

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

TOOTSIE ROLL INDUSTRIES INC
Form 10-Q
November 12, 2009

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

FORM 10-Q

☒ [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 3, 2009

OR

☐ [] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----to----

COMMISSION FILE NUMBER 1-1361

Tootsie Roll Industries, Inc.
(Exact Name of Registrant as Specified in its Charter)

VIRGINIA 22-1318955
(State of Incorporation) (I.R.S. Employer Identification No.)

7401 South Cicero Avenue, Chicago, Illinois 60629
(Address of Principal Executive Offices) (Zip Code)

773-838-3400
(Registrant's Telephone Number, Including Area Code)

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

Large accelerated filer ☒ X Accelerated filer ☐ ____
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)

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (October 3, 2009)

Class	Outstanding
Common Stock, \$.69 4/9 par value	35,823,231
Class B Common Stock, \$.69 4/9 par value	19,923,778

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

OCTOBER 3, 2009

INDEX

	Page No.
Part I - Financial Information	
Item 1. Financial Statements:	
Condensed Consolidated Statements of Financial Position	2-2A
Condensed Consolidated Statements of Earnings, Comprehensive Earnings and Retained Earnings	3-3A
Condensed Consolidated Statements of Cash Flows	4
Notes to Condensed Consolidated Financial Statements	5-5D
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	6-6E
Item 3. Quantitative and Qualitative Disclosures About Market Risk	6E
Item 4. Controls and Procedures	6E
Part II - Other Information	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	7
Item 6. Exhibits	7
Signatures	7
Certifications	7A-7C

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See "Information Regarding Forward-

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Looking Statements" under Part I - Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of dollars) (UNAUDITED)

ASSETS	Oct. 3,	Sep. 27,	Dec. 31,
CURRENT ASSETS	2009	2008	2008
Cash & cash equivalents	\$ 36,731	\$ 28,944	\$ 68,908
Investments	12,814	14,520	17,963
Trade accounts receivable, Less allowances of \$3,802, \$3,437 & \$1,923	95,269	90,250	31,213
Miscellaneous receivables and other	5,361	3,867	2,983
Inventories, at cost			
Finished goods & work in process	43,251	45,884	34,862
Raw material & supplies	23,890	23,923	20,722
Prepaid expenses	5,820	1,095	11,328
Deferred income taxes	-	1,981	-
Total current assets	223,136	210,464	187,979
PROPERTY, PLANT & EQUIPMENT, at cost			
Land	19,313	19,416	19,307
Buildings	89,096	88,286	89,077
Machinery & equipment	279,944	265,066	279,100
Construction in process	36,724	20,067	20,701
	425,077	392,835	408,185
Less-accumulated depreciation	203,102	188,194	190,557
Net property, plant and equipment	221,975	204,641	217,628
OTHER ASSETS			
Goodwill	73,237	73,237	73,237
Trademarks	189,024	189,024	189,024
Investments	49,674	59,368	49,809
Split dollar life insurance	74,797	74,944	74,808
Investment in joint venture	9,521	9,953	9,274
Prepaid expenses	9,037	-	10,333
	405,290	406,526	406,485
Total assets	\$850,401	\$821,631	\$812,092

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

-2-

(The accompanying notes are an integral part of these statements.)

	(in thousands except per share data)	(UNAUDITED)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Oct. 3,	Sep. 27,	Dec. 31,
CURRENT LIABILITIES	2009	2008	2008
Accounts payable	\$ 17,499	\$ 17,828	\$ 13,885
Dividends payable	4,460	4,405	4,401
Accrued liabilities	45,980	43,867	40,335
Income taxes payable	7,449	4,609	-
Deferred income taxes	631	-	631
Total current liabilities	76,019	70,709	59,252
NON-CURRENT LIABILITIES			
Deferred income taxes	45,513	34,309	43,346
Postretirement health care and life insurance benefits	16,570	14,123	15,468
Industrial development bonds	7,500	7,500	7,500
Liability for uncertain tax positions	18,173	21,609	19,412
Deferred compensation and other liabilities	37,270	36,034	32,344
Total non-current liabilities	125,026	113,575	118,070
Total liabilities	201,045	184,284	177,322
SHAREHOLDERS' EQUITY			
Common Stock, \$.69-4/9 par value- 120,000 shares authorized; 35,823, 35,693 & 35,658 respectively, issued	24,877	24,787	24,762
Class B common stock, \$.69-4/9 par value- 40,000 shares authorized; 19,924, 19,372 & 19,357, respectively, issued	13,836	13,453	13,442
Capital in excess of par value	482,844	472,066	470,927
Retained earnings	142,810	141,904	142,872
Accumulated other comprehensive loss	(13,019)	(12,871)	(15,241)
Treasury stock (at cost)- 67, 65 & 65 shares, respectively	(1,992)	(1,992)	(1,992)
Total shareholders' equity	649,356	637,347	634,770
Total liabilities and shareholders' equity	\$850,401	\$821,631	\$812,092

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

-2A-

(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES		
CONDENSED CONSOLIDATED STATEMENTS OF		
EARNINGS, COMPREHENSIVE EARNINGS AND RETAINED EARNINGS		
(in thousands except per share amounts) (UNAUDITED)		
	13 WEEKS ENDED	
	Oct. 3, 2009	& Sep. 27, 2008
Net product sales	\$183,408	\$184,687
Rental and royalty revenues	943	1,015
Total revenues	184,351	185,702
Product cost of goods sold	117,707	125,394
Rental and royalty costs	218	247
Total costs	117,925	125,641
Product gross margin	65,701	59,293
Rental and royalty gross margins	725	768
Total gross margin	66,426	60,061
Selling, marketing and administrative expenses	30,877	29,669
Earnings from operations	35,549	30,392
Other income (expense)	3,083	(986)
Earnings before income taxes	38,632	29,406
Provision for income taxes	11,385	9,691
Net earnings	27,247	19,715
Other comprehensive income (loss), before tax		
Foreign currency translation adjustments	(112)	(1,527)
Unrealized gains (losses) on securities	1	(1,320)
Unrealized gains (losses) on derivatives	1,062	(29)
Other comprehensive income (loss), before tax	951	(2,876)
Income tax benefit (expense) related to items of other comprehensive income	(521)	790
Other comprehensive income (loss), net of tax	430	(2,086)
Comprehensive earnings	\$ 27,677	\$ 17,629
Retained earnings at beginning of period	\$120,018	\$126,589
Net earnings	27,247	19,715
Cash dividends	(4,455)	(4,400)

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Retained earnings at end of period	\$142,810	\$141,904
Net earnings per share	\$0.49	\$0.35
Dividends per share *	\$0.08	\$0.08
Average number of shares outstanding	55,796	56,642

*Does not include 3% stock dividend to shareholders of record on 3/09/09 and 3/10/08.

-3-

(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF

EARNINGS, COMPREHENSIVE EARNINGS AND RETAINED EARNINGS

(in thousands except per share amounts)

(UNAUDITED)

39 WEEKS ENDED

Oct. 3, 2009 & Sep. 27, 2008

Net product sales	\$385,274	\$376,619
Rental and royalty revenues	2,780	3,130
Total revenues	388,054	379,749
Product cost of goods sold	247,233	254,764
Rental and royalty costs	645	763
Total costs	247,878	255,527
Product gross margin	138,041	121,855
Rental and royalty gross margins	2,135	2,367
Total gross margin	140,176	124,222
Selling, marketing and administrative expenses	78,738	72,907
Earnings from operations	61,438	51,315
Other income (expense), net	4,524	(1,573)
Earnings before income taxes	65,962	49,742
Provision for income taxes	20,057	16,328
Net earnings	45,905	33,414
Other comprehensive income (loss), before tax		
Foreign currency translation adjustments	671	2,036
Unrealized gains (losses) on securities	72	(3,680)
Unrealized gains (losses) on derivatives	2,630	(311)
Other comprehensive income (loss), before tax	3,373	(1,955)
Income tax benefit (expense) related to items of other comprehensive income	(1,150)	810
Other comprehensive income (loss), net of tax	2,223	(1,145)

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Comprehensive earnings	\$ 48,128	\$ 32,269
Retained earnings at beginning of period	\$142,872	\$156,752
Net earnings	45,905	33,414
Cash dividends	(13,338)	(13,097)
Stock dividends - 3%	(32,629)	(35,165)
Retained earnings at end of period	\$142,810	\$141,904
Net earnings per share	\$0.82	\$0.59
Dividends per share *	\$0.24	\$0.24
Average number of shares outstanding	56,198	56,859

*Does not include 3% stock dividend to shareholders of record on 3/09/09 and 3/10/08.

-3A-

(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of dollars) (UNAUDITED) 39 WEEKS ENDED

Oct. 3, 2009 & Sep. 27, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Net earnings	\$ 45,905	\$ 33,414
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	13,627	12,362
Amortization of marketable securities	240	306
Purchase of trading securities	(2,058)	(1,862)
Sales of trading securities	620	1,730
Changes in operating assets and liabilities		
Accounts receivable	(63,965)	(57,796)
Other receivables	252	(1,265)
Inventories	(11,499)	(12,354)
Prepaid expenses and other assets	6,826	5,465
Accounts payable and accrued liabilities	9,203	8,030
Income taxes payable and deferred	7,242	4,957
Postretirement health care and life insurance benefits	1,102	909
Deferred compensation and other liabilities	1,925	(624)
Other	261	306
Net cash provided by (used in) operating activities	9,681	(6,422)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(17,918)	(15,540)
Purchase of available for sale securities	-	(30,326)
Sale and maturity of available for sale securities	9,542	56,718
Net cash used in investing activities	(8,376)	(10,852)

CASH FLOWS FROM FINANCING ACTIVITIES

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Dividends paid in cash	(13,370)	(13,157)
Shares repurchased and retired	(20,112)	(19,935)
Net cash used in financing activities	(33,482)	(33,092)
Decrease in cash and cash equivalents	(32,177)	(28,662)
Cash and cash equivalents at the beginning of year	68,908	57,606
Cash and cash equivalents at the end of quarter	\$ 36,731	\$ 28,944
Supplemental cash flow information		
Income taxes paid, net of refunds	\$ 6,877	\$ 10,001
Interest paid	\$ 176	\$ 191
Stock dividend issued	\$ 32,538	\$ 35,043

(The accompanying notes are an integral part of these statements.)

-4-

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 3, 2009
(in thousands except per share amounts) (UNAUDITED)

Note 1 - Foregoing data has been prepared from the unaudited financial records of Tootsie Roll Industries, Inc. and Subsidiaries (the Company) and in the opinion of management all adjustments necessary for a fair statement of the results for the interim period have been reflected. All adjustments were of a normal and recurring nature. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The Company evaluated all subsequent events through the date and time its financial statements were issued on November 12, 2009. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's on 2008 Annual Report on Form 10-K.

Note 2 - Average shares outstanding for the 39 week period ended October 3, 2009 reflect stock repurchases and subsequent retirements of 912 shares for \$20,112 and a 3% stock dividend distributed on April 9, 2009. Average shares outstanding for the 39 week period ended September 27, 2008 reflect stock repurchases and subsequent retirements of 839 shares for \$19,935 and a 3% stock dividend distributed on April 10, 2008 and April 9, 2009.

Note 3 - Results of operations for the period ended October 3, 2009 are not necessarily indicative of results to be expected for the year to end December 31, 2009 because of the seasonal nature of the Company's operations. Historically, the third quarter has been the Company's

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

largest sales quarter due to Halloween sales. The Company's quarterly financial reporting is based on thirteen week periods; the nine months ended on October 3, 2009 benefited from three additional shipping days, experienced in prior quarters, compared to the same period of the prior year.

Note 4 - The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. The Company remains subject to examination by U.S. federal and state and foreign tax authorities for the years 2006 through 2008. With few exceptions, the Company is no longer subject to examinations by tax authorities for years 2005 and prior.

Note 5 - Fair Value Measurements

In the first quarter of 2009, the Company adopted the authoritative guidance for fair value measurements for non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. This adoption did not have a material impact on the Company's financial position or results of operations.

-5-

The Company's investments, other than its equity method investment, are carried at fair value which is measured on a recurring basis and adjusted each time a financial statement is prepared. In determining fair value of financial instruments, the Company uses various prescribed techniques. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the instrument.

For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

The Company assesses the inputs used to measure fair value using a three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the table below.

As of October 3, 2009, the Company held certain financial instruments

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

that were required to be measured at fair value on a recurring basis. These included cash and cash equivalents, derivative hedging instruments related to Canadian dollar forward purchase contracts, and investments in trading securities and available for sale securities, including auction rate securities (ARS). The Company's available for sale and trading securities principally consist of municipal bonds and mutual funds that are publicly traded.

The following table presents information about the Company's financial assets measured at fair value as of October 3, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Description	Estimated Fair Value Oct 3, 2009			
	Total Fair Value	Input Level 1	Levels Used Level 2	Level 3
Cash and Cash Equivalents	\$ 36,731	\$ 36,731		
Auction Rate Security (ARS)	8,410			\$ 8,410
Available-for-sale Security excluding ARS	23,652		\$ 23,652	
Derivatives	2,978	2,978		
Trading Securities	30,426	30,426		
Total assets measured at fair value	\$102,197	\$ 70,135	\$ 23,652	\$ 8,410

-5A-

As of October 3, the Company's long term investments include \$8,410 (\$13,550 original cost) of Jefferson County Alabama Sewer Revenue Refunding Warrants, an ARS, originally purchased with an AAA rating. The fair value did not change significantly from December 31, 2008. The Company estimated the fair value of this ARS utilizing a valuation model with Level 3 inputs as of October 3, 2009. This valuation model considered, among other items, the credit risk of the collateral underlying the ARS, the credit risk of Financial Guaranty Insurance Company (FIGIC) the bond insurer, interest rates, and the amount and timing of expected future cash flows, including the Company's assumption about the market expectation of the next successful auction. The Company classified this ARS as non-current and has included it in long term investments on the Consolidated Statements of Financial Position at October 3, 2009, because the Company believes that the current condition of the ARS market as well as the credit condition of Jefferson County and FIGIC may take more than twelve months to improve. Available for sale securities, excluding the Jefferson County ARS, which utilize Level 2 inputs consist primarily of municipal bonds, which are valued based on alternative pricing sources with reasonable levels of price transparency.

There is no significant difference between the fair value and carrying value of the Company's long term debt.

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Note 6 - Derivative Instruments and Hedging Activities

During the first quarter of 2009 the Company adopted the authoritative guidance for disclosures about derivative instruments and hedging activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of derivative instruments and related gains and losses, and disclosures about credit-risk-related contingent features in derivative agreements. The adoption did not impact the Company's financial condition, results of operations or cash flow.

From time to time, the Company enters into futures contracts. Commodity futures are intended and are effective as hedges of market price risks associated with the anticipated purchase of certain raw materials (primarily sugar). Foreign currency forward contracts are intended and are effective as hedges of the Company's exposure to the variability of cash flows, primarily related to the foreign exchange rate changes of products manufactured in Canada and sold in the United States, and periodic equipment purchases from foreign suppliers denominated in a foreign currency. The Company does not engage in trading or other speculative use of derivative instruments.

The Company's futures contracts are being accounted for as cash flow hedges and are recorded on the balance sheet at fair value. Changes therein are recorded in accumulated other comprehensive loss, net of tax, and are reclassified to earnings in the periods in which earnings are affected by the hedged item. Realized gains/losses are recorded in cost of goods sold.

The Company utilizes foreign currency forward contracts to reduce the effects of fluctuations in exchange rates, primarily relating to the Canadian dollar. As of October 3, 2009, the Company had foreign currency forward contracts outstanding with a notional amount of \$17,772 that hedged its exposure to changes in foreign currency exchange rates for its costs of manufacturing certain products in

-5B-

Canada for the U.S. market. The fair value of foreign currency forward contracts, using level 1 inputs, resulted in an asset of \$2,978 as of October 3, 2009 which is included in other receivables.

During third quarter and nine months ended October 3, 2009, the Company recorded \$1,062 and \$2,669, respectively, of net derivative gains into accumulated other comprehensive loss which is a component of shareholders' equity in the statement of financial position. The Company also recognized a gain of \$511 and \$989, related to settlement dates of foreign currency contracts settled during the third quarter and nine months of 2009, respectively. At October 3, 2009, the Company expects to reclassify existing net gains of approximately \$1,520 from accumulated other comprehensive loss to net earnings during the next twelve months.

The Company utilizes commodities futures contracts and options to mitigate the effect of commodity cost fluctuations on certain ingredients, primarily sugar. As of October 3, 2009, the Company

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

had no outstanding commodities futures contracts.

Note 7 - New Accounting Pronouncements

In April 2008, the FASB issued guidance which amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets. The intent of the guidance is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. It was effective for first quarter 2009. The Company does not expect the guidance to have a material impact on the accounting for future acquisitions or intangible assets, but the potential impact is dependent upon the acquisitions of intangible assets in the future.

In April 2009, the FASB issued guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. It is effective for interim and annual periods ending after June 15, 2009. The Company's adoption of the guidance during second quarter 2009 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB amended the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. It is effective for interim and annual periods ending after June 15, 2009. The Company's adoption of the guidance during second quarter 2009 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued guidance which required disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. It is effective for interim periods ending after June 15, 2009. The Company's adoption of the guidance during second quarter 2009 did not have a material impact on the Company's consolidated financial statements. See Note 5 to the Condensed Consolidated financial statements.

-5C-

In May 2009, the FASB issued guidance which established general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued. It includes a requirement to disclose the date through which subsequent events were evaluated. See Note 1 to the Condensed Consolidated financial statements.

In June 2009, the FASB issued guidance which establishes the FASB Accounting Standards Codification to become the source of authoritative U.S. generally accepted accounting principles to be applied by non-governmental entities. It is effective for interim or annual financial periods ending after September 15, 2009. The Company adopted this guidance during the current reporting period.

-5D-

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(dollars in thousands except per share amounts)

The following is management's discussion of the Company's operating results and analysis of factors that have affected the accompanying Condensed Consolidated Statements of Earnings.

NET PRODUCT SALES

Net change in
Third Quarter, 2009

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Third Quarter		vs.
2009	2008	Third Quarter, 2008
\$183,408	\$184,687	-0.7%

Nine Months		vs.
2009	2008	Nine Months, 2008
\$385,274	\$376,619	2.3%

Third quarter 2009 net product sales were \$183,408 compared to \$184,687 in third quarter 2008, a decrease of \$1,279 or 0.7%. Nine months 2009 net product sales of \$385,274 increased \$8,655 or 2.3% from nine months 2008 net product sales of \$376,619. Third quarter 2009 net sales in the United States benefited from effective marketing programs, selective price increases and product weight declines reflecting indirect price increases, however, the timing of certain customer sales in the comparative second and third quarters of 2009 and 2008 adversely affected third quarter 2009 net product sales. Third quarter consolidated 2009 net product sales were also adversely affected by declines in export sales and certain international sales translated into U.S. dollars from a devalued Mexican foreign currency. Nine months 2009 net product sales also benefited from effective marketing programs and selective price increases, and were also adversely impacted by declines in export sales and a devalued Mexican foreign currency.

The Company's quarterly financial reporting is based on thirteen week periods, the nine months 2009 benefited from three additional shipping days, experienced in prior quarters, compared to the same periods of the prior year. The number of shipping days in the comparative third quarter 2009 and 2008 periods were identical.

PRODUCT COST OF GOODS SOLD:

Third Quarter		Percentage of Net Product Sales	
2009	2008	3rd Qtr. 2009	3rd Qtr. 2008
\$117,707	\$125,394	64.2%	67.9%

Nine Months		Percentage of Net Product Sales	
2009	2008	Nine Months 2009	Nine Months 2008
\$247,233	\$254,764	64.2%	67.6%

Product cost of goods sold as a percentage of net product sales favorably decreased from 67.9% in third quarter 2008 to 64.2% in third quarter 2009, and from 67.6% in nine months 2008 to 64.2% in nine months 2009. These favorable cost percentage decreases are primarily the result of selective price increases, product weight declines resulting in indirect price increases, lower product costs for products manufactured in Canada due to more favorable foreign exchange rates, and the overall benefits of additional sales for the comparative nine month periods. As a result of the above discussed factors, product gross margin increased from 32.1% in third quarter 2008 to 35.8% in third quarter 2009, and from 32.4% in nine months 2008 to 35.8% in nine months 2009, increases of 3.7% and 3.4% as a percentage of net product sales, respectively.

-6-

SELLING, MARKETING AND ADMINISTRATIVE EXPENSES:

Third Quarter		Percentage of Net Product Sales	
2009	2008	3rd Qtr. 2009	3rd Qtr. 2008
\$30,877	\$29,669	16.8%	16.1%

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Nine Months		Percentage of Net Product Sales	
2009	2008	Nine Months 2009	Nine Months 2008
\$78,738	\$72,907	20.4%	19.4%

Third quarter 2009 and 2008 selling, marketing and administrative expenses were \$30,877 and \$29,669, respectively, an increase of \$1,208; and nine months 2009 and 2008 selling, marketing and administrative expenses were \$78,738 and \$72,907, respectively, an increase of \$5,831. The third quarter 2009 expense reflects an increase of \$1,642 relating to deferred compensation expense, whereas third quarter 2008 expense reflects a decrease of \$950 for this expense. These expenses for nine months 2009 reflect an increase of \$2,338 relating to deferred compensation expense, whereas nine months 2008 expense reflects a decrease of \$2,356 for this expense. Such deferred compensation expense principally results from changes in the market value of trading securities used as an economic hedge of the Company's deferred compensation liabilities as further discussed below under "Net Earnings." Excluding the effects of the aforementioned deferred compensation changes, third quarter selling, marketing and administrative expenses were \$29,235 and \$30,619 in 2009 and 2008, respectively, a decrease of \$1,384 or 4.5%; and nine month selling, marketing and administrative expenses were \$76,400 and \$75,263 in 2009 and 2008, respectively, an increase of \$1,137 or 1.5%.

As a percentage of net product sales, third quarter selling, marketing and administrative expenses were 16.8% and 16.1% in 2009 and 2008, respectively; and nine month expenses as a percent of net product sales were 20.4% and 19.4% in 2009 and 2008, respectively. Adjusting for the above discussed deferred compensation expenses, selling, marketing and administrative expenses as a percent of sales favorably decreased from 16.6% in third quarter 2008 to 15.9% in third quarter 2009; and from 20.0% in nine months 2008 to 19.8% in nine months 2009.

The above discussed changes in selling, marketing and administrative expenses primarily reflect the related increases or decreases in certain variable operating expenses relating to changes in net product sales. Third quarter and nine months 2009 selling, marketing and administrative expenses did favorably benefit from lower energy and fuel costs relating to freight and delivery. Third quarter and nine months 2009 selling, marketing and administrative expenses also reflect increases in certain accrued incentive compensation awards that are generally adjusted for changes in net earnings, and an increase in bad debt expense in the comparative periods.

Third quarter 2009 and 2008 earnings from operations were \$35,549 and \$30,392, respectively; and nine months 2009 and 2008 earnings from operations were \$61,438 and \$51,315, respectively. Adjusting for the above discussed deferred compensation expenses (including amounts included in product cost of goods sold), third quarter 2009 earnings from operations were \$37,656 compared to \$29,114 in third quarter 2008, an increase of \$8,542 or 29.3%; and nine months 2009 earnings from operations were \$64,426 compared to \$48,146 in nine months 2008, an increase of \$16,280 or 33.8%. Results for third quarter and nine months 2009 were favorably impacted by higher sales in the United States and improved gross profit margins, as well as other factors discussed above.

-6A-

Other income (expense), net was \$3,083 in third quarter 2009 compared to (\$986)

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

in third quarter 2008, a net increase of \$4,069. Nine months 2009 other income (expense), net was \$4,524 compared to \$(1,573) for nine months 2008, a net increase of \$6,097. Other income, net includes the changes in the market value in the Company's trading securities which are an economic hedge of the Company's deferred compensation liabilities. The income (expense) on such trading securities was \$2,107 and \$(1,278) in third quarter 2009 and 2008, respectively, and \$2,988 and \$(3,169) in nine months 2009 and 2008, respectively. Such income or (expense) was substantially offset by a like amount of (expense) or income in aggregate product cost of goods sold and selling marketing and administrative expenses in the respective periods. Other income, net in third quarter and nine months 2009 reflects decreases of \$571 and \$1,460, respectively, in investment income on available for sale securities and cash balances reflecting lower interest rates in the investment markets. Other income, net in third quarter and nine months 2009 also includes favorable increases of \$1,086 and \$1,429, respectively, in net changes in net foreign exchange and transaction gains and losses.

The consolidated effective income tax rate favorably decreased from 33.0% in third quarter 2008 to 29.5% in third quarter 2009, and from 32.8% in nine months 2008 to 30.4% in nine months 2009. The decrease in the third quarter and nine months 2009 effective tax rates reflects lower state income tax expense, including the effective conclusion of an income tax audit, and favorable changes in federal and state tax reserves, including the effects of statutory expirations.

NET EARNINGS:

Third Quarter		Third Quarter, 2009 vs. Third Quarter, 2008
2009	2008	
\$27,247	\$ 19,715	38.2%

Nine Months		Nine Months, 2009 vs. Nine Months, 2008
2009	2008	
\$45,905	\$33,414	37.4%

Third quarter 2009 net earnings were \$27,247 compared to third quarter 2008 net earnings of \$19,715, a \$7,532 or 38.2% increase. Third quarter 2009 and 2008 earnings per share were \$0.49 and \$0.35, an increase of \$0.14 or 40.0%. Nine months 2009 net earnings were \$45,905 compared to nine months 2008 net earnings of \$33,414, a \$12,491 or 37.4% increase. Nine months 2009 and 2008 earnings per share were \$0.82 and \$0.59, an increase of \$0.23 or 39.0%. The Company's earnings per share for both third quarter and nine months 2009 reflect common stock purchases in the open market resulting in fewer shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES:

The Company's current ratio (current assets divided by current liabilities) was 2.9 to 1 as of the end of third quarter 2009 as compared to 3.0 to 1 as of the end of third quarter 2008 and 3.2 to 1 as of the end of fourth quarter 2008. Net working capital was \$147,117 as of the end of third quarter 2009 as compared to \$139,755 and \$128,727 as of the end of third quarter 2008 and fourth quarter 2008, respectively. These net working capital amounts include total cash and cash equivalents and short-term investments which aggregated \$49,545 as of the end of third quarter 2009 compared to \$43,464 and \$86,871, as of the end of third quarter 2008 and fourth quarter 2008, respectively. In addition, long-term investments, principally debt securities comprising municipal bonds, were

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

-6B-

\$49,674 (includes \$8,410 of Jefferson County auction rate securities discussed in Note 5 to the accompanying Condensed Consolidated Financial Statements) as of the end of third quarter 2009, as compared to \$59,368 and \$49,809 as of the end of third quarter 2008 and fourth quarter 2008, respectively. Aggregate cash and cash equivalents and short and long-term investments were \$99,219, \$102,832 and \$136,680, respectively for third quarter 2009, third quarter 2008 and fourth quarter 2008, respectively. Investments in municipal bonds and other debt securities that matured during nine months 2009 and 2008 were generally used to purchase the Company's common stock or were replaced with debt securities of similar maturities.

Net cash provided by operating activities was \$9,681 for nine months 2009, as compared to net cash used in operating activities of \$6,422 for nine months 2008. The \$16,103 change in net cash provided by (used in) operating activities for the comparative nine month months periods principally reflects the \$12,491 increase in net earnings and the timing of payments and cash flows relating to operating assets and liabilities for the comparative periods. Capital expenditures for nine months 2009 and 2008 were \$17,918 and \$15,540, respectively. Capital expenditures for the 2009 year are anticipated to be generally in line with historical annualized spending, and are to be funded from the Company's cash flow from operations and internal sources.

Cash dividends paid in nine months 2009 and 2008 were \$13,370 and \$13,157, respectively.

During nine months 2009, the Company also purchased and retired \$20,112 of its shares of common stock compared to \$19,935 during the same period of the previous year.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2008, the FASB issued guidance which amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets. The intent of the guidance is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. It was effective for first quarter 2009. The Company does not expect the guidance to have a material impact on the accounting for future acquisitions or intangible assets, but the potential impact is dependent upon the acquisitions of intangible assets in the future.

In April 2009, the FASB issued guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. It is effective for interim and annual periods ending after June 15, 2009. The Company's adoption of the guidance during second quarter 2009 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB amended the other-than-temporary impairment guidance For debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. It is effective for interim and annual periods ending after June 15, 2009. The Company's adoption of the guidance during second quarter 2009 did not have a material impact on the Company's consolidated financial statements.

-6C-

In April 2009, the FASB issued guidance which required disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. It is effective for interim periods ending after June 15, 2009. The Company's adoption of the guidance during second quarter 2009 did not have a material impact on the Company's consolidated financial statements. See Note 5 to the Condensed Consolidated financial statements.

In May 2009, the FASB issued guidance which established general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued. It includes a requirement to disclose the date through which subsequent events were evaluated. See Note 1 to the Condensed Consolidated financial statements.

In June 2009, the FASB issued guidance which establishes the FASB Accounting Standards Codification to become the source of authoritative U.S. generally accepted accounting principles to be applied by non-governmental entities. It is effective for interim or annual financial periods ending after September 15, 2009. The Company adopted this guidance during the current reporting period.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This discussion and certain other sections contain forward-looking statements that are based largely on the Company's current expectations and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "anticipated," "believe," "expect," "intend," "estimate," "project," and other words of similar meaning in connection with a discussion of future operating or financial performance and are subject to certain factors, risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements.

Such factors, risks, trends and uncertainties, which in some instances are beyond the Company's control, including without limitation, the following: (i) significant competitive activity, including advertising, promotional and price competition, and changes in consumer demand for the Company's products; (ii) fluctuations in the cost and availability of various ingredients and packaging materials; (iii) inherent risks in the marketplace, including uncertainties about trade and consumer acceptance and seasonal events such as Halloween; (iv) the effect of acquisitions on the Company's results of operations and financial condition; (v) the effect of changes in foreign currencies on the Company's foreign subsidiaries operating results, and the effect of the Canadian dollar on products manufactured in Canada and marketed and sold in the United States in U.S. dollars; (vi) the Company's reliance on third-party vendors for various goods and services; (vii) the Company's ability to successfully implement new production processes and lines; (viii) the effect of changes in assumptions, including discount rates, sales growth and profit margins, and the capability to pass along higher ingredient and other input costs through price increases, relating to the Company's impairment testing and analysis of its goodwill and trademarks; (ix) changes in the confectionery marketplace including actions taken by major retailers and customers; (x) customer, consumer and competitor

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

response to marketing programs and price and product weight adjustments, and new products; (xi) dependence on significant customers, including volume and timing of their purchases, and availability of shelf space; (xii) increases in energy costs, including freight and delivery, that cannot be passed along to customers through increased prices due to competitive reasons; (xiii) any significant labor stoppages, strikes or production interruptions; (xiv) changes in governmental laws and regulations including taxes and tariffs; (xv) the risk

-6D-

that the market value of Company's investments could decline including being classified as "other than temporary" as defined, and (xvi) the potential effects of the current and future recessionary and/or other adverse economic conditions or events. In addition, the Company's results may be affected by general factors, such as overall economic conditions, financial and securities' market factors, political developments, currency exchange rates, interest and inflation rates, accounting standards, taxes, and laws and regulations affecting the Company in markets where it competes and those factors described in Part 1, Item 1A "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K and in other Company filings, including quarterly reports on Form 10-Q, with the Securities and Exchange Commission.

The risk factors identified and referred to above are believed to be significant factors, but not necessarily all of the significant factors that could cause actual results to differ from those expressed in any forward-looking statement. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made only as of the date of this report. The Company undertakes no obligation to update such forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK:

The Company is exposed to various market risks, including fluctuations in sugar, corn syrup, edible oils, including soybean oil, cocoa, dextrose, milk and whey, and gum-base input ingredients and packaging and fuel costs. The Company is exposed to exchange rate fluctuations in the Canadian dollar which is the currency used for a portion of the raw material and packaging material costs and operating expenses at its Canadian plants. The Company invests in securities with maturities or auction dates of generally up to three years, the majority of the Company's investments have historically been held to maturity, which limits the Company's exposure to interest rate fluctuations. There has been no material change in the Company's market risks that would significantly affect the disclosures made in the Form 10-K for the year ended December 31, 2008.

Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, the Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 3, 2009 and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended October 3, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

-6E-

PART II - OTHER INFORMATION

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans Or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
JUL 5 TO AUG 1	176,056	22.80	NOT APPLICABLE	NOT APPLICABLE
AUG 2 TO AUG 29	20,800	23.47	NOT APPLICABLE	NOT APPLICABLE
AUG 30 TO OCT 3	82,700	23.51	NOT APPLICABLE	NOT APPLICABLE
TOTAL	279,556	23.06		

While the Company does not have a formal or publicly announced stock repurchase program, the Company's board of directors periodically authorizes a dollar amount for share repurchases. The treasurer executes share repurchase transactions according to these guidelines.

Item 6. EXHIBITS

Exhibits 31.1 and 31.2 - Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 - Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

TOOTSIE ROLL INDUSTRIES, INC.

Date: Nov. 12, 2009

BY:/S/MELVIN J. GORDON
Melvin J. Gordon
Chairman and Chief
Executive Officer

Date: Nov. 12, 2009

BY:/S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
Vice President Finance and
Chief Financial Officer

-7-

Exhibit 31.1

CERTIFICATION

I, Melvin J. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tootsie Roll Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: Nov. 12, 2009

By: /S/MELVIN J. GORDON
Melvin J. Gordon
Chairman and Chief Executive Officer

-7A-

Exhibit 31.2

CERTIFICATION

I, G. Howard Ember, Jr. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tootsie Roll Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such dis-

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

closure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: Nov. 12, 2009

By: /S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
Vice President Finance and
Chief Financial Officer

-7B-

Exhibit 32

Certificate Pursuant to Section 1350 of Chapter 63
Of Title 18 of the United States Code

Each of the undersigned officers of Tootsie Roll Industries, Inc.
Certifies that (i) the Quarterly Report on Form 10-Q of Tootsie Roll
Industries, Inc. for the quarterly period ended October 3, 2009 (the
Form 10-Q) fully complies with the requirements of section 13(a) or

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Tootsie Roll Industries, Inc. and its subsidiaries.

Dated: Nov. 12, 2009

/S/MELVIN J. GORDON
Melvin J. Gordon
Chairman and Chief
Executive Officer

Dated: Nov. 12, 2009

/S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
Vice President Finance and
Chief Financial Officer