ENNIS, INC.
Form 10-K
May 11, 2009

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

FORM 10-K
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended February 28, 2009
Commission File Number 1-5807

ENNIS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Texas	**75-0256410**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2441 Presidential Pkwy., Midlothian, Texas	**76065**
(Address of Principal Executive Offices)	(Zip code)

(Registrant s Telephone Number, Including Area Code) (972) 775-9801
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $2.50 per share	New York Stock Exchange

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of August 31, 2008 was approximately $375 million. Shares of voting stock held by executive officers, directors and holders of more than 10% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

The number of shares of the Registrant s Common Stock, par value $2.50, outstanding at April 30, 2009 was 25,882,277.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for the 2009 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

ENNIS, INC. AND SUBSIDIARIES
FORM 10-K
FOR THE PERIOD ENDED FEBRUARY 28, 2009
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PART I

ITEM 1. BUSINESS

Overview

Ennis, Inc. (formerly Ennis Business Forms, Inc.) was organized under the laws of Texas in 1909. Ennis, Inc. and its subsidiaries (collectively known as the Company, Registrant, Ennis, we, us, or our) print and manufacture line of business forms and other business products and also manufacture a line of activewear for distribution throughout North America. Distribution of business products and forms throughout the United States and Canada is primarily through independent dealers, and with respect to our activewear products, through sales representatives. This distributor channel encompasses print distributors, stationers, quick printers, computer software developers, activewear wholesalers, screen printers, and advertising agencies, among others. The company s apparel business was acquired on November 19, 2004. The Apparel Segment produces and sells activewear, including t-shirts, fleece goods and other wearables. We offer a selection of high-quality activewear apparel and hats with a wide variety of styles and colors in sizes ranging from toddler to 6XL. The apparel line features a wide variety of tees, fleece, shorts and yoga pants, and two headwear brands.

On October 5, 2007, we acquired certain assets of B & D Litho, Inc. (B & D) headquartered in Phoenix, Arizona, and certain assets and related real estate of Skyline Business Forms, operating in Denver, Colorado for $12.5 million. The acquisition of B&D Litho, Inc. did not include the acquisition of B&D Litho California, Inc., which is mainly a commercial printing operation located in Ontario, California. No significant liabilities were assumed in the transactions. The combined sales of the purchased operations were $25.0 million during the most recent twelve month period. The acquisition will add additional medium and long run multi-part forms, laser cut sheets, jumbo rolls and mailer products sold through the indirect sales (distributorship) marketplace.

On September 17, 2007, we acquired certain assets of Trade Envelope, Inc. (Trade) for $2.7 million. Under the terms of the purchase agreement, we have agreed to pay the former owners of Trade under a contingent earn-out arrangement over three years for intangibles, subject to certain set-offs. Trade is an envelope manufacturer (converter) and printer, offering high quality, 1-4 color process with lithograph and flexography capabilities with locations in Tullahoma, Tennessee and Carol Stream, Illinois. The combined sales of Trade during the most recent twelve month period were $11.4 million. The acquisition expanded and strengthened the envelope line of products currently being offered by the Company.

Business Segment Overview

We operate in two business segments, the Print Segment and the Apparel Segment. For additional financial information concerning segment reporting, please see note 16 of the notes to our consolidated financial statements beginning on page F-28 included elsewhere herein, which information is incorporated herein by reference.

Print Segment

The Print Segment, which has represented approximately 56% of our consolidated net sales during each of the past 3 years, is in the business of manufacturing, designing and selling business forms and other printed business products primarily to distributors located in the United States. The Print Segment operates 39 manufacturing locations throughout the United States in 16 strategically located domestic states. Approximately 95% of the business products manufactured by the Print Segment are custom and semi-custom products, constructed in a wide variety of sizes, colors, and quantities on an individual job basis depending upon the customers specifications.

The products sold include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal Business Forms℠, Block Graphics®, Specialized Printed Forms℠, 360º Custom Labels℠, Enfusion®, Uncompromised Check Solutions®, Witt Printing℠, B&D Litho of Arizona℠, Genforms℠ and Calibrated Forms℠. The Print Segment also sells the Adams-McClure℠ brand (which provides Point of Purchase advertising for large franchise and fast food chains as well as kitting and fulfillment); the Admore® brand (which provides presentation folders and document folders); Ennis Tag & Label℠ (which provides tags and labels, promotional products and advertising concept products); Trade Envelopes® and Block Graphics® (which provide custom and imprinted envelopes) and Northstar® and GFS℠ (which provide financial and security documents).

The Print Segment sells predominantly through private printers and independent distributors. Northstar and Adams McClure also sell to a small number of direct customers. Northstar has continued its focus with large

banking organizations on a direct basis (where a distributor is not acceptable or available to the end-user) and has acquired several of the top 25 banks in the United States as customers and is actively working on other large banks within the top 25 tier of banks in the United States. Adams-McClure sales are generally provided through advertising agencies.

The printing industry generally sells its products in two ways. One market direction is to sell predominately to end users, and is dominated by a few large manufacturers, such as Moore Wallace (a subsidiary of R.R. Donnelly), Standard Register, and Cenveo. The other market direction, which the Company primarily serves, sells forms and other business products through a variety of independent distributors and distributor groups. While it is not possible, because of the lack of adequate statistical information, to determine Ennis share of the total business products market, management believes Ennis is one of the largest producers of business forms in the United States distributing primarily through independent dealers, and that its business forms offering is more diversified than that of most companies in the business forms industry.

There are a number of competitors that operate in this segment, ranging in size from single employee-owner operations to multi-plant organizations, such as Cenveo and their resale brand known as: PrintXcel, Discount Label, and Printegra. We believe our strategic locations and buying power permit us to compete on a favorable basis within the distributor market on competitive factors, such as service, quality, and price.

Distribution of business forms and other business products throughout the United States is primarily done through independent dealers, including business forms distributors, stationers, printers, computer software developers, and advertising agencies.

Raw materials of the Print Segment principally consist of a wide variety of weights, widths, colors, sizes, and qualities of paper for business products purchased from a number of major suppliers at prevailing market prices.

Business products usage in the printing industry is generally not seasonal. General economic conditions and contraction of the traditional business forms industry are the predominant factor in quarterly volume fluctuations.

Apparel Segment

The Apparel Segment, which has represented approximately 44% of our consolidated net sales for the last 3 fiscal years, operates under the name of Alstyle Apparel (Alstyle). Alstyle markets high quality knit basic activewear (t-shirts, tank tops and fleece) across all market segments. Approximately 97% of Alstyle s revenues are derived from t-shirt sales, and 92% of those are domestic sales. Alstyle s branded product lines are AAA Alstyle Apparel & Activewear®, Gaziani®, Diamond Star®, Murina®, A Classic®, Tennessee River®, D DriveSM, and Hyland® Headware.

Alstyle is headquartered in Anaheim, California, where it knits domestic cotton yarn and some polyester fibers into tubular material. The material is dyed at that facility and then shipped to its plants in Ensenada or Hermosillo, Mexico, where it is cut and sewn into finished goods. Alstyle also ships their dyed and cut product to outsourced manufacturers in El Salvador and Nicaragua for sewing. After sewing and packaging is completed, product is shipped to one of Alstyle s eight distribution centers located across the United States, Canada, and Mexico. The products of the Apparel Segment are standardized shirts manufactured in a variety of sizes and colors. The Apparel Segment operates six manufacturing facilities, one in California, and five in Mexico.

Alstyle utilizes a customer-focused internal sales team comprised of 20 sales representatives assigned to specific geographic territories in the United States, Canada, and Mexico. Sales representatives are allocated performance objectives for their respective territories and are provided financial incentives for achievement of their target objectives. Sales representatives are responsible for developing business with large accounts and spend approximately 60% of their time in the field.

Alstyle employs a staff of customer service representatives that handle call-in orders from smaller customers. Sales personnel sell directly to Alstyle s customer base, which consists primarily of screen printers, embellishers, retailers, and mass marketers.

A majority of Alstyle s sales are to direct customer branded products, and the remainder relates to private label and re-labels programs. Generally, sales to screen printers and mass marketers are driven by price and the availability of products, which directly impacts inventory level requirements. Sales in the private label business are characterized by slightly higher customer loyalty.

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Alstyle s most popular styles are produced based on demand management forecasts to permit quick shipment and to level production schedules. Alstyle offers same-day shipping and uses third party carriers to ship products to its customers.

Alstyle s sales are seasonal, with sales in the first and second quarters generally being the highest. The apparel industry is characterized by rapid shifts in fashion, consumer demand and competitive pressures, resulting in both price and demand volatility. However, the imprinted activewear market that Alstyle sells to is generally event driven. Blank t-shirts can be thought of as walking billboards promoting movies, concerts, sports teams, and image brands. Still, the demand for any particular product varies from time to time based largely upon changes in consumer preferences and general economic conditions affecting the apparel industry.

The apparel industry is comprised of numerous companies who manufacture and sell a wide range of products. Alstyle is primarily involved in the activewear market and produces t-shirts, and outsources such products as fleece, hats, shorts, pants and other such activewear apparel from China, Thailand, Pakistan, and other foreign sources to sell to its customers through its sales representatives. Its primary competitors are Delta Apparel (Delta), Russell, Hanes and Gildan Activewear (Gildan). While it is not possible to calculate precisely, based on public information available, management believes that Alstyle is one of the top three providers of blank t-shirts in North America. Alstyle competes with many branded and private label manufacturers of knit apparel in the United States, Canada, and Mexico, some of which are larger in size and have greater financial resources than Alstyle. Alstyle competes on the basis of price, quality, service, and delivery. Alstyle s strategy is to provide the best value to its customers by delivering a consistent, high-quality product at a competitive price. Alstyle s competitive disadvantage is that its brand name, Alstyle Apparel, is not as well known as the brand names of its largest competitors, such as Gildan, Delta, Hanes, and Russell.

Distribution of the Apparel Segment s products is through Alstyle s own staff of sales representatives and regional distribution centers selling to local distributors who resell to retailers, or directly to screen printers, embellishers, retailers and mass marketers.

Raw materials of the Apparel Segment principally consist of cotton and polyester yarn purchased from a number of major suppliers at prevailing market prices, although we purchase more than 75% of our cotton and yarn from one supplier. Reference is made to Risk Factors of this Report.

Patents, Licenses, Franchises and Concessions

We do not have any significant patents, licenses, franchises, or concessions.

Intellectual Property

We market our products under a number of trademarks and tradenames. We have registered trademarks in the United States for Ennis®, EnnisOnline℠, A Alstyle Apparel, AA Alstyle Apparel & Activewear, AAA Alstyle Apparel & Activewear®, American Diamond, Block Graphics®, Classic by Alstyle Apparel, Diamond Star®, Enfusion®, Executive by Alstyle, Gaziani®, Gaziani Fashions, Hyland, Hyland® Headware by Alstyle, Murina®, Tennessee River®, 360º Custom Labels℠, Admore®, CashManagementSupply.com, Securestar, Northstar®, MICRLink, MICR Connection, Ennisstores.com, General Financial Supply℠, Calibrated Forms℠, Trade Envelopes®, Witt Printing℠, GenForms℠, Royal Business Forms®, Crabar/GBF, Adams McClure℠, Advertising Concepts, ColorWorx, Uncompromised Check Solutions®, Star Award Ribbon, and variations of these brands as well as other trademarks. We have similar trademark registrations internationally. The protection of our trademarks is important to our business. We believe that our registered and common law trademarks have significant value and these trademarks are instrumental to our ability to create and sustain demand for our products.

Customers

No single customer accounts for as much as five percent of our consolidated net sales.

Backlog

At February 28, 2009, our backlog of orders believed to be firm was approximately $29,013,000 as compared to approximately $27,134,000 at February 29, 2008.

Research and Development

While we continuously look for new products to sell through our distribution channel, there have been no material amounts spent on research and development in the fiscal year ended February 28, 2009.

Environment

We are subject to various federal, state, and local environment laws and regulations concerning, among other things, wastewater discharges, air emissions and solid waste disposal. Our manufacturing processes do not emit substantial foreign substances into the environment. We do not believe that our compliance with federal, state, or local statutes or regulations relating to the protection of the environment has any material effect upon capital expenditures, earnings or our competitive position. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, the extent of our liability, if any, for past failures to comply with laws, regulations, and permits applicable to our operations cannot be determined.

Employees

At February 28, 2009, we had approximately 5,836 employees. Approximately 2,895 of the employees are in Mexico and approximately 19 employees are in Canada. Of the USA employees, approximately 353 are represented by three unions, under seven separate contracts expiring at various times. Of the employees in Mexico, two unions represent substantially all employees with contracts expiring at various times.

Available Information

We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 available free of charge under the Investors Relations page on our website, www.ennis.com, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Information on our website is not included as a part of, or incorporated by reference into, this report. Our SEC filings are also available through the SEC s website, www.sec.gov. In addition, the public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW. Washington, DC 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this Annual Report on Form 10-K, before making an investment in our common stock. The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed. In such an event, our common stock could decline in price and you may lose all or part of your investment.

Our results and financial condition are affected by global and local market conditions, which can adversely affect our sales, margins, and net income.

Our results of operations are substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may prompt promotional or other actions that adversely affect our margins, constrain our operating flexibility or result in charges. Certain macroeconomic events, such as the current crisis in the financial markets, could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us. Whether we can manage these risks effectively depends mainly on the following:

- Our ability to manage upward pressure on commodity prices and the impact of government actions to manage national economic conditions such as consumer spending, inflation rates and unemployment levels, particularly given the current volatility in the global financial markets;

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The impact on our margins of labor costs given our labor-intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our manufacturing facilities.

Declining economic conditions could negatively impact our business.

Our operations are affected by local, national and worldwide economic conditions. Markets in the United States and elsewhere have been experiencing extreme volatility and disruption for more than 12 months, due in part to the financial stresses affecting the liquidity of the banking system and the financial markets generally. During the current quarter this volatility and disruption has reached unprecedented levels. The consequences of a potential or prolonged recession may include a lower level of economic activity and uncertainty regarding energy prices and the capital and commodity markets. A lower level of economic activity might result in a decline in demand for our products, which may adversely affect our revenues and future growth. Instability in the financial markets, as a result of recession or otherwise, also may affect our cost of capital and our ability to raise capital.

We have significant amounts of cash and cash equivalents that are in excess of federally insured limits. With the current financial environment and the instability of financial institutions, we cannot be assured that we will not experience losses on our deposits.

The terms and conditions of our credit facility impose certain restrictions on our operations. We may not be able to raise additional capital, if needed for proposed expansion projects, etc.

The terms and conditions of our credit facility impose certain restrictions on our ability to incur additional debt, make capital expenditures, acquisitions, asset dispositions, as well as other customary covenants, such as minimum equity level and total funded debt to EBITDA, as defined. Our ability to comply with the covenants may be affected by events beyond our control, such as distressed and volatile financial markets which could trigger an impairment charge to our recorded intangible assets (see Risk Factors *In 2009 we were required to write down goodwill and other intangible assets and we may have similar charges in the future, which could cause our financial condition and results of operations to be negatively affected in the future* *page 7*). A breach of any of these covenants could result in a default under our credit facility. In the event of a default, the bank could elect to declare the outstanding principal amount of our credit facility, all interest thereon, and all other amounts payable under our credit facility to be immediately due and payable. As of February 28, 2009 we were in compliance with all terms and conditions of our credit facility, which matures on March 31, 2010.

We anticipate borrowing under our credit facility to provide financing for our new facility in Agua Prieta in the state of Sonora, Mexico. Our ability to access this facility for these funds will depend upon our future operating performance, which will be affected by prevailing economic, financial and business conditions and other factors, some of which are beyond our control. In the event that we aren t able to access the facility for the funds needed and require additional capital, there can be no assurance that we will be able to raise such capital when needed or at all.

Declining financial market conditions could adversely impact the funding status of our pension plan.

We maintain a defined-benefit pension plan for our employees. Included in our financial results are pension costs that are measured using actuarial valuations. The actuarial assumptions used may differ from actual results. In addition, as our pension assets are invested in marketable securities, severe fluctuations in market values could potentially negatively impact our funding status, recorded pension liability, and future required minimum contribution levels, as we saw during this past fiscal year.

In 2009 we were required to write down goodwill and other intangible assets and we may have similar charges in the future, which could cause our financial condition and results of operations to be negatively affected in the future.

When we acquire a business, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The amount of the purchase price allocated to goodwill and other intangible assets is the excess of the purchase price over the net identifiable assets acquired. The annual impairment test is based on several factors requiring judgment. Principally a decline in market conditions may indicate potential impairment of goodwill. In the fourth quarter of fiscal year 2009, we recorded a non-cash impairment charge of $63.2 million and $4.7 million to goodwill and trademarks, respectively. At February 28, 2009, our goodwill and other intangible assets were approximately $117.3 million and $81.1 million, respectively.

Printed business forms may be superseded over time by paperless business forms or otherwise affected by technological obsolescence and changing customer preferences, which could reduce our sales and profits.

Printed business forms and checks may eventually be superseded by paperless business forms, which could have a material adverse effect on our business over time. The price and performance capabilities of personal computers and related printers now provide a cost-competitive means to print low-quality versions of many of our business forms on plain paper. In addition, electronic transaction systems and off-the-shelf business software applications have been designed to automate several of the functions performed by our business form and check products. In response to the gradual obsolescence of our standardized forms business, we continue to develop our capability to provide custom and full-color products. If new printing capabilities and new product introductions do not continue to offset the obsolescence of our standardized business forms products, there is a risk that the number of new customers we attract and existing customers we retain may diminish, which could reduce our sales and profits. Decreases in sales of our standardized business forms and products due to obsolescence could also reduce our gross margins. This reduction could in turn adversely impact our profits, unless we are able to offset the reduction through the introduction of new high margin products and services or realize cost savings in other areas.

Our distributors face increased competition from various sources, such as office supply superstores. Increased competition may require us to reduce prices or to offer other incentives in order to enable our distributors to attract new customers and retain existing customers.

Low price, high value office supply chain stores offer standardized business forms, checks, and related products. Because of their size, these superstores have the buying power to offer many of these products at competitive prices. These superstores also offer the convenience of one-stop shopping for a broad array of office supplies that our distributors do not offer. In addition, superstores have the financial strength to reduce prices or increase promotional discounts to expand market share. This could result in us reducing our prices or offering incentives in order to enable our distributors to attract new customers and retain existing customers.

Technological improvements may reduce our competitive advantage over some of our competitors, which could reduce our profits.

Improvements in the cost and quality of printing technology are enabling some of our competitors to gain access to products of complex design and functionality at competitive costs. Increased competition from these competitors could force us to reduce our prices in order to attract and retain customers, which could reduce our profits.

We could experience labor disputes that could disrupt our business in the future.

As of February 28, 2009, approximately 12% of our domestic employees are represented by labor unions under collective bargaining agreements, which are subject to periodic renegotiations. Two unions represent all of our hourly employees in Mexico. There can be no assurance that any future labor negotiations will prove successful, which may result in a significant increase in the cost of labor, or may break down and result in the disruption of our business or operations.

We obtain our raw materials from a limited number of suppliers and any disruption in our relationships with these suppliers, or any substantial increase in the price of raw materials, material shortages, or an increase in transportation costs, could have a material adverse effect on us.

Cotton yarn is the primary raw material used in Alstyle s manufacturing processes. Cotton accounts for approximately 40% of the manufactured product cost. Alstyle acquires its yarn from three major sources that meet stringent quality and on-time delivery requirements. The largest supplier provides more than 75% of Alstyle s yarn requirements and has an entire yarn mill dedicated to Alstyle s production. If Alstyle s relations with its suppliers are disrupted, Alstyle may not be able to enter into arrangements with substitute suppliers on terms as favorable as its current terms and our results of operations could be materially adversely affected.

Alstyle generally acquires its cotton yarn under short-term purchase orders with its suppliers, and has exposure to swings in cotton market prices. Alstyle does not use derivative instruments, including cotton option contracts, to manage its exposure to movements in cotton market prices. Alstyle may use such derivative instruments in the future. We believe we are competitive with other companies in the United States apparel industry in negotiating the price of cotton. However, any significant increase in the price of cotton or shortages in the availability of cotton as the result of farmers switching to alternative crops, such as corn, could have a material adverse effect on our results of operations.

Freight costs also represent a significant cost to our apparel company. We incur freight costs associated with the delivery of yarn to our manufacturing facility in Anaheim, CA. We also incur freight costs associated with transporting our knit and dyed products to Mexico and our final sewn products from Mexico to our various distribution centers. Any significant increase in transportation costs due to increased fuel costs, etc. could have a material impact on our reported apparel margins.

We also purchase our paper products from a limited number of sources, which meet stringent quality and on-time delivery standards under long-term contracts. However, fluctuations in the quality of our paper, unexpected price increases, etc. could have a material adverse effect on our operating results.

We face intense competition to gain market share, which may lead some competitors to sell substantial amounts of goods at prices against which we cannot profitably compete.

Demand for Alstyle s products is dependent on the general demand for shirts and the availability of alternative sources of supply. Alstyle s strategy in this market environment is to be a low cost producer and to differentiate itself by providing quality service and quality products to its customers. Even if this strategy is successful, its results may be offset by reductions in demand or price declines due to competitors pricing strategies. Our Print Segment also faces the risk of our competition following a strategy of selling their products at or below cost in order to cover some amount of fixed costs, especially in distressed economic times.

The apparel industry is heavily influenced by general economic cycles.

The apparel industry is cyclical and dependent upon the overall level of discretionary consumer spending, which changes as regional, domestic and international economic conditions change. These include, but are not limited to, employment levels, energy costs, interest rates, tax rates, personal debt levels, and uncertainty about the future. Any deterioration in general economic conditions that creates uncertainty or alters discretionary consumer spending habits could reduce our sales, increase our costs of goods sold or require us to significantly modify our current business practices, and consequently negatively impact our results of operations.

Our apparel foreign operations could be subject to unexpected changes in regulatory requirements, tariffs and other market barriers and political and economic instability in the countries where it operates, which could negatively impact our operating results.

Alstyle operates cutting and sewing facilities in Mexico, and sources certain product manufacturing and purchases in El Salvador, Nicaragua, Honduras, Pakistan, China, and Southeast Asia. Alstyle s foreign operations could be subject to unexpected changes in regulatory requirements, tariffs, and other market barriers and political and economic instability in the countries where it operates. The impact of any such events that may occur in the future could subject Alstyle to additional costs or loss of sales, which could adversely affect our operating results. In particular, Alstyle operates its facilities in Mexico pursuant to the maquiladora duty-free program established by the Mexican and United States governments. This program enables Alstyle to take advantage of generally lower costs in Mexico, without paying duty on inventory shipped into or out of Mexico. There can be no assurance that the governments of Mexico and the United States will continue the program currently in place or that Alstyle will continue to be able to benefit from this program. The loss of these benefits could have an adverse effect on our business.

Our apparel products are subject to foreign competition, which in the past has been faced with significant U.S. government import restrictions.

Foreign producers of apparel often have significant labor cost advantages. Given the number of these foreign producers, the substantial elimination of import protections that protect domestic apparel producers could materially adversely affect Alstyle s business. The extent of import protection afforded to domestic apparel producers has been, and is likely to remain, subject to considerable political considerations.

The North American Free Trade Agreement (NAFTA) became effective on January 1, 1994 and has created a free-trade zone among Canada, Mexico, and the United States. NAFTA contains a rule of origin requirement that products be produced in one of the three countries in order to benefit from the agreement. NAFTA has phased out all trade restrictions and tariffs among the three countries on apparel products competitive with those of Alstyle. Alstyle performs substantially all of its cutting and sewing in five plants located in Mexico in order to take advantage of the NAFTA benefits. Subsequent repeal or alteration of NAFTA could adversely affect our business.

The Central American Free Trade Agreement (CAFTA) became effective May 28, 2004 and retroactive to January 1, 2004 for textiles and apparel. It creates a free trade zone similar to NAFTA by and between the United States and Central American countries (El Salvador, Honduras, Costa Rica, Nicaragua, and Dominican Republic.) Textiles and apparel are duty-free and quota-free immediately if they meet the agreement s rule of origin, promoting new opportunities for U.S. and Central American fiber, yarn, fabric and apparel manufacturing. The agreement gives duty-free benefits to some apparel made in Central America that contains certain fabrics from NAFTA partners Mexico and Canada. Alstyle sources approximately 20% of its sewing to a contract manufacturer in El Salvador, and we do not anticipate that alteration or subsequent repeal of CAFTA would have a material effect on our operations.

The World Trade Organization (WTO), a multilateral trade organization, was formed in January 1995 and is the successor to the General Agreement on Tariffs and Trade (GATT). This multilateral trade organization has set forth mechanisms by which world trade in clothing is being progressively liberalized by phasing-out quotas and reducing duties over a period of time that began in January of 1995. As it implements the WTO mechanisms, the United States government is negotiating bilateral trade agreements with developing countries, which are generally exporters of textile and apparel products, that are members of the WTO to get them to reduce their tariffs on imports of textiles and apparel in exchange for reductions by the United States in tariffs on imports of textiles and apparel.

In January 2005, United States import quotas have been removed on knitted shirts from China. The elimination of quotas and the reduction of tariffs under the WTO may result in increased imports of certain apparel products into North America. In May 2005, quotas on three categories of clothing imports, including knitted shirts, from China were re-imposed. A reduction of import quotas and tariffs could make Alstyle s products less competitive against low cost imports from developing countries.

Environmental regulations may impact our future operating results.

We are subject to extensive and changing federal, state, and foreign laws and regulations establishing health and environmental quality standards, and may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations governing remediation of contamination at facilities currently or formerly owned or operated by us or to which we have sent hazardous substances or wastes for treatment, recycling or disposal. We may be subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability at any of our facilities, or at facilities we may acquire.

Our planned expansion of facilities is subject to multiple approvals and uncertainties that could affect our ability to complete the project on schedule or at budgeted cost.

On June 26, 2008, we announced plans to build a new apparel manufacturing facility in the town of Agua Prieta in the state of Sonora, Mexico. The construction of this new facility will involve numerous regulatory, environmental, political, and legal uncertainties beyond our control. The cost of the facility and the equipment required for the facility will require the expenditure of significant amounts of capital that will be required to be financed through internal cash flows or alternatively additional debt, which given the current financial environment there can be no assurances that such funds will be available. Moreover, this facility is being built to capture anticipated future growth in demand and anticipated savings in production costs. Should such growth or production savings not materialize, or should the timeline for our transition be delayed, we may be unable to achieve our expected investment return, which could adversely affect our results of operations and financial condition.

We are exposed to the risk of financial non-performance by our customers on a significant amount of our sales.

Our extension of credit involves considerable judgment and is based on an evaluation of each customer s financial condition and payment history. We monitor our credit risk exposure by periodically obtaining credit reports and updated financials on our customers. Recently we have seen a heightened amount of bankruptcies in our customers, especially retailers, and we believe this trend may continue given the current economic environment. We maintain an allowance for doubtful accounts for potential credit losses based upon our historical trends and other available information. However, the inability to collect on sales to significant customers or a group of customers could have a material adverse effect on our results of operations.

Our business incurs significant freight and transportation costs.

We incur significant freight costs to transport our goods, especially as it relates to our Apparel segment where we transport our product from our domestic textile plant to off-shore sewing facilities and then to bring our goods back into the United States. In addition, we incur transportation expenses to ship our products to our customers.

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Transportation costs have increased significantly during fiscal year 2008 and 2009, and, accordingly, had an unfavorable impact on our results of operations. Further significant increases in the costs of freight and transportation could have a material adverse effect on our results of operations, as there can be no assurance that we could pass these increased costs to our customers.

The price of energy is prone to significant fluctuations and volatility.

Our apparel manufacturing operations require high inputs of energy, and therefore changes in energy prices directly impact our gross profit margins. Energy costs significantly increased during fiscal year 2008 and 2009, and thus had an unfavorable impact on our results of operations. We are focusing on manufacturing methods that will reduce the amount of energy used in the production of our apparel products to mitigate the rising costs of energy. However, further significant increases in energy prices could have a material adverse effect on our results of operations, as there can be no assurance that we could pass these increased costs to our customers.

We rely on independent contract production for a portion of our apparel production.

We have historically relied on third party suppliers to provide a portion of our apparel production. Any shortage of supply, production disruptions, shipping delays, regulatory changes, significant price increases from our suppliers, could adversely affect our apparel operating results.

We depend upon the talents and contributions of a limited number of individuals, many of whom would be difficult to replace.

The loss or interruption of the services of our Chief Executive Officer, Executive Vice President, Chief Financial Officer, and our Chief Technology Officer/Vice President Apparel Division, could have a material adverse effect on our business, financial condition and results of operations. Although we maintain employment agreements with these individuals, it cannot be assured that the services of such individuals will continue.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2. PROPERTIES

Our corporate headquarters are located in Midlothian, Texas. We operate manufacturing and distribution facilities throughout the United States and in Mexico and Canada. See the table below for additional information on our locations.

All of the Print Segment properties are used for the production, warehousing and shipping of the following: business forms, flexographic printing, advertising specialties and Post-it® Notes (Wolfe City, Texas); presentation products (Macomb, Michigan and Anaheim, California); and printed and electronic promotional media (Denver, Colorado); envelopes (Portland, Oregon; Columbus, Kansas; Tullahoma, Tennessee and Carol Stream, Illinois); financial forms (Minneapolis/St. Paul, Minnesota; Nevada, Iowa and Bridgewater, Virginia) and other business products. The Apparel Segment properties are used for the manufacturing or distribution of T-shirts and other activewear apparel.

The plants are being operated at normal production capacity. Capacity fluctuates with market demands and depends upon the product mix at any given point in time. Equipment is added as existing machinery becomes obsolete or not repairable, and as new equipment becomes necessary to meet market demands; however, at any given time, these additions and replacements are not considered to be material additions to property, plant and equipment, although such additions or replacements may increase a plant s efficiency or capacity.

All of the foregoing facilities are considered to be in good condition. The Company does not anticipate that substantial expansion, refurbishing, or re-equipping will be required in the near future.

All of the rented property is held under leases with original terms of one or more years, expiring at various times from March 2009 through March 2014. No difficulties are presently foreseen in maintaining or renewing such leases as they expire.

The accompanying list contains each of our owned and leased locations:

Location	General Use	Approximate Square Footage Owned	Leased
Print Segment			
Ennis, Texas	Three Manufacturing Facilities	325,118	
Chatham, Virginia	Two Manufacturing Facilities	127,956	
Paso Robles, California	Manufacturing	94,120	
DeWitt, Iowa	Two Manufacturing Facilities	95,000	
Knoxville, Tennessee	Manufacturing	48,057	
Ft, Scott, Kansas	Manufacturing	86,660	
Portland, Oregon	Manufacturing		139,330
Wolfe City, Texas	Two Manufacturing Facilities	119,259	
Moultrie, Georgia	Manufacturing	25,000	
Coshocton, Ohio	Manufacturing	24,750	
Macomb, Michigan	Manufacturing	56,350	
Anaheim, California	Three Manufacturing Operations		63,750
Bellville, Texas	Manufacturing	70,196	
Denver, Colorado	Four Manufacturing Facilities & Warehouse	60,000	105,200
Oklahoma City. Oklahoma	Sales Office		460
San Antonio, Texas	Manufacturing	47,426	
Brooklyn Park, Minnesota	Manufacturing	94,800	
Roseville, Minnesota	Manufacturing		42,500
Arden Hills, Minnesota	Warehouse		31,684
Nevada, Iowa	Manufacturing	232,000	
Bridgewater, Virginia	Manufacturing		27,000
Columbus, Kansas	Manufacturing	201,000	
Leipsic, Ohio	Manufacturing	83,216	
El Dorado Springs, Missouri	Manufacturing	70,894	
Princeton, Illinois	Manufacturing		74,340
Arlington, Texas	Manufacturing	69,935	
Mechanicsburg, Pennsylvania	Warehouse		7,500
Rancho Cordova, California	Administrative Offices		108
Tullahoma, Tennessee	Manufacturing	24,950	
Caledonia, New York	Manufacturing	138,730	
Sun City, California	Manufacturing	52,617	
Sparks, Nevada	Subleased		18,589
Carol Stream, Illinois	Manufacturing		14,400
Phoenix, Arizona	Manufacturing and Warehouse		82,800
		2,148,034	607,661
Apparel Segment			
Anaheim, California	Office and Distribution Center		200,000
Anaheim, California	Manufacturing*		450,315
Chicago, Illinois	Distribution Center		120,000
Atlanta, Georgia	Distribution Center		31,958
Carrollton, Texas	Distribution Center		26,136

Bensalem, Pennsylvania	Distribution Center		60,848
Mississauga, Canada	Distribution Center		53,982
Los Angeles, California	Distribution Center		31,600
Ensenada, Mexico	Two Manufacturing Facilities	112,622	53,820
Ensenada, Mexico	Car Parking		22,000
Ensenada, Mexico	Warehouse		2,583
Hermosillo, Mexico	Administrative Offices		215
Hermosillo, Mexico	Three Manufacturing Facilities		126,263
Hermosillo, Mexico	Yard Space		19,685

Location	General Use	Approximate Square Footage Owned	Leased
Hermosillo, Mexico	Vacant		8,432
Hermosillo, Mexico	Storage for Machines		1,640
		112,622	1,209,477
Corporate Offices			
Ennis, Texas	Administrative Offices	9,300	
Midlothian, Texas	Executive and Administrative Offices	28,000	
		37,300	
	Totals	2,297,956	1,817,138

* Apparel Segment 146,100 square feet of the manufacturing facilities in Anaheim, California is subleased. Our lease expired in March 2009. Lease negotiations currently envision landlord dealing directly with subleased space of 146,100 square feet and remaining 304,215 square fee being subject to two year lease.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in various litigation matters arising in the ordinary course of our business. We do not believe the disposition of any current matter will have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2009.

PART II

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

Our common stock is traded on the New York Stock Exchange (NYSE) under the trading symbol EBF . The following table sets forth for the periods indicated: the high and low sales prices, the common stock trading volume as reported by the New York Stock Exchange and dividends per share paid by the Company.

	Common Stock Price Range		Common Stock Trading Volume (number of shares in thousands)	Dividends per share of Common Stock
	High	Low		
Fiscal Year Ended February 28, 2009				
First Quarter	$19.18	$14.31	5,173	$0.155
Second Quarter	19.92	13.55	4,324	$0.155
Third Quarter	18.16	8.54	5,357	$0.155
Fourth Quarter	13.37	8.01	4,412	$0.155
Fiscal Year Ended February 29, 2008				
First Quarter	$28.12	$22.41	6,700	$0.155
Second Quarter	25.53	18.36	8,183	$0.155
Third Quarter	22.92	16.46	5,442	$0.155
Fourth Quarter	20.28	14.93	6,018	$0.155

The last reported sale price of our common stock on NYSE on April 30, 2009 was $9.00. As of that date, there were approximately 1,133 shareholders of record of our common stock. Cash dividends may be paid or repurchases of our common stock may be made from time-to-time, as our Board of Directors deems appropriate, after considering our growth rate, operating results, financial condition, cash requirements, restrictive lending covenants, and such other factors as the Board of Directors may deem appropriate. On October 20, 2008, our Board of Directors authorized the repurchase of up to $5.0 million of our common stock through a stock repurchase program. Under the board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any will be made in accordance with applicable insider trading and other securities laws and

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regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice. As of February 28, 2009, there were 52,700 shares of our common stock that had been purchased under the repurchase program at an average price per share of $11.36.

See Item 12 Security Ownership of Beneficial Owners and Management and Related Stockholder Matters section of this Report for information relating to our equity compensation plans.

Stock Performance Graph

The graph below matches our cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S & P 500 index and the Russell 2000 index. The graph tracks the performance of a $100 investment in the our common stock and in each of the indexes (with the reinvestment of all dividends) from February 29, 2004 to February 28, 2009.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Ennis, Inc., The S&P 500 Index
And The Russell 2000 Index

* $100 Invested on 2/29/04 in stock or index, including reinvestment of dividends. Fiscal year ending February 28 or February 29.

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	2004	2005	2006	2007	2008	2009
Ennis, Inc.	100.00	104.90	125.47	169.02	107.63	57.76
S&P 500	100.00	106.98	115.96	129.84	125.17	70.95
Russell 2000	100.00	109.53	127.70	140.30	122.85	70.78

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our audited consolidated financial statements. Our consolidated financial statements and notes thereto as of February 28, 2009 and February 29, 2008, and for the three years in the period ended February 28, 2009, and the reports of Grant Thornton LLP are included in Item 15 of this Report. The selected financial data should be read in conjunction with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in Item 15 of this Report.

	Fiscal Years Ended				
	2009	2008	2007	2006	2005
	(Dollars and shares in thousands, except per share amounts)				
Operating results:					
Net sales	$ 584,029	$ 610,610	$ 584,713	$ 559,397	$ 365,353
Gross profit	143,476	163,874	156,322	151,961	93,217
SG&A expenses	86,217	88,851	83,121	79,824	53,560
Impairment of goodwill and trademarks	67,851				
Net earnings (loss)	(32,768)	44,590	41,601	40,537	22,959
Earnings (loss) and dividends per share:					
Basic	$ (1.27)	$ 1.74	$ 1.63	$ 1.59	$ 1.21
Diluted	(1.27)	1.72	1.62	1.58	1.19
Dividends	0.62	0.62	0.62	0.62	0.62
Weighted average shares outstanding:					
Basic	25,707	25,623	25,531	25,453	18,936
Diluted	25,790	25,860	25,759	25,728	19,260
Financial Position:					
Working capital	$ 138,374	$ 133,993	$ 102,269	$ 94,494	$ 70,247
Current assets	182,254	185,819	151,516	158,455	151,630
Total assets	436,380	513,131	478,228	494,401	497,246
Current liabilities	43,880	51,826	49,247	63,961	81,383
Long-term debt	76,185	90,710	88,971	102,916	112,342
Total liabilities	144,374	164,652	161,825	197,066	225,515
Equity	292,006	348,479	316,403	297,335	271,731
Current ratio	4.15 to 1.0	3.59 to 1.0	3.08 to 1.0	2.48 to 1.0	1.86 to 1.0
Long-term debt to equity	.26 to 1.0	.26 to 1.0	.28 to 1.0	.35 to 1.0	.41 to 1.0

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

Cautionary Statements

You should read this discussion and analysis in conjunction with our Consolidated Financial Statements and the related notes appearing elsewhere in this Report. In addition, certain statements in this Report, and in particular, statements found in Management s Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We believe these forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge

of Ennis. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated, or implied by these statements. Such forward-looking statements involve known and unknown risks, including but not limited to, general economic, business and labor conditions; the ability to implement our strategic initiatives; the ability to be profitable on a consistent basis; dependence on sales that are not subject to long-term contracts; dependence on suppliers; the ability to recover the rising cost of key raw materials in markets that are highly price competitive; the ability to meet customer demand for additional value-added products and services; the ability to timely or adequately respond to technological changes in the industry; the impact of the Internet and other electronic media on the demand for forms and printed materials; postage rates; the ability to manage operating expenses; the ability to manage financing costs and interest rate risk; a decline in business volume and profitability could result in an impairment of goodwill; the ability to retain key management

personnel; the ability to identify, manage or integrate future acquisitions; the costs associated with and the outcome of outstanding and future litigation; and changes in government regulations.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements may prove to be inaccurate and speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

Consolidated Statements of Earnings Data	Fiscal Years Ended 2009		2008		2007	
Net sales	$ 584,029	100.0%	$ 610,610	100.0%	$ 584,713	100.0%
Cost of goods sold	440,553	75.4	446,736	73.2	428,391	73.3
Gross profit	143,476	24.6	163,874	26.8	156,322	26.7
Selling, general and administrative	86,217	14.8	88,851	14.5	83,121	14.2
Impairment of goodwill and trademarks	67,851	11.6		0.0		0.0
Gain from disposal of assets	(514)	(0.1)	(757)	(0.1)	(258)	0.0
Income (loss) from operations	(10,078)	(1.7)	75,780	12.4	73,459	12.5
Other expense, net	(2,981)	(0.5)	(5,995)	(1.0)	(7,094)	(1.2)
Earnings (loss) before income taxes	(13,059)	(2.2)	69,785	11.4	66,365	11.3
Provision for income taxes	19,709	3.4	25,195	4.1	24,764	4.2
Net earnings (loss)	$ (32,768)	-5.6%	$ 44,590	7.3%	$ 41,601	7.1%

Critical Accounting Policies and Judgments

In preparing our consolidated financial statements, we are required to make estimates and assumptions that affect the disclosures and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments on an ongoing basis, including those related to allowance for doubtful receivables, inventory valuations, property, plant and equipment, intangible assets, pension plan, accrued liabilities and income taxes. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We believe the following accounting policies are the most critical due to their affect on our more significant estimates and judgments used in preparation of our consolidated financial statements.

We maintain a defined-benefit pension plan for employees. Included in our financial results are pension costs that are measured using actuarial valuations. The actuarial assumptions used may differ from actual results. As our pension assets are invested in marketable securities, fluctuations in market values could potentially impact our funding status and associated liability recorded.

Amounts allocated to intangibles are determined based on valuation analysis for our acquisitions and are amortized over their expected useful lives. We evaluate these amounts periodically (at least once a year) to determine whether the value has been impaired by events occurring during the fiscal year.

We exercise judgment in evaluating our long-lived assets for impairment. We assess the impairment of long-lived assets that include other intangible assets, goodwill, and property, plant, and equipment annually or whenever events

or changes in circumstances indicate that the carrying value may not be recoverable. In performing tests of impairment, we must make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets in assessing the recoverability of our long lived assets. If these estimates or the related assumptions change, we may be required to record impairment charges for these assets in the future. Actual results could differ from assumptions made by management. In the fourth quarter of fiscal year 2009, we recorded a non-cash impairment charge of $63.2 million and $4.7 million of goodwill and trademarks, respectively. We believe our businesses will generate sufficient undiscounted cash flow to recover the investments we have made in property, plant and equipment, as well as the goodwill and other intangibles recorded as a result of our acquisitions. However, we cannot predict the occurrence of future impairment triggering events nor the impact such events might have on our reported asset values. See Risk Factor - In 2009 we were required to write down goodwill and other

intangible assets and we may have similar charges in the future, which could cause our financial condition and results of operations to be negatively affected in the future on page 7 of the Report for further discussion.

Revenue is generally recognized upon shipment of products. Net sales consist of gross sales invoiced to customers, less certain related charges, including discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, we print and store custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss from obsolescence passes to the customer, the customer is invoiced under normal credit terms and revenue is recognized when manufacturing is complete. Approximately $18.3 million, $20.2 million, and $20.1 million of revenue were recognized under these agreements during fiscal years ended February 28, 2009, February 29, 2008, and February 28, 2007 respectively.

Derivative instruments are recognized on the balance sheet at fair value as determined under Financial Accounting Standard No. 157, Fair Value Measurements . Changes in fair values of derivatives are accounted for based upon their intended use and designation. When utilized, interest rate swaps are held for purposes other than trading. The Company utilized swap agreements related to its term and revolving loans to effectively fix the interest rate for a specified principal amount. The swaps were designated as cash flow hedges, and the after-tax effect of the mark-to-market valuation that relates to the effective amount of derivative financial instruments was recorded as an adjustment to accumulated other comprehensive income with the offset included in long-term debt. We entered into a $40.0 million interest rate swap designated as a cash flow hedge related to our variable rate financial instruments. The fair value of the interest rate swap agreement recorded in the consolidated balance sheet, excluding accrued interest, at February 28, 2009, was a liability of approximately $2.2 million. There were no derivatives, swaps or deferred gains or losses at February 29, 2008.

We maintain an allowance for doubtful receivables to reflect estimated losses resulting from the inability of customers to make required payments. On an on-going basis, we evaluate the collectability of accounts receivable based upon historical collection trends, current economic factors, and the assessment of the collectability of specific accounts. We evaluate the collectability of specific accounts using a combination of factors, including the age of the outstanding balances, evaluation of customers current and past financial condition and credit scores, recent payment history, current economic environment, discussions with our project managers, and discussions with the customers directly.

Our inventories are valued at the lower of cost or market. We regularly review inventory values on hand, using specific aging categories, and write down inventory deemed obsolete and/or slow-moving based on historical usage and estimated future usage to its estimated market value. As actual future demand or market conditions may vary from those projected by management, adjustments to inventory valuations may be required.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each jurisdiction in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance we must include an expense within the tax provision in the consolidated statements of earnings. In the event that actual results differ from these estimates, our provision for income taxes could be materially impacted.

In addition to the above, we also have to make assessments as to the adequacy of our accrued liabilities, more specifically our liabilities recorded in connection with our workers compensation and health insurance, as these plans are self funded. To help us in this evaluation process, we routinely get outside third party assessments of our potential liabilities under each plan.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations Consolidated

Overview. Our results of operations for the second half of fiscal year ended 2009 was significantly affected by the recent economic downturn. Both our Print Segment and Apparel Segment saw double digit volume declines during the final quarter of the year which placed extreme pressure on each Segment s operating margins. Our apparel sector continues to be impacted by the sluggish retail landscape which, along with a reduction in retail inventory levels, has contributed to what we believed to be a temporary increase in inventory at the manufacturer level. This resulted in intensified pricing pressures in the marketplace, from both domestic and international competitors. During the fourth quarter of fiscal year 2009, we commenced cost reduction initiatives in both our Segments and will continue to adjust our costs to coincide with projected volume levels. These steps help to mitigate, but not fully offset, the negative impacts associated with this economic downturn during the fourth quarter. In addition, due to the significant stock market devaluation experienced this fiscal year, we were required to take a non-cash impairment charge of $63.2 million and $4.7 million to goodwill and trademarks, respectively during the fourth quarter of fiscal 2009.

Net Sales. Our net sales for fiscal year 2009 were $584.0 million, compared to $610.6 million for fiscal year 2008, a decrease of $26.6 million, or 4.4.%. Our Print Segment sales decreased by approximately $18.0 million, or 5.2% during the period while our Apparel Segment sales decreased $8.6 million, or 3.2%. Our sales for the period were impacted by the significant economic downturn experienced during the past quarter, as our sales for the nine months ended November 30, 2008 were up $5.6 million, or 1.2%. During the quarter, both the Apparel and Print Segments saw double digit declines, with apparel being down 29.6% and print being down 15.8%. See Results of Operations Segments of this Report for further discussion.

Net sales for fiscal year 2008 were $610.6 million, compared to $584.7 million for fiscal year 2007, an increase of $25.9 million, or 4.4%. The increase in our sales during fiscal year 2008 related primarily to an increase in our Print Segment sales, which increased $19.3 million during the fiscal year 2008, or 5.9%. Our Apparel Segment sales increased by approximately $6.6 million, or 2.5% during fiscal year 2008. See Results of Operations Segments of this Report for further discussion.

Cost of Goods Sold. Our cost of goods sold for fiscal year 2009 was approximately $440.6 million, or 75.4% of sales, compared to $446.7 million, or 73.2% of sales for fiscal year 2008. The decrease in our cost of sales, on a dollar-basis relates primarily to our decreased sales volume during the period. The increase in our cost of sales, as a percentage of sales, related primarily to our Apparel Segment, which experienced significant cost side pressures relating to material, freight, chemical and utilities during the period, as well as sell side pressures due to retail inventory strategies and excess inventory levels at manufacturers. As a result, our overall gross profit margin (net sales less cost of goods sold), as a percentage of sales, decreased from 26.8 % in fiscal year 2008 to 24.6% in fiscal year 2009. Our apparel margins decreased from 26.4% to 22.6%, while our print margins decreased from 27.2% to 26.1%, for fiscal years 2008 and 2009, respectively. Our apparel margins were especially impacted during the fourth quarter, by the abrupt turndown in the economy which throttled demand at the retail level creating excess inventory at the manufacturing level which put further pricing pressures in the marketplace. See Results of Operations Segments of this Report for further discussion.

Our cost of goods sold for fiscal year 2008 was approximately $446.7 million, or 73.2% of sales, compared to $428.4 million, or 73.3% of sales for fiscal year 2007. The increase in our cost of sales during fiscal year 2008, on a dollar-basis relates primarily to our increased sales volume as previously discussed. Our gross profit margins, as a percentage of sales, was 26.8% for fiscal year ending February 29, 2008, a slight increase over 26.7% for fiscal year ended February 28, 2007. Our gross profit margins increased in our Print Segment from 25.2% to 27.2%, while our Apparel Segment margins decreased from 28.7% to 26.4% for fiscal year 2007 and 2008, respectively. See Results of Operations Segments of this Report for further discussion.

Selling, general, and administrative expenses. For fiscal year 2009, our selling, general and administrative expenses decreased approximately $2.7 million, or 3.0% from $88.9 million, or 14.6% of sales for fiscal year 2008 to $86.2 million, or 14.8% of sales for fiscal year 2009. On a dollar basis, these expenses decreased primarily as a result of our cost reduction initiatives, lower employment and factoring expenses, offset by higher bad debt expense, associated with the bankruptcy filing of a large apparel customer and higher health insurance expense. On a percentage basis, these expenses increased primarily as a result of our decline in sales during the period.

For fiscal year 2008, our selling, general and administrative expenses were $88.9 million, or 14.6% of sales, compared to $83.1 million, or 14.2% of sales for fiscal year 2007, or an increase of $5.8 million, or 7.0%. On a dollar and percentage basis, these expenses increased primarily as a result of our acquisitions and the increase in our

miscellaneous expenses, which was attributable to a significant increase in our credit card fees due to increased usage of credit/purchase cards by our customers.

Gain from disposal of assets. The gain from disposal of assets of $514,000 for fiscal year ended February 28, 2009 resulted from $334,000 gain from sale of vacant facilities and $180,000 gain from sale of equipment. The gain from disposal of assets of $757,000 for the fiscal year ended February 29, 2008 resulted primarily from the sale of two print manufacturing facilities located in Dallas, Texas.

Impairment of goodwill and trademarks. After conducting our annual impairment testing, we determined $63.2 million of goodwill and $4.7 million trademarks associated with our Apparel Segment was impaired. The impairment charge is primarily the result of the current adverse economic conditions and the resulting impact on the financial market valuation multiples.

Income from operations. Our income from operations for fiscal year 2009 decreased from operational earnings of $75.8 million, or 12.4% of sales for fiscal year 2008, to an operational loss of $10.1 million, or 1.7% of sales for fiscal year 2009. The dollar decrease in our operational earnings during fiscal year 2009, related primarily to the non-cash impairment charge of $67.9 million and decrease in sales as discussed previously.

Our earnings from operations for fiscal year 2008 increased by approximately $2.3 million, or 3.1%, from operational earnings of $73.5 million in fiscal year 2007 to operational earnings of $75.8 million in fiscal year 2008. As a percentage of sales, our operational earnings were 12.4% for fiscal year 2008 and 12.6% for fiscal year 2007, respectively. The increase in our operational earnings, on a dollar basis, during fiscal year 2008 related primarily to the increase in sales due to our acquisitions of Trade and B&D in fiscal year 2008 and full year revenue associated with our fiscal year 2007 acquisition of Block. The slight decrease in our operational earnings, as a percentage of sales, related primarily to the increase of selling, general and administrative expenses during fiscal year 2008 as previously discussed.

Other income and expense Our interest expense was $3.4 million, $5.7 million and $6.9 million for fiscal years 2009, 2008 and 2007, respectively. Our interest expense decreased in fiscal year 2009 and 2008 due to less debt on average being outstanding for each prior fiscal year and a lower effective borrowing rate during fiscal year 2008.

Provision for income taxes. Our effective tax rates for fiscal years 2009, 2008 and 2007 were -150.9%, 36.1 % and 37.3%, respectively. The increase in the effective tax rate for 2009 was due to a non-deductible goodwill impairment charge of $63.2 million. The decrease in our effective tax rate during 2008 over the comparable prior year related primarily to an increase in our Domestic Production Activities Deduction and State Income Tax Credit. The increase in our overall effective tax rate during fiscal year 2007 related primarily to an increase in our effective foreign and state income tax rates.

Net earnings. Our net earnings decreased from approximately $44.6 million, or 7.3% of sales for fiscal year 2008 to a loss of $32.8 million, or -5.6% of sales for fiscal year 2009. Basic earnings per share decreased from earnings of $1.74 per share for fiscal year 2008 to a loss of $1.27 per share for fiscal year 2009. Diluted earnings per share decreased from earnings of $1.72 per share for fiscal year 2008 to a loss of $1.27 per share for fiscal year 2009. The decrease in net earnings during the period related primarily to our decrease in sales and non-cash impairment charge of $67.9 million, as previously discussed. Without the impairment charge and certain other unusual items (bankruptcy of large apparel customer and higher than normal inventory reserve charge), our diluted earnings per share for the current year would have been $1.46 per share.

Our net earnings increased from earnings of $41.6 million, or 7.1% of sales in fiscal year 2007 to $44.6 million, or 7.3% of sales in fiscal year 2008. Basic earnings per share increased from earnings of $1.63 per share to $1.74 per share in fiscal years 2007 and 2008, respectively. Diluted earnings per share increased from earnings of $1.62 per share to $1.72 per share in fiscal years 2007 and 2008, respectively. The increase in our net earnings during the period related primarily to our increased sales volume and our lower effective tax rate.

Results of Operations Segments

	Fiscal Years Ended		
Net Sales by Segment (in thousands)	**2009**	**2008**	**2007**
Print	$ 327,034	$ 345,042	$ 325,679

Apparel	256,995	265,568	259,034
Total	$ 584,029	$ 610,610	$ 584,713

Print Segment. The print segment net sales represented 56.0%, 56.5%, and 55.7% of our consolidated net sales for fiscal years 2009, 2008, and 2007, respectively.

Our net sales for the Print Segment were approximately $327.0 million for fiscal year 2009 compared to approximately $345.0 million for fiscal year 2008, or a decrease of $18.0 million, or 5.2%. The decline in our Print Segment s sales for the period occurred primarily during the last quarter, where sales were down $13.8 million or 15.8% over the comparable period last year, and was due to the significant decline in the economy during the quarter. The decrease was partially offset by increased sales from our acquisition of B&D, Skyline and Trade which were acquired October 5, 2007 and September 17, 2007, respectively. The positive impact of these acquired entities on sales was $17.4 million for the fiscal year ended February 28, 2009. Sales from our traditional print plants continue to be impacted by the general economic conditions and the continued contraction of traditional business forms which occurs as customers continue to migrate away from traditional printed business form products due to technological advancements.

Our net sales for the Print Segment were approximately $345.0 million for fiscal year 2008 compared to approximately $325.7 million for fiscal year 2007, or an increase of $19.3 million, or 5.9%. The increase in the Print Segment s net sales for the fiscal year 2008 related primarily to our acquisition of B&D and Trade and the full year impact of our acquisition of Block Graphics, Inc. (Block) which was acquired on August 8, 2006. Net sales for the acquired entities were $53.3 million for the fiscal year ended 2008 compared to $24.9 million for the fiscal year ended 2007. The impact of the increase in sales from our acquired entities was offset by the planned attrition of low margin print sales and the decline in our commercial print operations over comparable periods last year due to the impact of the loss of two large promotional customers. While this impacted our sales during fiscal year 2008 by approximately $3.3 million, we feel the impact associated with these accounts has matured as the sales in our commercial print operations during the last six months of fiscal year ended 2008 has been above comparable sales levels last year. Due to the contracting nature of the print industry, our traditional print plants saw their sales decline by approximately $5.8 million, or 2.0% during fiscal year 2008.

Apparel Segment. The Apparel Segment net sales represented 44.0%, 43.5%, and 44.3% of our consolidated net sales for fiscal years 2009, 2008 and 2007 respectively.

Our fiscal year 2009 net sales for the Apparel Segment was approximately $257.0 million compared to approximately $265.6 million for fiscal year 2008, or a decrease of $8.6 million, or 3.2%. The decrease in our apparel sales for the current fiscal year is the result of decreased sales during the fourth quarter where apparel sales were down $18.3 million, or 29.6%. Our Apparel Segment continues to be impacted by the sluggish retail landscape which has contributed to inventory levels being reduced at the retail level and correspondingly increased at the manufacturers level. This resulted in intensified pricing pressures in the marketplace, from both domestic and international competitors during the fourth quarter, which placed additional pressures on top lines and on operational margins..

For fiscal year 2008, our Apparel Segment net sales were approximately $265.6 million compared to approximately $259.0 million for fiscal year 2007, or an increase of $6.6 million, or 2.5%. The increase in the Apparel Segment s net sales during fiscal year 2008 was primarily due to increased volume associated with new customers and increased sales to existing customers. Management believes that the Apparel sales during fiscal year 2008 were negatively impacted during the first six months by lower inventory levels at the beginning of the fiscal year, which hindered the Apparel Segment s ability to capture certain opportunity sales during this period. Traditionally, the Apparel Segment rebuilds its inventory levels in the last half of the fiscal year for the upcoming summer buying season due to the normal falloff of demand during the winter season. However, during the second half of fiscal year 2007, demand was at or above forecasted sales levels. As a result, production levels were only able to stay abreast of then current sales levels, which resulted in inventory levels not being as robust in the fourth quarter of fiscal year 2007 as during the same period the previous fiscal year. Consequently, several initiatives were implemented during the first and second quarters of fiscal year 2008 to improve the Apparel Segment s inventory levels and to meet forecasted demand. Significant progress was made on these initiatives during the second and third quarters of fiscal year 2008 and the Apparel Segment s inventory levels during the third quarter were significantly improved, which management believes allowed the apparel sales to return to more normalized sales growth levels during the third and fourth quarters (5.1% during the third quarter and 11.6% during the fourth quarter).

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Gross Profit by Segment (in thousands)	Fiscal Years Ended 2009	2008	2007
Print	$ 85,295	$ 93,767	$ 81,986
Apparel	58,181	70,107	74,336
Total	$ 143,476	$ 163,874	$ 156,322

Print Segment. Our Print Segment s gross profit decreased approximately $8.5 million, or 9.0% for fiscal year 2009. The decrease in gross profit, on a dollar-basis, relates primarily to the decline in our sales as previously discussed. As a percentage of sales, our gross profit decreased from 27.2% during fiscal year 2008 to 26.1% during fiscal year 2009. The decrease in our 2009 Print margin, as a percentage of sales, related primarily to increased material and freight costs which have not been fully passed onto to our customers because of contractual obligations and/or timing of the increases, product mix changes, and lower absorption due to our lower volume. While costs increases have impacted our margins, we have been able, for the most part, to effectively offset these costs increases during the period through improved operational efficiencies.

Our fiscal year 2008 Print Segment s gross profit was increased approximately $11.8 million, or 14.4% for fiscal year 2008. The increase in gross profit, on a dollar basis relates primarily to the increase in fiscal year 2008 sales volume. As a percentage of sales, our gross profit increased to 27.2% during fiscal year 2008 as compared to 25.2% for fiscal year 2007. Our 2008 Print margin, as a percentage of sales, increased primarily as a result of improved operational efficiencies and planned attrition of low margin sales.

Apparel Segment. Our Apparel Segment s gross profit decreased approximately $11.9 million, or 17.0% for fiscal year 2009 and decreased approximately $4.2 million or 5.7% for fiscal year 2008. As a percentage of sales, our gross profit was 22.6%, 26.4%, and 28.7% for fiscal years 2009, 2008 and 2007, respectively.

Our margins during fiscal year 2009 were significantly impacted by the severe economic downturn experienced during our fourth quarter, and the resulting impact on inventory levels and competitors pricing strategies. In addition, our margins were negatively impacted by significant raw material price increases, as well as freight, chemical and energy costs increases during the period. While several price increases occurred during the first six months of fiscal year 2009, these increases only partially covered the actual costs increases incurred during this period. In addition, customer mix changes (i.e., more sales to larger lower pricing tiered customers), and product mix changes (i.e., shift in sales to lower profit margin items) also impacted the reported margin during this period. During the second half of the year, due to the severe economic downturn, retailers significantly reduced their on-hand inventory levels, which in turn resulted in increased inventory at the manufacturing level. This resulted in increased pricing pressures in the market place, at a time when manufacturers were still trying to recoup their material/production cost increases experienced during the first six months of the year. As a result, manufacturers top lines were impacted two-fold: 1. by a reduction in units sold, and 2. by a reduction in selling price, which placed additional strains on manufacturers margins during the fourth quarter. In addition, margins were further impacted during the period by lower manufacturing levels as manufacturers adjusted their production to demand levels which decreased their manufacturing absorption factors. Our Apparel Segment wasn t immune to this, as we saw our margins decline from 24.2% to 19.3% on a comparable 4th quarter basis.

Our Apparel margins during the fiscal year 2008 were impacted mainly by the increased costs associated with our apparel inventory build, and to a lesser extent by higher cotton prices during our fourth quarter and lower selling prices on certain products due to competitive pressures. During the first nine months of fiscal year 2008 and in connection with our inventory build initiative, we incurred approximately $2.1 million in additional overtime charges, $0.8 million in additional temporary labor charges and $1.5 million in additional cut/sew costs, all of which had a negative impact on our reported margins. During the fourth quarter of fiscal year 2008, we saw cotton prices increase significantly, and while we increased selling prices during this period to offset a portion of this cost increase, our margins were negatively impacted.

Profit by Segment (in thousands)	Fiscal Years Ended 2009	2008	2007
Print	$ 51,553	$ 56,012	$ 46,077
Apparel	(49,416)	29,367	33,321
Total	2,137	85,379	79,398
Less corporate expenses	15,196	15,594	13,033
Earnings (loss) before income taxes	$ (13,059)	$ 69,785	$ 66,365

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Print Segment. As a percent of sales, our Print Segment s profits were 15.8%, 16.2%, and 14.1% for fiscal years 2009, 2008 and 2007, respectively. Our Print Segment s profit for fiscal year 2009 decreased by approximately $4.5 million, or 8.0%, from $56.0 million for the fiscal year 2008, to $51.6 million for the fiscal year ended February 28, 2009. The decrease in our Print profit during fiscal year 2009 on a dollar basis and as a percent of sales as compared to fiscal year 2008 is related to the decline in our sales and our gross profit margin, as previously discussed.

Our Print Segment s profit for fiscal year 2008 increased approximately $9.9 million, or 21.6% for fiscal year 2008, from $46.1 million in fiscal year 2007. The increase in our Print profit during fiscal year 2008 from fiscal year 2007 on a dollar basis is primarily the result of increased sales from acquisitions and increase as a percent of sales is primarily the result of our increased margins as previously discussed.

Apparel Segment. During the fourth quarter of fiscal year ended 2009 we recorded a non-cash impairment charge of $63.2 million and $4.7 million to goodwill and trademarks, respectively. As a percent of sales and excluding the impairment charge and certain other unusual charges (bankruptcy of customer ($2.5 million) and higher than normal inventory reserve charge ($2.0 million) associated with our fleece and junior products,) this Segment s profits were 8.9%, 11.1%, and 12.9% for fiscal years 2009, 2008 and 2007, respectively. Apparel profit decreased approximately $6.4 million or 21.8% from $29.4 million for the fiscal year ended February 28, 2008, to approximately $23.0 million for fiscal year ended 2009, excluding the non-cash impairment and other unusual charges. This decrease is primarily a result of decreased sales and gross margins as previously discussed. During fiscal year 2008, our Apparel Segment s profit decreased approximately $3.9 million, or 11.9% from fiscal year 2007 primarily due to decreased gross margins as previously discussed.

Liquidity and Capital Resources

	Fiscal Years Ended		
(Dollars in thousands)	**2009**	**2008**	**Change**
Working Capital	$138,374	$133,993	3.3%
Cash and cash equivalents	$ 9,286	$ 3,393	173.7%

Working Capital. Our working capital increased by approximately $4.4 million, or 3.3% from $134.0 million at February 29, 2008 to $138.4 million at February 28, 2009. The increase in our working capital during the period related primarily to a decrease in expenses and accounts payable offset by a reduction of accounts receivable. Our current ratio, calculated by dividing our current assets by our current liabilities increased from 3.6-to-1.0 at February 29, 2008 to 4.2-to-1.0 at February 28, 2009.

Cash and cash equivalents. Cash and cash equivalents consists of highly liquid investments, such as time deposits held at major banks, commercial paper, United States government agency discount notes, money market mutual funds and other money market securities with original maturities of 90 days or less.

	Fiscal Years Ended		
(Dollars in thousands)	**2009**	**2008**	**Change**
Net Cash provided by operating activities	$ 44,216	$ 30,444	45.2%
Net Cash used in investing activities	$ (5,350)	$(17,285)	-69.0%
Net Cash used in financing activities	$(32,464)	$(13,516)	140.2%

Cash flows from operating activities. Cash flows from operations during fiscal 2009 increased by $13.8 million, or 45.2% over fiscal year 2008, which had decreased by $19.1 million, or 38.6% over fiscal year 2007. During fiscal year 2008 we used cash to fund our apparel transition away from factoring and to build inventory. Cash associated with these activities were approximately $19.1 million and $15.9 million, respectively. These uses of cash were offset by our improved operational performance and an increase in our payables, of approximately $9.6 million and $10.6 million, respectively. During fiscal year 2009, we collected the build-up in receivables associated with our transition away from factoring, improved our receivable turnover ratio, and used less operational cash during the period to build our apparel inventory, as a result we generated approximately $39.5 million in cash from these activities. This was offset by our lower pre-impairment operational results, an increase in our prepaids relating to an over-payment of

taxes, and reduction in our payables, which impacted our operational cash by $9.6 million, $7.5 million and $10.1 million, respectively.

Cash flows from investing activities. Cash used for our investing activities, which relates primarily to capital expenditures, decreased by $11.9 million, or 69.0% from $17.3 million for fiscal year 2008 to $5.4 million for fiscal year 2009. Although our capital expenditures increased by approximately 2%, we did not purchase any additional

businesses during fiscal year 2009 as we did during fiscal year 2008 when we acquired two businesses, B&D and Trade for $14.6 million.

Cash flows from financing activities. We used $18.9 million more in cash associated with our financing activities in fiscal year 2009 when compared to the same period last year. We repaid debt in the amount of $21.8 million during the fiscal year ended 2009, as compared to $16.7 million during fiscal year ended 2008. We borrowed $5.0 million in fiscal year 2009 as compared to $18.0 million in fiscal year 2008 (used to finance the acquisition of B&D and to finance the phase-out of the apparel s factoring arrangements).

Stock Repurchase On October 20, 2008, our Board of Directors authorized the repurchase of up to $5 million of our common stock through a stock repurchase program. Under the board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice. As of February 28, 2009, there were 52,700 shares of our common stock that had been purchased under the repurchase program at a cost of $0.6 million and an average price per share of $11.36.

Credit Facility On March 31, 2006, we entered into an amended and restated credit agreement with a group of lenders led by LaSalle Bank N.A. (the Facility). The Facility provides us access to $150 million in revolving credit and matures on March 31, 2010. The facility bears interest at the London Interbank Offered Rate (LIBOR) plus a spread ranging from .50% to 1.50% (currently LIBOR + .50% or 1.00% at fiscal year 2009), depending on our total funded debt to EBITDA ratio, as defined. The Facility contains financial covenants, restrictions on capital expenditures, acquisitions, asset dispositions, and additional debt, as well as other customary covenants. As of February 28, 2009, we had $74.0 million of borrowings under the revolving credit line and $3.0 million outstanding under standby letters of credit arrangements, leaving us availability of approximately $73.0 million. The Facility contains financial covenants, restrictions on capital expenditures, acquisitions, asset dispositions, and additional debt, as well as other customary covenants, such as total funded debt to EBITDA ratio, as defined. We are in compliance with these covenants as of fiscal year 2009. The Facility is secured by substantially all of our domestic assets.

During fiscal year 2009, we borrowed $5.0 million and repaid $21.5 million on the revolver and $0.3 million on other debt. It is anticipated that the available line of credit is sufficient to cover, should it be required, working capital required for the foreseeable future.

We use derivative financial instruments to manage our exposures to interest rate fluctuations on our floating rate $150 million revolving credit maturing March 31, 2010. The derivative instruments are accounted for pursuant to Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by FAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities (FAS 133). FAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet, measure those instruments at fair value and recognize changes in the fair value of derivatives in earnings in the period of change, unless the derivative qualifies as an effective hedge that offsets certain exposures.

On July 7, 2008, we entered into a three-year Interest Rate Swap Agreement (Swap) for a notional amount of $40 million. The Swap fixes the LIBOR rate at 3.79%. The Swap was designated as a cash flow hedge, and the fair value at February 28, 2009 was $(2.2) million, $(1.4) million net of deferred taxes. The Swap was reported on the audited Consolidated Balance Sheet in long term debt with a related deferred charge recorded as a component of Other Comprehensive Income.

Pension We are required to make contributions to our defined benefit pension plan. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act (ERISA). We anticipate that we will contribute from $2.0 million to $3.0 million during our next fiscal year. We made contributions of $3.0 million to our pension plan during each of our last 2 fiscal years. As our pension assets are invested in marketable securities, fluctuations in market values could potentially impact our funding status, associated liabilities recorded and future required minimum contributions.

Inventories We believe our current inventory levels are sufficient to satisfy our customer demands and we anticipate having adequate sources of raw materials to meet future business requirements. We have long-term

contracts in effect (that govern prices, but do not require minimum volume) with paper and yarn suppliers. Certain of our rebate programs, do however, require minimum purchase volumes. Management anticipates meeting the required volumes.

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Capital Expenditures We expect our capital requirements for 2010, exclusive of capital required for possible acquisitions and the development of our new manufacturing facility, will be in-line with our historical levels of between $4.0 million and $8.0 million. We would expect to fund these expenditures through existing cash flows.

On June 26, 2008, we announced plans to build a new manufacturing facility in the town of Agua Prieta in the state of Sonora, Mexico. We estimate the total capital expenditures of $40 million to $45 million ($20 million $25 million for building and $15 million $20 million for machinery and equipment), with funding to be provided by internal cash flow and, as required, our existing credit facilities. The facility is expected to be operational in fiscal year 2011.

Contractual Obligations & Off-Balance Sheet Arrangements There have been no significant changes in our contractual obligations since February 28, 2009 that have, or are reasonably likely to have, a material impact on our results of operations or financial condition. We had no off-balance sheet arrangements in place as of February 28, 2009 (in thousands).

	Total	2010	2011	2012	2013	2014 to 2019
Debt:						
Revolving credit facility	$ 74,000	$	$ 74,000	$	$	$
Interest rate swap	2,185		2,185			
Capital leases	210	210				
Debt subtotal	76,395	210	76,185			
Interest on capital leases	5	5				
Debt and interest total	76,400	215	76,185			
Other contractual commitments:						
Estimated pension benefit payments	37,715	3,075	3,850	3,870	4,670	22,250
Letters of credit	3,042	3,042				
Operating leases	14,023	5,409	4,049	2,354	1,615	596
Total other contractual commitments	54,780	11,526	7,899	6,224	6,285	22,846
Total	$ 131,180	$ 11,741	$ 84,084	$ 6,224	$ 6,285	$ 22,846

Subsequent to February 28, 2009 and through April 30, 2009, we made no additional repayments on our revolving credit facility. We expect future interest payments of $2.3 million for fiscal year 2010, and $0.2 million for fiscal year 2011 assuming maturity date of March 31, 2010 and interest rates and debt levels remain the same as at the end of fiscal year 2009.

New Accounting Pronouncements

FAS 157. In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). The provisions of FAS 157 define fair value, establish a framework for measuring fair value in generally accepted accounting principles, and expand disclosures about fair value measurements. The provisions of FAS 157 are effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FSP FAS 157-2 which delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement

157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The adoption of FSP FAS 157-2 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

FAS 141R. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business combinations (FAS 141R), which replaces FAS 141. FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after an entity s fiscal year that begins after December 15, 2008 (our fiscal year ended

February 28, 2010). The impact of adopting FAS 141R will depend on the nature and terms of future acquisitions, if any.

FAS 160. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment to ARB No. 51 (FAS 160). FAS 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent s equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008 (our fiscal year ended February 28, 2009). We do not anticipate the adoption of this statement will have a material impact on our consolidated financial position, results of operations or cash flows.

FAS 161. In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (FAS 161). FAS 161 requires entities to provide enhanced disclosures about derivative instruments and hedging activities. FAS 161 is effective for fiscal years and interim periods beginning on or after November 15, 2008. The adoption of FAS 161 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

FSP FAS 142-3. In April 2008, the FASB issued Staff Position (FSP) No. 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3.) FSP FAS 142-3 requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension as adjusted for entity-specific factors. FSP FAS 142-3 is effective for acquisitions made in fiscal years and interim periods beginning after December 15, 2008 (our quarter ending May 31, 2009). The adoption of FSP FAS 142-3 is not expected to have a material impact on our current consolidated financial position, results of operations or cash flows.

FAS 162. In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles (FAS 162). FAS 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section, 411 *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles* . The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S.
Generally Accepted Accounting Principles (GAAP). The adoption of FAS 162 is not expected to have a material impact on our current consolidated financial position, results of operations or cash flows.

FSP EITF 03-6-1. In June 2008, the FASB issued FSP Emerging Issue Task Force (EITF) Issue No. 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years (our quarter ending May 31, 2009). Upon adoption, a company is required to retrospectively adjust its earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform with the provisions of FSP EITF 03-6-1. We are currently evaluating the impact of FSP EITF 03-6-1 on our consolidated results of operations.

FSP FAS 133-1 and FIN 45-4. In September 2008, the FASB issued FSP 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP FAS 133-1 and FIN 45-4). FSP FAS 133-1 and FIN 45-4 amends disclosure requirements for sellers of credit derivatives and financial guarantees. It also clarifies the disclosure requirements of FAS No. 161 and is effective for quarterly periods beginning after November 15, 2008, and fiscal years that include those periods. The adoption of FSP FAS 133-1 and FIN 45-4 had no material impact on our consolidated financial position, results of operations or cash flows.

FSP FAS 157-3. In October 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP FAS 157-3). FSP FAS 157-3 clarifies the

application of FAS 157 in an inactive market. It illustrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The adoption of FSP FAS 157-3 did not have a material impact on our consolidated financial position, results of operations or cash flows.

FSP FAS 157-4. In April 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. Additionally, this FSP provides guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. We have not yet evaluated the impact of adopting FSP FAS 157-4 on our financial statements, but we do not expect the adoption of FSP FAS 157-4 to have a material impact on our consolidated financial position, results of operations or cash flows.

FSP FAS 107-1 and APB 28-1. In April 2009, the FASB issued FSP 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107 and APB 28-1). This FSP amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments (FAS 107), to require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this FSP, fair values for these assets and liabilities were only disclosed annually. This FSP applies to all financial instruments within the scope of FAS 107 and requires all entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments. This FSP is effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. Adopting FSP FAS 107-1 and APB 28-1 will not have an effect on our consolidated financial position, results of operations or cash flows. However, we are evaluating the effect on our interim fair value disclosures compared to previous interim periods.

FSP FAS 132R-1. In December 2008, the FASB issued FSP 132R-1, Employers Disclosures About Postretirement Plan Benefit Assets (FSP FAS 132R-1). FSP FAS 132R-1 will require entities that are subject to the disclosure requirements of FAS 132R, Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106 , to make additional disclosures about plan assets for defined benefit pension and other postretirement benefit plans. The additional disclosure requirements of FSP FAS 132R-1 include how investment allocation decisions are made, the major categories of plan assets and the inputs and valuation techniques used to measure the fair value of plan assets. FSP FAS 132R-1 will be effective for fiscal years ending after December 15, 2009 (our fiscal year ended February 28, 2010). The adoption of FSP FAS 132R-1 is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Cash and Cash Equivalents

We have significant amounts of cash and cash equivalents at financial institutions that are in excess of federally insured limits. With the current financial environment and the instability of financial institutions, we cannot be assured that we will not experience losses on our deposits.

Interest Rates

We are exposed to market risk from changes in interest rates on debt. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. We do not use derivative instruments for trading purposes. We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. Our variable rate financial instruments, including the outstanding credit facilities, totaled $74.0 million at February 28, 2009. We entered into a $40.0 million interest rate swap designated as a cash flow hedge related to this debt. The LIBOR rate on $40.0 million of debt is fixed through this interest rate swap agreement. The impact on our results of operations of a one-point interest rate change on the

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outstanding balance of the variable rate financial instruments as of February 28, 2009 would be approximately $0.3 million.

Foreign Exchange

We have global operations and thus make investments and enter into transactions in various foreign currencies. The value of our consolidated assets and liabilities located outside the United States (translated at period end exchange rates) and income and expenses (translated using average rates prevailing during the period), generally denominated in Pesos and Canadian Dollars, are affected by the translation into our reporting currency (the U.S. Dollar). Such translation adjustments are reported as a separate component of shareholders equity. In future periods, foreign exchange rate fluctuations could have an increased impact on our reported results of operations.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements and Supplementary Data required by this Item 8 are set forth following the signature page of this report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No matter requires disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of February 28, 2009, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures as of February 28, 2009 are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive and financial officers as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. Those inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The financial statements, financial analysis and all other information in this Annual Report on Form 10-K were prepared by management, who is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting.

The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company s internal control over financial reporting includes those policies and procedures that:

i. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company;

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ii. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

iii. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or dispositions of the Company s assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the design and effectiveness of the Company s internal control over financial reporting as of February 28, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on management s assessment using those criteria, we believe that, as of February 28, 2009, the Company s internal control over financial reporting is effective.

Grant Thornton, LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the fiscal year ended February 28, 2009 and has attested to the effectiveness of the Company s internal control over financial reporting as of February 28, 2009. Their report is presented on page F-3 of this Report.

ITEM 9B. OTHER INFORMATION

No matter requires disclosure.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth below, the information required by Item 10 is incorporated herein by reference to the definitive Proxy Statement for our 2009 Annual Meeting of Shareholders.

In the wake of well-publicized corporate scandals, the Securities and Exchange Commission and the New York Stock Exchange have issued multiple new regulations, requiring the implementation of policies and procedures in the corporate governance area. In complying with new regulations requiring the institution of policies and procedures, it has been the goal of the Ennis Board of Directors and senior leadership to do so in a way which does not inhibit or constrain Ennis unique culture, and which does not unduly impose a bureaucracy of forms and checklists. Accordingly, formal, written policies and procedures have been adopted in the simplest possible way, consistent with legal requirements, including a Code of Ethics applicable to the Company s principal executive officer, principal financial officer, and principal accounting officer or controller. The Company s Corporate Governance Guidelines, its charters for each of its Audit, Compensation, Nominating and Corporate Governance Committees and its Code of Ethics covering all Employees are available on the Company s website, www.ennis.com, and a copy will be mailed upon request to Ms. Sharlene Reagan at 2441 Presidential Parkway, Midlothian, TX 76065. If we make any substantive amendments to the Code, or grant any waivers to the Code for any of our senior officers or directors, we will disclose such amendment or waiver on our website and in a report on Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2009 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12, as to certain beneficial owners and management, is hereby incorporated by reference to the definitive Proxy Statement for our 2009 Annual Meeting of Shareholders.

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Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities available for future issuances under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by the security holders (1)	421,654	$ 10.98	355,430
Equity compensation plans not approved by security holders			
Total	421,654	$ 10.98	355,430

The following table provides information about securities authorized for issuance under the Company s equity compensation plans as of February 28, 2009.

(1) Includes the 1998 Option and Restricted Stock Plan, amended and restated as of June 17, 2004 and the 1991 Incentive Stock Option Plan. Includes 103,091 shares of restricted stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2009 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2009 Annual Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of the report:

(1) Index to Consolidated Financial Statements of the Company

An Index to Consolidated Financial Statements has been filed as a part of this Report beginning on page F-1 hereof.

(2) All schedules for which provision is made in the applicable accounting regulation of the SEC have been omitted because of the absence of the conditions under which they would be required or because the information required is included in the consolidated financial statements of the Registrant or the notes thereto.

(3) Exhibits

An Index to Exhibits has been filed as a part of this Report beginning on page E-1 and is herein incorporated by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ENNIS, INC.

Date: May 11, 2009	BY: /s/ KEITH S. WALTERS Keith S. Walters, Chairman of the Board, Chief Executive Officer and President
Date: May 11, 2009	BY: /s/ RICHARD L. TRAVIS, JR. Richard L. Travis, Jr. Vice President Finance and CFO, Secretary and Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: May 11, 2009	BY: /s/ KEITH S. WALTERS Keith S. Walters, Chairman
Date: May 11, 2009	BY: /s/ MICHAEL D. MAGILL Michael D. Magill, Director
Date: May 11, 2009	BY: /s/ FRANK D. BRACKEN Frank D. Bracken, Director
Date: May 11, 2009	BY: /s/ GODFREY M. LONG, JR. Godfrey M. Long, Jr., Director
Date: May 11, 2009	BY: /s/ THOMAS R. PRICE Thomas R. Price, Director
Date: May 11, 2009	BY: /s/ KENNETH G. PRITCHETT Kenneth G. Pritchett, Director
Date: May 11, 2009	BY: /s/ ALEJANDRO QUIROZ Alejandro Quiroz, Director
Date: May 11, 2009	BY: /s/ MICHAEL J. SCHAEFER

		Michael J. Schaefer, Director
Date: May 11, 2009	BY:	/s/ JAMES C. TAYLOR
		James C. Taylor, Director

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ENNIS, INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Ennis, Inc.

We have audited the accompanying consolidated balance sheets of Ennis, Inc. (a Texas corporation) and subsidiaries as of February 28, 2009 and February 29, 2008, and the related consolidated statements of earnings, changes in shareholders equity and comprehensive income, and cash flows for each of the three years in the period ended February 28, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ennis, Inc. as of February 28, 2009 and February 29, 2008, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the consolidated financial statements, the Company also adopted FASB Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106, and 132R*, effective February 28, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ennis, Inc. and subsidiaries internal control over financial reporting as of February 28, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO*)* and our report dated May 11, 2009 expressed an unqualified opinion on the effectiveness of Ennis, Inc. s internal control over financial reporting.

/s/ Grant Thornton LLP

Dallas, Texas
May 11, 2009

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Ennis, Inc.

We have audited Ennis, Inc. (a Texas corporation) and subsidiaries internal control over financial reporting as of February 28, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ennis, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Ennis, Inc. s internal control over financial reporting based on our audit.

We conducted our audit in accordance with standards established by the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ennis, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 28, 2009, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ennis, Inc. and subsidiaries as of February 28, 2009 and February 29, 2008 and the related consolidated statements of earnings, changes in shareholders equity and comprehensive income, and cash flows for each of the three years in the period ended February 28, 2009 and our report dated May 11, 2009 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP
Dallas, Texas
May 11, 2009

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ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	Fiscal Years Ended	
	2009	**2008**
Assets		
Current assets		
Cash and cash equivalents	$ 9,286	$ 3,393
Accounts receivable, net of allowance for doubtful receivables of $3,561 at February 28, 2009 and $3,954 at February 29, 2008	57,467	72,278
Prepaid expenses	3,780	3,500
Prepaid income taxes	4,826	
Inventories	101,167	98,570
Deferred income taxes	5,728	7,786
Assets held for sale		292
Total current assets	182,254	185,819
Property, plant and equipment, at cost		
Plant, machinery and equipment	133,300	130,214
Land and buildings	43,150	42,793
Other	22,679	22,586
Total property, plant and equipment	199,129	195,593
Less accumulated depreciation	144,457	136,605
Net property, plant and equipment	54,672	58,988
Goodwill	117,341	178,388
Trademarks and tradenames, net	59,030	63,880
Customer lists, net	22,007	24,260
Deferred finance charges, net	486	934
Prepaid pension asset		260
Other assets	590	602
Total assets	$ 436,380	$ 513,131

See accompanying notes to consolidated financial statements.

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ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except for share amounts)

	Fiscal Years Ended	
	2009	**2008**
Liabilities and Shareholders Equity		
Current liabilities		
Accounts payable	$ 24,723	$ 29,658
Accrued expenses		
Employee compensation and benefits	12,919	14,840
Taxes other than income	1,322	989
Federal and state income taxes payable		501
Other	4,706	5,583
Current installments of long-term debt	210	255
Total current liabilities	43,880	51,826
Long-term debt, less current installments	76,185	90,710
Liability for pension benefits	6,988	
Deferred income taxes	16,250	20,775
Other liabilities	1,071	1,341
Total liabilities	144,374	164,652
Commitments and contingencies		
Shareholders equity		
Preferred stock $10 par value, authorized 1,000,000 shares; none issued		
Common stock $2.50 par value, authorized 40,000,000 shares; issued 30,053,443 shares in 2009 and 2008	75,134	75,134
Additional paid in capital	122,448	122,566
Retained earnings	186,857	235,624
Accumulated other comprehensive income (loss):		
Foreign currency translation	(1,016)	929
Unrealized gain (loss) on derivative instruments	(1,387)	
Minimum pension liability	(12,107)	(6,450)
	(14,510)	(5,521)
	369,929	427,803
Treasury stock		
Cost of 4,336,557 shares in 2009 and 4,391,193 shares in 2008	(77,923)	(79,324)
Total shareholders equity	292,006	348,479

Total liabilities and shareholders equity	$ 436,380	$ 513,131

See accompanying notes to consolidated financial statements.

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ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in thousands, except share and per share amounts)

	Fiscal Years Ended		
	2009	**2008**	**2007**
Net sales	$ 584,029	$ 610,610	$ 584,713
Cost of goods sold	440,553	446,736	428,391
Gross profit	143,476	163,874	156,322
Selling, general and administrative	86,217	88,851	83,121
Impairment of goodwill and trademarks	67,851		
Gain from disposal of assets	(514)	(757)	(258)
Income (loss) from operations	(10,078)	75,780	73,459
Other income (expense)			
Interest expense	(3,363)	(5,678)	(6,936)
Other, net	382	(317)	(158)
	(2,981)	(5,995)	(7,094)
Earnings (loss) before income taxes	(13,059)	69,785	66,365
Provision for income taxes	19,709	25,195	24,764
Net earnings (loss)	$ (32,768)	$ 44,590	$ 41,601
Weighted average common shares outstanding			
Basic	25,707,265	25,623,325	25,530,732
Diluted	25,790,166	25,860,358	25,758,948
Per share amounts			
Net earnings (loss) basic	$ (1.27)	$ 1.74	$ 1.63
Net earnings (loss) diluted	$ (1.27)	$ 1.72	$ 1.62
Cash dividends per share	$ 0.62	$ 0.62	$ 0.62

See accompanying notes to consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME FOR THE FISCAL YEARS ENDED 2007, 2008, AND 2009
(Dollars in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income	Treasury Stock		
	Shares	Amount	Capital	Earnings	(Loss)	Shares	Amount	Total
Balance March 1, 2006	30,053,443	$ 75,134	$ 122,922	$ 181,423	$ 460	(4,574,329)	$ (82,604)	$ 297,335
Net earnings				41,601				41,601
Foreign currency translation, net of deferred tax of $255					(435)			(435)
Comprehensive income								41,166
Adjustment to initially apply FAS 158, net of tax of $4,739					(7,396)			(7,396)
Dividends declared ($.62 per share)				(15,834)				(15,834)
Excess tax benefit of stock option exercises and restricted stock grants			169					169
Stock based compensation			302					302
Exercise of stock options and restricted stock grants			(1,088)			98,367	1,749	661