Term loan credit agreement | — | 346,731 |
| Secured promissory notes | 2,344 | 7,505 |
| Senior subordinated notes due 2017 | 172,929 | 172,801 |
| Senior notes due 2018 | 347,743 | 347,623 |
| Convertible senior subordinated notes | 150,287 | 176,544 |
| Other debt | 7,978 | 7,978 |
| | 1,264,542 | 1,312,004 |
| Less current portion | 165,451 | 300,252 |
| | $1,099,091 | $1,011,752 |

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Triumph Group, Inc.
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6. LONG-TERM DEBT (Continued)

Revolving Credit Facility

On April 5, 2011, the Company amended and restated its existing credit agreement (the "Credit Facility") with its lenders to (i) increase the availability under the Credit Facility to $850,000, with a $50,000 accordion feature, from $535,000, (ii) extend the maturity date to April 5, 2016, and (iii) amend certain other terms and covenants. Using availability under the Credit Facility, the Company immediately extinguished its term loan credit agreement (the "Term Loan") at face value of $350,000, plus accrued interest. In connection with the amendment to the Credit Facility, the Company incurred approximately $3,552 of financing costs. These costs, along with the $5,282 of unamortized financing costs prior to the closing, are being amortized over the remaining term of the Credit Facility.

On May 10, 2010, the Company entered into the Credit Facility, which became available on June 16, 2010 in connection with the consummation of the acquisition of Vought. The Credit Facility replaced and refinanced the Company's Amended and Restated Credit Agreement dated as of August 14, 2009 (the "2009 Credit Agreement"), which agreement was terminated and all obligations thereunder paid in full upon the consummation of the acquisition of Vought. The obligations under the Credit Facility and related documents are secured by liens on substantially all assets of the Company and its domestic subsidiaries pursuant to a Guarantee and Collateral Agreement, dated as of June 16, 2010, among the Company, and the subsidiaries of the Company party thereto. Such liens are pari passu to the liens securing the Company's obligations under the Term Loan described below pursuant to an intercreditor agreement dated June 16, 2010 among the agents under the Credit Facility and the Term Loan, the Company and its domestic subsidiaries that are borrowers and/or guarantors under the Credit Facility and the Term Loan (the "Intercreditor Agreement").

The Credit Facility bears interest at either: (i) LIBOR plus between 1.75% and 3.00%; (ii) the prime rate; or (iii) an overnight rate at the option of the Company. The applicable interest rate is based upon the Company's ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization. In addition, the Company is required to pay a commitment fee of between 0.30% and 0.50% on the unused portion of the Credit Facility. The Company's obligations under the Credit Facility are guaranteed by the Company's domestic subsidiaries.

At September 30, 2011, there were $391,608 in borrowings and $34,334 in letters of credit outstanding under the Credit Facility. At March 31, 2011, there were $85,000 in borrowings and $40,135 in letters of credit outstanding under the Credit Facility. The level of unused borrowing capacity under the Credit Facility varies from time to time depending in part upon its compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, and incurrence of debt. If an event of default were to occur under the Credit Facility, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the Credit Facility could also cause the acceleration of obligations under certain other agreements. The Company is currently in compliance with all such covenants. As of September 30, 2011, the Company had borrowing capacity under this facility of $424,433 after reductions for borrowings and letters of credit outstanding under the facility.

Receivables Securitization Program

In June 2011, the Company amended its $175,000 receivable securitization facility (the “Securitization Facility”) extending the term through June 2014. In connection with the Securitization Facility, the Company sells on a revolving basis certain trade accounts receivable to Triumph Receivables, LLC, a wholly-owned special-purpose entity, which in turn sells a percentage ownership interest in the receivables to commercial paper conduits sponsored by financial institutions. The Company is the servicer of the trade accounts receivable under the Securitization Facility. As of September 30, 2011, the maximum amount available under the Securitization Facility was $142,500. Interest rates are based on prevailing market rates for short-term commercial paper plus a program fee and a commitment fee. The program fee is 0.55% on the amount outstanding under the Securitization Facility. Additionally, the commitment fee is 0.55% on 102.00% of the maximum amount available under the Securitization Facility. At September 30, 2011, there was $130,000 outstanding under the Securitization Facility. In connection with amending the Securitization Facility, the Company incurred approximately $325 of financing costs. These costs, along with the $831 of unamortized financing costs prior to the amendment, are being amortized over the life of the Securitization Facility. The Company securitizes its trade accounts receivable, which are generally non-interest bearing, in transactions that are accounted for as borrowings pursuant to the Transfers and Servicing topic of the ASC.

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6. LONG-TERM DEBT (Continued)

The agreement governing the Securitization Facility contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and the sale of substantially all assets.

Equipment Leasing Facility and Other Capital Leases

During March 2009, the Company entered into a 7-year Master Lease Agreement (the "Leasing Facility") creating a capital lease of certain existing property and equipment. The Leasing Facility bears interest at a weighted-average fixed rate of 6.2% per annum.

During the six months ended September 30, 2011 and 2010, the Company entered into new capital leases in the amount of $61 and $6,845, respectively, to finance a portion of the Company's capital additions for the period.

Term Loan Credit Agreement

The Company entered into the Term Loan dated as of June 16, 2010, which proceeds were used to partially finance the acquisition of Vought. The Term Loan provided for a 6-year term loan in a principal amount of $350,000, repayable in equal quarterly installments at a rate of 1.0% of the original principal amount per year, with the balance payable on the final maturity date. The proceeds of the loans under the Term Loan, which were 99.5% of the principal amount, were used to consummate the acquisition of Vought. In connection with the closing on the Term Loan, the Company incurred approximately $7,133 of costs, which were deferred and were being amortized into expense over the term of the Term Loan.

The obligations under the Term Loan were guaranteed by substantially all of the Company's domestic subsidiaries and secured by liens on substantially all of the Company's and the guarantors' assets pursuant to a Guarantee and Collateral Agreement (the "Term Loan Guarantee and Collateral Agreement") and certain other collateral agreements, in each case subject to the Intercreditor Agreement. Borrowings under the Term Loan bore interest, at the Company's option, at either the base rate (subject to a 2.50% floor), plus a margin between 1.75% and 2.00%, or at the Eurodollar Rate (subject to a 1.50% floor), plus a margin driven by net leverage between 2.75% and 3.00%.

On April 5, 2011, in connection with the amendment and restatement of the Credit Facility, the Company extinguished the Term Loan at face value of $350,000, plus accrued interest. As a result, the Company recognized a pre-tax loss on extinguishment of debt of $7,712 associated with the write-off of the remaining unamortized discount and deferred financing fees on the Term Loan included in Interest expense and other.

Senior Subordinated Notes Due 2017

On November 16, 2009, the Company issued $175,000 principal amount of 8.00% Senior Subordinated Notes due 2017 (the "2017 Notes"). The 2017 Notes were sold at 98.56% of principal amount and have an effective interest yield of 8.25%. Interest on the 2017 Notes is payable semiannually in cash in arrears on May 15 and November 15 of each year. In connection with the issuance of the 2017 Notes, the Company incurred approximately $4,390 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2017 Notes.

The 2017 Notes are senior subordinated unsecured obligations of the Company and rank subordinate to all of the existing and future senior indebtedness of the Company and the Guarantor Subsidiaries (as defined below), including

borrowings under the Company's existing Credit Facility, and pari passu with the Company's and the Guarantor Subsidiaries' existing and future senior subordinated indebtedness. The 2017 Notes are guaranteed, on a full, joint and several basis, by each of the Company's domestic restricted subsidiaries that guarantees any of the Company's debt or that of any of the Company's restricted subsidiaries under the Credit Facility, and in the future by any domestic restricted subsidiaries that guarantee any of the Company's debt or that of any of the Company's domestic restricted subsidiaries incurred under any credit facility (collectively, the "Guarantor Subsidiaries"), in each case on a senior subordinated basis.  If the Company is unable to make payments on the 2017 Notes when they are due, each of the Guarantor Subsidiaries would be obligated to make such payments.



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6. LONG-TERM DEBT (Continued)

The Company has the option to redeem all or a portion of the 2017 Notes at any time prior to November 15, 2013 at a redemption price equal to 100% of the principal amount of the 2017 Notes redeemed, plus an applicable premium set forth in the Indenture and accrued and unpaid interest, if any. The 2017 Notes are also subject to redemption, in whole or in part, at any time on or after November 15, 2013, at redemption prices equal to (i) 104% of the principal amount of the 2017 Notes redeemed, if redeemed prior to November 15, 2014, (ii) 102% of the principal amount of the 2017 Notes redeemed, if redeemed prior to November 15, 2015, and (iii) 100% of the principal amount of the 2017 Notes redeemed, if redeemed thereafter, plus accrued and unpaid interest. In addition, at any time prior to November 15, 2012, the Company may redeem up to 35% of the principal amount of the 2017 Notes with the net cash proceeds of qualified equity offerings at a redemption price equal to 108% of the aggregate principal amount plus accrued and unpaid interest, if any, subject to certain limitations set forth in the indenture governing the 2017 Notes (the "2017 Indenture").

Upon the occurrence of a change-of-control, the Company must offer to purchase the 2017 Notes from holders at 101% of their principal amount plus accrued and unpaid interest, if any, to the date of purchase.

The 2017 Indenture contains covenants that, among other things, limit the Company's ability, and the ability of any of the Guarantor Subsidiaries, to (i) grant liens on its assets, (ii) make dividend payments, other distributions or other restricted payments, (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments, (iv) enter into sale and leaseback transactions, (v) merge, consolidate, transfer or dispose of substantially all of their assets, (vi) incur additional indebtedness, (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries, and (viii) enter into transactions with affiliates. The Company is currently in compliance with all such covenants.

Senior Notes due 2018

On June 16, 2010, in connection with the acquisition of Vought, the Company issued $350,000 principal amount of 8.63% Senior Notes due 2018 (the "2018 Notes"). The 2018 Notes were sold at 99.27% of principal amount and have an effective interest yield of 8.75%. Interest on the 2018 Notes accrues at the rate of 8.63% per annum and is payable semiannually in cash in arrears on January 15 and July 15 of each year. In connection with the issuance of the 2018 Notes, the Company incurred approximately $7,307 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2018 Notes.

The 2018 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness. The 2018 Notes are guaranteed on a full, joint and several basis by each of the Guarantor Subsidiaries.

The Company may redeem some or all of the 2018 Notes prior to July 15, 2014 by paying a "make-whole" premium. The Company may redeem some or all of the 2018 Notes on or after July 15, 2014 at specified redemption prices. In addition, prior to July 15, 2013, the Company may redeem up to 35% of the 2018 Notes with the net proceeds of certain equity offerings at a redemption price equal to 108.625% of the aggregate principal amount plus accrued and unpaid interest, if any, subject to certain limitations set forth in the indenture governing the 2018 Notes (the "2018 Indenture").

The Company is obligated to offer to repurchase the 2018 Notes at a price of (a) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change-of-control events and (b) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These restrictions and prohibitions are subject to certain qualifications and exceptions.

The 2018 Indenture contains covenants that, among other things, limit the Company's ability and the ability of any of the Guarantor Subsidiaries to (i) grant liens on its assets, (ii) make dividend payments, other distributions or other restricted payments, (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments, (iv) enter into sale and leaseback transactions, (v) merge, consolidate, transfer or dispose of substantially all of their assets, (vi) incur additional indebtedness, (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries, and (viii) enter into transactions with affiliates. The Company is currently in compliance with all such covenants.



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6. LONG-TERM DEBT (Continued)

Convertible Senior Subordinated Notes
On September 18, 2006, the Company issued $201,250 in convertible senior subordinated notes (the "Convertible Notes"). The Convertible Notes are direct, unsecured, senior subordinated obligations of the Company, and rank (i) junior in right of payment to all of the Company's existing and future senior indebtedness, (ii) equal in right of payment with any other future senior subordinated indebtedness, and (iii) senior in right of payment to all subordinated indebtedness.
The Company received net proceeds from the sale of the Convertible Notes of approximately $194,998 after deducting debt issuance expenses of approximately $6,252. The use of the net proceeds from the sale was for prepayment of the Company's outstanding senior notes, including a make-whole premium, fees and expenses in connection with the prepayment, and to repay a portion of the outstanding indebtedness under the Company's then-existing credit facility. Debt issuance costs were fully amortized as of September 30, 2011.
The Convertible Notes bear interest at a fixed rate of 2.63% per annum, payable in cash semiannually in arrears on each April 1 and October 1. During the period commencing on October 6, 2011 and ending on, but excluding, April 1, 2012 and for each six-month period from October 1 to March 31 or from April 1 to September 30 thereafter, the Company will pay contingent interest during the applicable interest period if the average trading price of a note for the 5 consecutive trading days ending on the third trading day immediately preceding the first day of the relevant six-month period equals or exceeds 120% of the principal amount of the Convertible Notes. The contingent interest payable per note in respect of any six-month period will equal 0.25% per annum, calculated on the average trading price of a note for the relevant five trading day period. The Company expects that this contingent interest will be payable beginning April 1, 2012 on principal that remains outstanding. This contingent interest feature represents an embedded derivative. The value of the derivative was not deemed material at September 30, 2011 due to overall market volatility, recent conversions by holders of the Convertible Notes, as well as the Company's ability to call the Convertible Notes at any time after October 6, 2011.
Prior to fiscal 2011, the Company paid $19,414 to purchase $22,200 in principal amounts of the Convertible Notes. The Convertible Notes mature on October 1, 2026, unless earlier redeemed, repurchased or converted. The Company may redeem the Convertible Notes for cash, either in whole or in part, at any time on or after October 6, 2011 at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of redemption. In addition, holders of the Convertible Notes will have the right to require the Company to repurchase for cash all or a portion of their Convertible Notes on October 1, 2011, 2016 and 2021, at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to, but not including, the date of repurchase. On September 2, 2011, the Company submitted a tender offer of repurchase to the holders of the Convertible Notes, expiring October 3, 2011, and no notes were returned for repurchase. The Convertible Notes are convertible into the Company's common stock at a rate equal to 36.743 shares per $1 principal amount of the Convertible Notes (equal to an initial conversion price of approximately $27.22 per share), subject to adjustment as described in the Indenture. Upon conversion, the Company will deliver to the holder surrendering the Convertible Notes for conversion, for each $1 principal amount of Notes, an amount consisting of cash equal to the lesser of $1 and the Company's total conversion obligation and, to the extent that the Company's total conversion obligation exceeds $1, at the Company's election, cash or shares of the Company's common stock in respect of the remainder.
The Convertible Notes are eligible for conversion upon meeting certain conditions as provided in the indenture governing the Convertible Notes. For the periods from January 1, 2011 through September 30, 2011, the Convertible Notes were eligible for conversion. During the six months ended September 30, 2011, the Company settled the conversion of $28,763 in principal value of the Convertible Notes, as requested by the respective holders, with the

principal settled in cash and the conversion benefit settled through the issuance of 379,838 shares. In September 2011, the Company received notice of conversion from holders of $21,610 in principal value of the Convertible Notes. These conversions were settled in the third quarter of fiscal 2012 with the principal settled in cash and the conversion benefit settled through the issuance of approximately 387,000 shares. In October 2011, the Company delivered a notice to holders of the Convertible Notes to the effect that, for at least 20 trading days during the 30 consecutive trading days preceding September 30, 2011, the closing price of the Company's common stock was greater than or equal to 130% of the conversion price of such notes on the last trading day. Under the terms of the Convertible Notes, the increase in the Company's stock price triggered a provision, which gave holders of the Convertible

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6. LONG-TERM DEBT (Continued)

Notes a put option through December 31, 2011. Accordingly, the balance sheet classification of the Convertible Notes will be short term for as long as the put option remains in effect.

To be included in the calculation of diluted earnings per share, the average price of the Company's common stock for the quarter must exceed the conversion price per share of $27.22. The average price of the Company's common stock for the fiscal quarters ended September 30, 2011 and 2010 was $49.95 and $35.38, respectively. Therefore, 2,518,045 and 1,515,194 additional shares were included in the diluted earnings per share calculation as of the fiscal quarters ended September 30, 2011 and 2010, respectively. The average price of the Company's common stock for the six months ended September 30, 2011 and 2010 was $47.63 and $35.28, respectively. Therefore, as of the six months ended September 30, 2011 and 2010, there were 2,466,451 and 1,501,564 additional shares, respectively, included in the diluted earnings per share. If the Company undergoes a fundamental change, holders of the Notes will have the right, subject to certain conditions, to require the Company to repurchase for cash all or a portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any.

The amount of interest expense recognized and the effective rate for the Convertible Notes were as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Contractual coupon interest | $986 | $1,175 | $1,973 | $2,350 |
| Amortization of discount on convertible notes | 1,079 | 1,611 | 2,506 | 3,196 |
| Interest expense | $2,065 | $2,786 | $4,479 | $5,546 |
| Effective interest rate | 6.5 % | 6.5 % | 6.5 % | 6.5 % |

7. FAIR VALUE MEASUREMENTS

The Company follows the Fair Value Measurements and Disclosures topic of the ASC, which requires additional disclosures about the Company's assets and liabilities that are measured at fair value and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3 Unobservable inputs for the asset or liability

The following table provides the liabilities reported at fair value and measured on a recurring basis as of September 30, 2011:

| | | Fair Value Measurements Using: | | |
|---|---|---|---|---|
| Description | Total | Quoted Prices in | Significant Other | Significant |

| | | Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Contingent consideration | $(2,870) | $— | $— | $(2,870) |

The fair value of the contingent consideration at the date of acquisition was $2,545 which was estimated using the income approach based on significant inputs that are not observable in the market. Key assumptions included a discount rate and probability assessments of each milestone payment being made. The assumptions used to develop the estimate have not changed since the date of acquisition, with the exception of the present value factor.

The Financial Instruments topic of the ASC requires disclosure of the estimated fair value of certain financial instruments. These estimated fair values as of September 30, 2011 and March 31, 2011 have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop estimates of fair value. The estimates presented are not necessarily indicative of amounts the Company could realize in a current market exchange. The use of alternative market assumptions and estimation methodologies could have had a material effect on these estimates of fair value.

Carrying amounts and the related estimated fair values of the Company’s financial instruments not recorded at fair value in the financial statements are as follows:

| | September 30, 2011 | | March 31, 2011 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt | $1,264,542 | $1,409,707 | $1,312,004 | $1,483,796 |

The fair value of the long-term debt was calculated based on interest rates available for debt with terms and maturities similar to the Company’s existing debt arrangements, unless quoted market prices were available.

Except for long-term debt, the Company's financial instruments are highly liquid or have short-term maturities. Therefore, the recorded value is approximately equal to the fair value. The financial instruments held by the Company could potentially expose it to a concentration of credit risk. The Company invests its excess cash in money market funds and other deposit instruments placed with major banks and financial institutions. The Company has established guidelines related to diversification and maturities to maintain safety and liquidity.

8. EARNINGS PER SHARE

The following is a reconciliation between the weighted-average outstanding shares used in the calculation of basic and diluted earnings per share:

| | Three Months Ended September 30, (in thousands) | | Six Months Ended September 30, (in thousands) | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Weighted average common shares outstanding – basic | 48,697 | 48,115 | 48,582 | 41,845 |
| Net effect of dilutive stock options | 431 | 406 | 430 | 435 |
| Potential common shares - convertible debt | 2,518 | 1,515 | 2,466 | 1,502 |
| Weighted average common shares outstanding – diluted | 51,646 | 50,036 | 51,478 | 43,782 |

The weighted-average common shares outstanding – basic for the six months ended September 30, 2010 includes the 14,992,330 shares issued as partial consideration in the acquisition of Vought for the pro-rata portion of the quarter ended June 30, 2010 (see Note 3).



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9. INCOME TAXES

The Company follows the Income Taxes topic of the ASC, which prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company has classified uncertain tax positions as noncurrent income tax liabilities unless expected to be paid in one year. Penalties and tax-related interest expense are reported as a component of income tax expense. As of September 30, 2011 and March 31, 2011, the total amount of accrued income tax-related interest and penalties was $196 and $156, respectively.

As of September 30, 2011 and March 31, 2011, the total amount of unrecognized tax benefits was $7,131 and $6,934, respectively, of which $5,348 and $5,151, respectively, would impact the effective rate, if recognized. The Company does not anticipate that total unrecognized tax benefits will be reduced in the next 12 months.

The effective income tax rate for the six months ended September 30, 2011 was 35.5% as compared to 36.2% for the six months ended September 30, 2010 reflecting the non-deductibility of certain acquisition-related expenses in the prior year period, as well as the absence of the Domestic Production Deduction due to the Company's net operating loss position and the Research and Development tax credit, which had expired December 31, 2009.

The Company has filed appeals in a prior state tax examination jurisdiction related to fiscal years ended March 31, 1999 through March 31, 2005. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

With few exceptions, the Company is no longer subject to U.S. federal income tax examinations for fiscal years ended before March 31, 2009, state or local examinations for fiscal years ended before March 31, 2007, or foreign income tax examinations by tax authorities for fiscal years ended before March 31, 2008.

As of September 30, 2011, the Company was subject to examination in one state jurisdiction for fiscal years ended March 31, 2007 through March 31, 2009. The Company has filed appeals in a prior state examination related to fiscal years ended March 31, 1999 through March 31, 2005. Because of net operating losses acquired as part of the acquisition of Vought, the Company is subject to U.S. federal income tax examinations and various state jurisdictions for the years ended December 31, 2004 and after related to previously filed Vought tax returns. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

10. GOODWILL

The following is a summary of the changes in the carrying value of goodwill by reportable segment, from March 31, 2011 through September 30, 2011:

| | Aerostructures | Aerospace Systems | Aftermarket Services | Total |
|---|---|---|---|---|
| Balance, March 31, 2011 | $1,294,478 | $183,633 | $52,469 | $1,530,580 |
| Goodwill recognized in connection with acquisitions | 1,949 | — | — | 1,949 |

| | | | | |
|---|---|---|---|---|
| Purchase price adjustments | (216 ) | — | — | (216 ) |
| Effect of exchange rate changes and other | — | (1,207 ) | — | (1,207 ) |
| Balance, September 30, 2011 | $1,296,211 | $182,426 | $52,469 | $1,531,106 |

11. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company sponsors several defined benefit pension plans covering some of its employees. Certain employee groups are ineligible to participate in the plans or have ceased to accrue additional benefits under the plans based upon their service to the Company or years of service accrued under the defined benefit pension plans. Benefits under the defined benefit plans are based on years of service and, for most non-represented employees, on average compensation for certain years. It is the Company’s policy to fund at least the minimum amount required for all qualified plans, using actuarial cost methods and assumptions acceptable under U.S. Government regulations, by making payments into a separate trust.

In addition to the defined benefit pension plans, the Company provides certain healthcare and life insurance benefits for eligible retired employees. Such benefits are unfunded. Employees achieve eligibility to participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Election to participate for some employees must be made at the date of retirement. Qualifying dependents at the date of retirement are also eligible for medical coverage. Current plan documents reserve the right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees. From time to time, changes have been made to the benefits provided to various groups of plan participants. Premiums charged to most retirees for medical coverage prior to age 65 are based on years of service and are adjusted annually for changes in the cost of the plans as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plans also have provisions for deductibles, co-payments, coinsurance percentages, out-of-pocket limits, schedules of reasonable fees, preferred provider networks, coordination of benefits with other plans and a Medicare carve-out.

In accordance with the Compensation – Retirement Benefits topic of the ASC, the Company has recognized the funded status of the benefit obligation as of the date of the last remeasurement, in the accompanying consolidated balance sheet. The funded status is measured as the difference between the fair value of the plan’s assets and the PBO or accumulated postretirement benefit obligation of the plan. In order to recognize the funded status, the Company determined the fair value of the plan assets. The majority of the plan assets are publicly traded investments which were valued based on the market price as of the date of remeasurement. Investments that are not publicly traded were valued based on the estimated fair value of those investments based on our evaluation of data from fund managers and comparable market data.

Net Periodic Benefit Plan Costs

The components of net periodic benefit costs for our postretirement benefit plans are shown in the following table:

| | Pension benefits | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Six Months Ended September 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Components of net periodic benefit expense (income): | | | | |
| Service cost | $4,114 | $5,151 | $8,228 | $6,026 |
| Interest cost | 27,014 | 29,237 | 54,029 | 34,260 |
| Expected return on plan assets | (31,900 ) | (29,281 ) | (63,801 ) | (34,283 ) |
| Amortization of prior service costs | (2,754 ) | 18 | (5,507 ) | 36 |
| Amortization of net loss | 28 | 46 | 57 | 92 |
| Net periodic benefit expense (income) | $(3,498 ) | $5,171 | $(6,994 ) | $6,131 |

Other post-retirement benefits

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Components of net periodic benefit expense: | | | | |
| Service cost | $849 | $990 | $1,697 | $1,155 |
| Interest cost | 4,619 | 5,326 | 9,237 | 6,214 |
| Amortization of prior service costs | (1,133) | — | (2,265) | — |
| Net periodic benefit expense | $4,335 | $6,316 | $8,669 | $7,369 |

## 12. SEGMENTS

The Company has three reportable segments: the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group. The Company's reportable segments are aligned with how the business is managed and the markets that the Company serves are viewed. The Chief Operating Decision Maker (the "CODM") evaluates performance and allocates resources based upon review of segment information. The CODM utilizes earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a primary measure of segment profitability to evaluate performance of its segments and allocate resources.

The Aerostructures segment consists of the Company's operations that manufacture products primarily for the aerospace OEM market. The Aerostructures segment's revenues are derived from the design, manufacture, assembly and integration of metallic and composite aerostructures and structural components, including aircraft wings, fuselage sections, tail assemblies, engine nacelles, flight control surfaces as well as helicopter cabins. Further, the segment's operations also design and manufacture composite assemblies for floor panels and environmental control system ducts. These products are sold to various aerospace OEMs on a global basis.

The Aerospace Systems segment consists of the Company's operations that also manufacture products primarily for the aerospace OEM market. The segment's operations design and engineer mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies, accumulators, mechanical control cables and non-structural cockpit components. These products are sold to various aerospace OEMs on a global basis.

The Aftermarket Services segment consists of the Company's operations that provide maintenance, repair and overhaul services to both commercial and military markets on components and accessories manufactured by third parties. Maintenance, repair and overhaul revenues are derived from services on auxiliary power units, airframe and engine accessories, including constant-speed drives, cabin compressors, starters and generators, and pneumatic drive units. In addition, the segment's operations repair and overhaul thrust reversers, nacelle components and flight control surfaces. The segment's operations also perform repair and overhaul services and supply spare parts for various types of cockpit instruments and gauges for a broad range of commercial airlines on a worldwide basis.

Segment EBITDA is total segment revenue reduced by operating expenses (less depreciation and amortization) identifiable with that segment. Corporate includes general corporate administrative costs and any other costs not identifiable with one of the Company's segments. The Company does not accumulate net sales information by product or service or groups of similar products and services and, therefore, the Company does not disclose net sales by product or service because to do so would be impracticable.

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12. SEGMENTS (Continued)

Selected financial information for each reportable segment and the reconciliation of EBITDA to operating income is as follows:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales: | | | | |
| Aerostructures | $587,977 | $577,700 | $1,231,283 | $809,035 |
| Aerospace systems | 133,775 | 123,500 | 266,785 | 240,933 |
| Aftermarket services | 70,547 | 68,686 | 140,915 | 128,483 |
| Elimination of inter-segment sales | (1,771) | (1,686) | (3,392) | (3,042) |
| | $790,528 | $768,200 | $1,635,591 | $1,175,409 |
| | | | | |
| Income from continuing operations before income taxes: | | | | |
| Operating income (expense): | | | | |
| Aerostructures | $92,489 | $69,964 | $180,463 | $106,030 |
| Aerospace systems | 22,644 | 17,149 | 45,061 | 35,497 |
| Aftermarket services | 7,015 | 8,163 | 13,976 | 12,284 |
| Corporate | (13,692) | (9,159) | (25,664) | (34,844) |
| | 108,456 | 86,117 | 213,836 | 118,967 |
| Interest expense and other | 17,671 | 23,459 | 44,133 | 35,250 |
| | $90,785 | $62,658 | $169,703 | $83,717 |
| | | | | |
| Depreciation and amortization: | | | | |
| Aerostructures | $21,937 | $18,774 | $43,782 | $26,818 |
| Aerospace systems | 4,322 | 4,214 | 8,667 | 8,403 |
| Aftermarket services | 2,341 | 3,043 | 4,771 | 6,086 |
| Corporate | 866 | 190 | 1,713 | 570 |
| | $29,466 | $26,221 | $58,933 | $41,877 |
| | | | | |
| Amortization of acquired contract liabilities, net: | | | | |
| Aerostructures | $5,770 | $8,722 | $13,510 | $9,581 |
| | | | | |
| EBITDA: | | | | |
| Aerostructures | $108,656 | $80,016 | $210,735 | $123,267 |
| Aerospace systems | 26,966 | 21,363 | 53,728 | 43,900 |
| Aftermarket services | 9,356 | 11,206 | 18,747 | 18,370 |
| Corporate | (12,826) | (8,969) | (23,951) | (34,274) |
| | $132,152 | $103,616 | $259,259 | $151,263 |
| | | | | |
| Capital expenditures: | | | | |
| Aerostructures | $12,590 | $17,263 | $21,725 | $22,560 |
| Aerospace systems | 3,009 | 3,758 | 6,514 | 6,262 |
| Aftermarket services | 1,342 | 1,454 | 3,104 | 2,348 |

| | | | | |
|---|---|---|---|---|
| Corporate | 1,314 | 1,813 | 2,577 | 10,058 |
| | $18,255 | $24,288 | $33,920 | $41,228 |

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12. SEGMENTS (Continued)

| | September 30, 2011 | March 31, 2011 |
|---|---|---|
| Total Assets: | | |
| Aerostructures | $3,561,345 | $3,577,294 |
| Aerospace systems | 537,948 | 554,235 |
| Aftermarket services | 304,931 | 307,413 |
| Corporate | 16,695 | 19,721 |
| Discontinued operations | — | 4,574 |
| | $4,420,919 | $4,463,237 |

During the three months ended September 30, 2011 and 2010, the Company had international sales of $111,760 and $99,346, respectively. During the six month period ended September 30, 2011 and 2010, the Company had international sales of $224,848 and $169,867, respectively.

13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS

The 2017 Notes and the 2018 Notes are fully and unconditionally guaranteed on a joint and several basis by Guarantor Subsidiaries. The total assets, stockholder's equity, revenue, earnings and cash flows from operating activities of the Guarantor Subsidiaries exceeded a majority of the consolidated total of such items as of and for the periods reported. The only consolidated subsidiaries of the Company that are not guarantors of the 2017 Notes and the 2018 Notes (the "Non-Guarantor Subsidiaries") are: (a) the receivables securitization special purpose entity and (b) the international operating subsidiaries. The following tables present condensed consolidating financial statements including the Company (the "Parent"), the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries. Such financial statements include summary consolidating balance sheets as of September 30, 2011 and March 31, 2011, condensed consolidating statements of income for the three and six months ended September 30, 2011 and 2010, and condensed consolidating statements of cash flows for the six months ended September 30, 2011 and 2010.

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

SUMMARY CONSOLIDATING BALANCE SHEETS:

| | September 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Current assets: | | | | | |
| Cash and cash equivalents | $12,970 | $526 | $21,254 | $— | $34,750 |
| Trade and other receivables, net | 663 | 164,345 | 199,582 | — | 364,590 |
| Inventories | — | 791,952 | 26,174 | — | 818,126 |
| Rotable assets | — | 23,578 | 8,643 | — | 32,221 |
| Prepaid expenses and other | 12,144 | 12,481 | 333 | — | 24,958 |
| Assets held for sale | — | — | — | — | — |
| Total current assets | 25,777 | 992,882 | 255,986 | — | 1,274,645 |
| Property and equipment, net | 10,077 | 664,648 | 45,224 | — | 719,949 |
| Goodwill and other intangible assets, net | 1,341 | 2,322,634 | 49,633 | — | 2,373,608 |
| Other, net | 26,658 | 20,473 | 5,586 | — | 52,717 |
| Intercompany investments and advances | 965,380 | (107,176) | (2,493) | (855,711) | — |
| Total assets | $1,029,233 | $3,893,461 | $353,936 | $(855,711) | $4,420,919 |
| | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | $150,657 | $12,450 | $2,344 | $— | $165,451 |
| Accounts payable | 5,993 | 251,257 | 7,512 | — | 264,762 |
| Accrued expenses | 18,062 | 257,859 | 8,081 | — | 284,002 |
| Deferred income taxes | — | 99,809 | — | — | 99,809 |
| Liabilities related to assets held for sale | — | — | — | — | — |
| Total current liabilities | 174,712 | 621,375 | 17,937 | — | 814,024 |
| Long-term debt, less current portion | 918,518 | 50,573 | 130,000 | — | 1,099,091 |
| Intercompany debt | (1,824,160) | 1,683,525 | 140,635 | — | — |
| Accrued pension and other postretirement benefits, noncurrent | — | 601,964 | — | — | 601,964 |
| Deferred income taxes and other | 19,364 | 146,996 | (1,319) | — | 165,041 |
| Total stockholders' equity | 1,740,799 | 789,028 | 66,683 | (855,711) | 1,740,799 |
| | $1,029,233 | $3,893,461 | $353,936 | $(855,711) | $4,420,919 |

Total liabilities and stockholders' equity

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

SUMMARY CONSOLIDATING BALANCE SHEETS:

| | March 31, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Current assets: | | | | | |
| Cash and cash equivalents | $17,270 | $1,753 | $20,305 | $— | $39,328 |
| Trade and other receivables, net | — | 155,126 | 219,365 | — | 374,491 |
| Inventories | — | 750,311 | 31,403 | — | 781,714 |
| Rotable assets | — | 22,032 | 4,575 | — | 26,607 |
| Prepaid expenses and other | 7,514 | 9,967 | 660 | — | 18,141 |
| Assets held for sale | — | 4,574 | — | — | 4,574 |
| Total current assets | 24,784 | 943,763 | 276,308 | — | 1,244,855 |
| Property and equipment, net | 38,028 | 680,929 | 15,922 | — | 734,879 |
| Goodwill and other intangible assets, net | 1,677 | 2,336,735 | 51,788 | — | 2,390,200 |
| Other, net | 36,767 | 56,291 | 245 | — | 93,303 |
| Intercompany investments and advances | 673,212 | 65,510 | 4,199 | (742,921) | — |
| Total assets | $774,468 | $4,083,228 | $348,462 | $(742,921) | $4,463,237 |
| | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | $180,669 | $17,177 | $102,406 | $— | $300,252 |
| Accounts payable | 4,259 | 247,002 | 11,455 | — | 262,716 |
| Accrued expenses | 44,887 | 257,518 | 10,949 | — | 313,354 |
| Deferred income taxes | — | 78,793 | — | — | 78,793 |
| Liabilities related to assets held for sale | — | 431 | — | — | 431 |
| Total current liabilities | 229,815 | 600,921 | 124,810 | — | 955,546 |
| Long-term debt, less current portion | 955,009 | 56,743 | — | — | 1,011,752 |
| Intercompany debt | (2,060,150) | 1,916,421 | 143,729 | — | — |
| Accrued pension and other postretirement benefits, noncurrent | — | 680,754 | — | — | 680,754 |
| Deferred income taxes and other | 17,577 | 166,807 | (1,416) | — | 182,968 |
| Total stockholders’ equity | 1,632,217 | 661,582 | 81,339 | (742,921) | 1,632,217 |
| Total liabilities and stockholders’ equity | $774,468 | $4,083,228 | $348,462 | $(742,921) | $4,463,237 |

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME:

| | Three Months Ended September 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Net sales | $— | $766,759 | $25,105 | $(1,336) | $790,528 |
| Operating costs and expenses: | | | | | — |
| Cost of sales | — | 572,740 | 19,802 | (1,336) | 591,206 |
| Selling, general and administrative | 9,402 | 46,617 | 4,237 | — | 60,256 |
| Acquisition and integration expenses | 1,144 | — | — | — | 1,144 |
| Depreciation and amortization | 413 | 27,779 | 1,274 | — | 29,466 |
| | 10,959 | 647,136 | 25,313 | (1,336) | 682,072 |
| Operating income (loss) | (10,959) | 119,623 | (208) | — | 108,456 |
| Intercompany interest and charges | (46,440) | 45,636 | 804 | — | — |
| Interest expense and other | 17,225 | 2,183 | (1,737) | — | 17,671 |
| Income (loss) from continuing operations, before income taxes | 18,256 | 71,804 | 725 | — | 90,785 |
| Income tax expense (benefit) | 6,588 | 25,535 | 98 | — | 32,221 |
| Income (loss) from continuing operations | 11,668 | 46,269 | 627 | — | 58,564 |
| Loss on discontinued operations, net | — | (76) | — | — | (76) |
| Net income (loss) | $11,668 | $46,193 | $627 | $— | $58,488 |

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME:

| | Three Months Ended September 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Net sales | $— | $745,533 | $23,898 | $(1,231) | $768,200 |
| Operating costs and expenses: | | | | | |
| Cost of sales | — | 578,077 | 17,230 | (1,231) | 594,076 |
| Selling, general and administrative | 7,686 | 49,395 | 3,422 | — | 60,503 |
| Acquisition and integration expenses | 1,283 | — | — | — | 1,283 |
| Depreciation and amortization | 190 | 25,244 | 787 | — | 26,221 |
| | 9,159 | 652,716 | 21,439 | (1,231) | 682,083 |
| Operating income (loss) | (9,159) | 92,817 | 2,459 | — | 86,117 |
| Intercompany interest and charges | (31,929) | 31,160 | 769 | — | — |
| Interest expense and other | 21,526 | 2,403 | (470) | — | 23,459 |
| Income from continuing operations, before income taxes | 1,244 | 59,254 | 2,160 | — | 62,658 |
| Income tax expense (benefit) | (630) | 21,316 | 151 | — | 20,837 |
| Income from continuing operations | 1,874 | 37,938 | 2,009 | — | 41,821 |
| Loss on discontinued operations, net | — | (281) | — | — | (281) |
| Net income | $1,874 | $37,657 | $2,009 | $— | $41,540 |

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME:

| | Six Months Ended September 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Net sales | $— | $1,586,904 | $53,045 | $(4,358) | $1,635,591 |
| Operating costs and expenses: | | | | | |
| Cost of sales | — | 1,201,781 | 42,574 | (4,358) | 1,239,997 |
| Selling, general and administrative | 18,040 | 94,647 | 8,534 | — | 121,221 |
| Acquisition and integration expenses | 1,604 | — | — | — | 1,604 |
| Depreciation and amortization | 847 | 55,445 | 2,641 | — | 58,933 |
| | 20,491 | 1,351,873 | 53,749 | (4,358) | 1,421,755 |
| Operating income(loss) | (20,491) | 235,031 | (704) | — | 213,836 |
| Intercompany interest and charges | (98,184) | 96,228 | 1,956 | — | — |
| Interest expense and other | 43,564 | 2,645 | (2,076) | — | 44,133 |
| Income (loss) from continuing operations, before income taxes | 34,129 | 136,158 | (584) | — | 169,703 |
| Income tax expense (benefit) | 11,820 | 48,539 | (124) | — | 60,235 |
| Income from continuing operations | 22,309 | 87,619 | (460) | — | 109,468 |
| Loss on discontinued operations, net | — | (765) | — | — | (765) |
| Net income | $22,309 | $86,854 | $(460) | $— | $108,703 |

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME:

| | Six Months Ended September 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Net sales | $— | $1,132,400 | $45,695 | $(2,686) | $1,175,409 |
| Operating costs and expenses: | | | | | |
| Cost of sales | — | 861,797 | 32,821 | (2,686) | 891,932 |
| Selling, general and administrative | 15,625 | 81,964 | 6,394 | — | 103,983 |
| Acquisition and integration expenses | 18,650 | — | — | — | 18,650 |
| Depreciation and amortization | 570 | 39,750 | 1,557 | — | 41,877 |
| | 34,845 | 983,511 | 40,772 | (2,686) | 1,056,442 |
| Operating income(loss) | (34,845) | 148,889 | 4,923 | — | 118,967 |
| Intercompany interest and charges | (54,192) | 52,601 | 1,591 | — | — |
| Interest expense and other | 31,806 | 5,019 | (1,575) | — | 35,250 |
| Income (loss) from continuing operations, before income taxes | (12,459) | 91,269 | 4,907 | — | 83,717 |
| Income tax expense (benefit) | (3,125) | 33,008 | 433 | — | 30,316 |
| Income from continuing operations | (9,334) | 58,261 | 4,474 | — | 53,401 |
| Loss on discontinued operations, net | — | (489) | — | — | (489) |
| Net income | $(9,334) | $57,772 | $4,474 | $— | $52,912 |

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

| | Six Months Ended September 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Net income (loss) | $22,309 | $86,854 | $(460) | $— | $108,703 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | (14,071) | (48,482) | 14,960 | — | (47,593) |
| Net cash provided by operating activities | 8,238 | 38,372 | 14,500 | — | 61,110 |
| Capital expenditures | (1,759) | (30,161) | (2,000) | — | (33,920) |
| Proceeds from sale of assets | 4,335 | 3,000 | 115 | — | 7,450 |
| Acquisitions, net of cash acquired | — | 19,205 | — | — | 19,205 |
| Net cash used in investing activities | 2,576 | (7,956) | (1,885) | — | (7,265) |
| Net decrease in revolving credit facility | 306,608 | — | — | — | 306,608 |
| Proceeds on issuance of debt | — | — | 59,800 | — | 59,800 |
| Retirements and repayments of debt | (377,163) | (10,738) | (29,800) | — | (417,701) |
| Payments of deferred financing costs | (3,903) | — | — | — | (3,903) |
| Dividends paid | (2,943) | — | — | — | (2,943) |
| Repurchase of restricted shares for minimum tax obligation | (608) | — | — | — | (608) |
| Proceeds from exercise of stock options, including excess tax benefit | 674 | — | — | — | 674 |
| Intercompany financing and advances | 62,221 | (20,905) | (41,316) | — | — |
| Net cash used in financing activities | (15,114) | (31,643) | (11,316) | — | (58,073) |
| Effect of exchange rate changes on cash | — | — | (350) | — | (350) |
| Net change in cash and cash equivalents | (4,300) | (1,227) | 949 | — | (4,578) |
| | 17,270 | 1,753 | 20,305 | — | 39,328 |

| | | | | | |
|---|---|---|---|---|---|
| Cash and cash equivalents at beginning of period | | | | | |
| Cash and cash equivalents at end of period | $12,970 | $526 | $21,254 | $— | $34,750 |

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13. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

| | Six Months Ended September 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated Total |
| Net income (loss) | $(9,334) | $57,772 | $4,474 | $— | $52,912 |