INTERTAPE POLYMER GROUP INC
Form 6-K
November 03, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of November, 2010

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada, H4M 2X5

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F _____ Form 40-F __X___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): __________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): __________

SIGNATURES

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

INTERTAPE POLYMER GROUP INC.

Date: November 3, 2010

By: /s/ Burgess H. Hildreth________________________

Burgess H. Hildreth, Senior Vice President

Administration

Intertape Polymer Group Inc.

Consolidated Quarterly Statements of Earnings

Three month periods ended

(In thousands of US dollars, except per share amounts)

(Unaudited)

	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
	$	$	$	$
Sales	187,057	180,278	173,120	160,794
Cost of sales	167,492	158,906	153,493	140,617
Gross profit	19,565	21,372	19,627	20,177
Selling, general and administrative expenses	17,073	17,858	18,904	20,047
Stock-based compensation expense	302	222	262	270
Research and development expenses	1,485	1,929	1,492	1,488
Financial expenses				
Interest	4,062	3,777	3,749	3,783
Other	461	392	122	(653)
Manufacturing facility closures, restructuring, strategic alternatives and other charges				1,091
	23,383	24,178	24,529	26,026
Earnings (loss) before income taxes	(3,818)	(2,806)	(4,902)	(5,849)
Income taxes (recovery)				
Current	447	(16)	102	182
Future	342	(124)	791	2,511
	789	(140)	893	2,693
Net earnings (loss)	(4,607)	(2,666)	(5,795)	(8,542)

Earnings (loss) per share				
Basic	(0.08)	(0.05)	(0.10)	(0.14)
Diluted	(0.08)	(0.05)	(0.10)	(0.14)
Weighted average number of common shares outstanding				
Basic	58,951,050	58,951,050	58,951,050	58,951,050
Diluted	58,951,050	58,951,050	58,951,050	58,951,050

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
	$	$	$	$
Sales	163,688	151,912	139,068	153,142
Cost of sales	137,295	130,379	124,252	158,620
Gross profit (loss)	26,393	21,533	14,816	(5,478)
Selling, general and administrative expenses	17,756	16,601	15,416	15,874
Stock-based compensation expense	255	254	258	170
Research and development expenses	1,449	1,295	1,373	1,307
Financial expenses				
Interest	4,050	3,970	4,085	3,812
Other	(525)	536	494	1,948
Manufacturing facility closures, restructuring, strategic alternatives and other charges				
Impairment of goodwill				66,726
	22,985	22,656	21,626	89,837
Earnings (loss) before income taxes	3,408	(1,123)	(6,810)	(95,315)
Income taxes (recovery)				
Current	155	385	9	(515)
Future	1,253	(313)	(167)	4,993
	1,408	72	(158)	4,478
Net earnings (loss)	2,000	(1,195)	(6,652)	(99,793)

Earnings (loss) per share				
Basic	0.03	(0.02)	(0.11)	(1.69)
Diluted	0.03	(0.02)	(0.11)	(1.69)
Weighted average number of common shares outstanding				
Basic	58,951,050	58,951,050	58,951,050	58,956,348
Diluted	58,981,300	58,951,050	58,951,050	58,956,348

This Management s Discussion and Analysis (MD&A) supplements the unaudited interim consolidated financial statements and notes thereto for the three months and nine months ended September 30, 2010 and 2009. Except where otherwise indicated, all financial information reflected herein is prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is expressed in US dollars.

Overview

Intertape Polymer Group Inc. (the Company or IPG) reported sales for the third quarter of 2010 of $187.1 million, an increase of 14.3%, compared to $163.7 million for the third quarter of 2009 and an increase of 3.8% sequentially compared to $180.3 million for the second quarter of 2010. Gross profit totaled $19.6 million for the third quarter of 2010 as compared to $26.4 million and $21.4 million, respectively, for the third quarter of 2009 and second quarter of 2010. Sales and sales volumes compared to the second quarter of 2010 were higher in both of the Company s Divisions.

The net loss for the third quarter of 2010 was $4.6 million ($0.08 per share, both basic and diluted) as compared to a net earnings of $2.0 million ($0.03 per share, both basic and diluted) for the third quarter of 2009 and a net loss of $2.7 million ($0.05 per share, both basic and diluted) for the second quarter of 2010. Net loss for the nine months ended September 30, 2010 totaled $13.1 million ($0.22 per share, both basic and diluted) compared to a net loss of $5.8 million ($0.10 per share, basic and diluted) for the same period in 2009.

Liquidity

The Company has a $200.0 million Asset-based loan (ABL), entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories, and equipment. The ABL is priced at libor plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The pricing grid ranges from 1.50% to 2.25%. Unencumbered real estate is subject to a negative pledge in favour of the ABL lenders. However, the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge in favour of the ABL lenders subordinated to real estate mortgage financing up to $35.0 million. As of September 30, 2010, the Company had secured real estate mortgage financing of $1.7 million, leaving the Company the ability to obtain an additional $33.3 million of real estate mortgage financing.

Subsequent to September 30, 2010, the Company obtained $3.0 million of real estate mortgage financing which is due July 2013.

The Company has no significant debt maturities until March 2013, when the ABL matures. The Company s remaining $118.7 million Senior Subordinated Notes mature in August 2014.

The ABL has one financial covenant, a fixed charge ratio of 1.0 to 1.0. The ratio compares EBITDA (as defined in the ABL agreement) less capital expenditures and pension plan contributions in excess of pension plan expense to the sum of debt service and the amortization of the value of the equipment included in the borrowing base. The financial covenant becomes effective only when unused availability drops below $25.0 million. While the company did not meet the ratio as of September 30, 2010, this covenant was not in effect as unused availability was in excess of $25.0 million. The Company believes it will remain above the $25.0 million threshold of unused availability during the remainder of 2010.

The Company relies upon the funds generated from operations and funds available under its ABL to meet working capital requirements, anticipated obligations under its ABL and Senior Subordinated Notes, and to finance capital expenditures for the foreseeable future. As of September 30, 2010, the Company had cash and unused availability under its ABL totaling $59.3 million. As of November 1, 2010, the Company had cash and unused availability under its ABL totaling over $52 million. This amount reflects a reduction of $13.2 million, the amount of the appellate bond posted by the Company on October 13, 2010 as more fully described below.

In 2009, the Company filed a complaint in the U.S. District Court for the Middle District of Florida against Inspired Technologies, Inc. (ITI) alleging that ITI had breached its obligations under a supply agreement between the Company and ITI. The supply agreement provided that the Company would manufacture and supply certain products to ITI, and ITI would purchase such products exclusively from the Company. The Company alleged that ITI breached this agreement by licensing a third party to manufacture and sell the products.

ITI filed a counterclaim against the Company alleging that the Company had breached its obligations under the agreements between the parties. ITI also alleged that the Company had engaged in trademark infringement, false advertising, deceptive trade practices, unfair competition and consumer fraud.

On July 14, 2010, the Court granted a motion for summary judgment in favor of the Company on the issue of whether the Company had engaged in trademark infringement, false advertising, deceptive trade practices, unfair competition and consumer fraud. On September 13, 2010, the Court on its own motion determined that the licensing by ITI of its technology to another manufacturer did not violate the supply agreement. It also ordered that the position of the parties be reversed, with the Company being positioned as the defendant.

On September 22, 2010, a jury trial was held on the remaining issues. The jury concluded that the Company had breached certain obligations under the supply agreement and the confidentiality agreements, and awarded ITI approximately $13.2 million as compensation for its damages.

The Company firmly believes that ITI s allegations against the Company were unfounded, that there is no competent evidence to justify and support the damages awarded by the jury, and that the damages were unsupportable as a matter of law.

On October 27, 2010, the Company filed its post-trial motions with the trial court requesting a judgement as a matter of law, new trial, or remittitur. The Company also intends to file an appeal with the U.S. Circuit Court of Appeals for the Eleventh Circuit, if appropriate based on the results of the post-trial motions. The post-trial motions and the appeal may result in the judgment being set aside or reduced or, in the alternative, the ordering of a new trial. The Company is committed to continuing the assertion of its claims against ITI, as well as defending the claims made by ITI and seeking a reversal of the jury s damage award.

The execution of the judgment will be stayed during the appeal. In this connection, the Company has posted an appellate bond in the amount of the judgment (the Bond) plus required post judgment interest. The amount of the Bond may be adjusted by the Court based upon the Court s rulings on the post-trial motions.

The Company s management has concluded that although it is possible that it will incur a loss as a result of the ITI litigation, as at September 30, 2010, the amount of the contingent loss cannot be reasonably estimated. In reaching this conclusion, the Company s management considered, among others, the nature and merits of the claims made by parties in the litigation; the appellate process, and the current procedural status of the case.

Outlook

The Company anticipates sequentially lower sales and slightly higher adjusted EBITDA in the fourth quarter of 2010 compared to the third quarter of 2010. A sales decline from the third to the fourth quarter is typical for the Company due to seasonal ordering patterns of its customers. EBITDA is projected to be favourably impacted by higher selling prices which are expected to partially recover raw material cost increases.

Results of Operations

Sales

The Company s sales for the third quarter of 2010 were $187.1 million, a 14.3% increase compared to $163.7 million for the third quarter of 2009 and sequentially a 3.8% increase compared to $180.3 million for the second quarter of 2010. Sales volume increased approximately 6% compared to both the third quarter of 2009 and second quarter of 2010. The sales volume increase over the third quarter of 2009 was due to some improvement in the overall economy, sales of new products, and channel and market development. Both the ECP Division and the T&F Division had an increase in sales from the third quarter of 2009 and second quarter of 2010 to the third quarter of 2010, however, the ECP Division s increase was larger than the T&F Division s due to a mix shift to products with higher selling prices. Selling prices for the third quarter of 2010 increased approximately 5%

compared to the third quarter of 2009 due to price increases and decreased approximately 2% to the second quarter of 2010 primarily due to a less favourable product and channel mix.

Sales for the first nine months of 2010 were $540.5 million compared to $454.7 million for the same period in 2009, an increase of 18.9%. This sales increase includes an approximately 12% increase in sales volume and an increase in selling prices of approximately 4%.

Gross Profit and Gross Margin

Gross profit totaled $19.6 million in the third quarter of 2010, a decrease of 25.9% from the third quarter of 2009 and a decrease of 8.5% from the second quarter of 2010. Gross margin was 10.5% in the third quarter of 2010, 16.1% in the third quarter of 2009, and 11.9% in the second quarter of 2010. As compared to the third quarter of 2009, gross profit in the third quarter of 2010 was lower due to resin-based, paper, and adhesive raw material costs increasing more than selling prices, which was partially offset by increased sales volume. Gross profit and gross margin for the first nine months of 2010 were $60.6 million and 11.2%, respectively compared to $62.7 million and 13.8% for the first nine months of 2009, respectively.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses (SG&A) totaled $17.1 million, $17.8 million, and $17.9 million, for the third quarter of 2010, third quarter of 2009, and second quarter of 2010, respectively. The decrease from the third quarter of 2009 to the third quarter of 2010 was mainly the result of the reversal of a contingent liability, partially offset by an asset impairment. Also in the third quarter of 2009, a charge was recorded to adjust a pension liability. No similar adjustment was required in the third quarter of 2010. As a percentage of sales, SG&A expenses were 9.1%, 10.8%, and 9.9% for the third quarter of 2010, third quarter of 2009, and second quarter of 2010, respectively. Sequentially, the decrease in both SG&A expenses and percentage of sales in the third quarter of 2010 compared to the second quarter of 2010 was primarily due to reversal of a contingent liability.

Included in SG&A expenses are the costs the Company incurs as a consequence of being a public company. These costs totaled $0.4 million, $0.3 million, and $0.5 million for the third quarter of 2010, third quarter of 2009, and second quarter of 2010, respectively. For the first nine months of 2010 these costs totaled $1.2 million as compared to $1.4 million for the first nine months of 2009.

Stock-Based Compensation Expense

Stock-based compensation expense for the third quarter of 2010 was $0.3 million compared to $0.3 million in the third quarter of 2009 and $0.2 million in the second quarter of 2010. For the first nine months of 2010, stock-based compensation expense was $0.8 million compared to $0.8 million for the first nine months of 2009.

Operating Profit

This discussion presents the Company s operating profit for the third quarter of 2010, third quarter of 2009, and second quarter of 2010. Operating profit does not have a standardized meaning prescribed by GAAP in Canada or in the United States but is included herein as the Company s management uses operating profit to measure and evaluate the profit contributions of the Company s product offerings as well as the contribution by channel of distribution.

Because operating profit is a non-GAAP financial measure, other companies may present similar titled items determined with differing adjustments. Presented below is a table reconciling this non-GAAP financial measure with gross profit being the most comparable GAAP measurement. The reader is encouraged to review this reconciliation. Operating profit is defined by the Company as gross profit less SG&A and stock-based compensation expenses.

OPERATING PROFIT RECONCILIATION

(In millions of US dollars)

(Unaudited)

	Three months ended			Nine months ended	
	September 30, 2010	September 30, 2009	June 30, 2010	September 30, 2010	September 30, 2009
	$	$	$	$	$
Gross Profit	19.6	26.4	21.4	60.6	62.7
Less: SG&A expenses	17.1	17.8	17.9	53.8	49.8
Less: Stock-based compensation expense	0.3	0.3	0.2	0.8	0.8
Operating Profit	2.2	8.3	3.3	5.9	12.1

Operating profit was $2.2 million for the third quarter of 2010, compared to $8.3 million for the third quarter of 2009. The decrease was primarily due to resin-based, adhesive and paper raw material costs increasing more than selling prices. When compared to the operating profit in the second quarter of 2010 of $3.3 million, operating profit decreased by $1.1 million primarily due to higher adhesive and paper raw material costs. Operating profit for the nine months ended September 30, 2010 totaled $5.9 million compared to $12.1 million for the nine months ended September 30, 2009.

Financial Expenses

Financial expenses for the third quarter of 2010 totaled $4.5 million, a $1.0 million or 28.3% increase from the third quarter of 2009. A gain of $1.0 million recognized in the third quarter of 2009 resulted from the one-time sale of publicly traded securities. Financial expenses for the first nine months of 2010 were $12.6 million compared to $12.6 million for the same period in 2009. When compared to financial expenses in the second quarter of 2010 of $4.2 million, financial expenses for the third quarter of 2010 were higher by $0.3 million due to the reversal of capitalized interest.

EBITDA

A reconciliation of the Company s EBITDA, a non-GAAP financial measure, to GAAP net earnings is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings (loss) before income taxes, net earnings (loss) or cash flows from operating activities as determined by GAAP. The Company defines EBITDA as net earnings (loss) before (i) income taxes (recovery); (ii) financial expenses, net of amortization; (iii) refinancing expense, net of amortization; (iv) foreign exchange gains (losses); (v) amortization of other intangibles and capitalized software costs; and (vi) depreciation. Adjusted EBITDA is defined as EBITDA before manufacturing facility closures, restructuring, strategic alternatives and other charges, impairment of property, plant and equipment, impairment of goodwill charges and unprecedented gross margin compression. The terms EBITDA and Adjusted EBITDA do not have any standardized meaning prescribed by GAAP in Canada or in the United States and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flows from operating activities or as alternatives to net earnings as an indicator of IPG s operating performance or any other measures of performance derived in accordance with GAAP. The Company has included these non-GAAP financial measures because it believes that it allows investors to make a more meaningful comparison of IPG s performance between periods presented. In addition, EBITDA and Adjusted EBITDA are used by management and the Company s lenders in evaluating the Company s performance.

ADJUSTED EBITDA RECONCILIATION TO NET LOSS

(In millions of US dollars)

(Unaudited)

	Three months ended			Nine months ended	
	September 30, 2010	September 30, 2009	June 30, 2010	September 30, 2010	September 30, 2009
	$	$	$	$	$
Net Earnings (Loss) As Reported	(4.6)	2.0	(2.7)	(13.1)	(5.8)
Add back:					
Financial expenses, net of amortization (including foreign exchange gain (loss))	4.2	3.2	3.8	11.6	11.8
Income taxes (Recovery)	0.8	1.4	(0.1)	1.5	1.3
Depreciation and amortization	9.5	9.5	9.3	28.2	27.9
EBITDA	9.9	16.1	10.4	28.3	35.2
Impairment of assets	0.7			0.7	
Adjusted EBITDA	10.6	16.1	10.4	29.0	35.2

Adjusted EBITDA was $10.6 million for the third quarter of 2010, $16.1 million for the third quarter of 2009, and $10.4 million for the second quarter of 2010. The lower adjusted EBITDA in the third quarter of 2010 as compared to the third quarter of 2009 is a result of higher raw material costs. The third quarter 2010 adjusted EBITDA was higher sequentially from the second quarter 2010 primarily due to lower SG&A expenses and Research and Development (R&D) expenses in the third quarter of 2010. As compared to the first nine months of 2009, adjusted EBITDA decreased by $6.2 million from $35.2 million to $29.0 million in the first nine months of 2010. The decrease was primarily due to lower gross profits resulting from higher raw material costs and higher selling costs related to the increase in sales.

Income Taxes

The Company is subject to income taxation in multiple tax jurisdictions around the world. Accordingly, the Company s effective income tax rate fluctuates depending upon the geographic source of its earnings. The Company s effective income tax rate is also impacted by tax planning strategies that the Company implements. The Company estimates its annual effective income tax rate and utilizes that rate in its interim unaudited consolidated financial statements. The effective tax rate for the nine months ended September, 2010 was approximately negative 13.4% compared to approximately negative 29.2% for the nine months ended September 30, 2009.

Net Loss

Net loss for the third quarter of 2010 was $4.6 million compared to net earnings of $2.0 million in the third quarter of 2009, and net loss of $2.7 million in the second quarter of 2010. Net loss for the nine months ended September 30, 2010 totaled $13.1 million compared to a net loss of $5.8 million for the same period in 2009.

Results of Operations by Division

As a result of the Company s structural, operational, management and reporting realignments during the third quarter of 2010, the Company is no longer required to present operating results at a divisional level. However, in the interest of reporting consistency, the divisional results discussion is included hereinafter.

Results of Operations T&F Division

Sales in the third quarter of 2010 were $152.9 million, an increase of 13.1% compared to $135.2 million for the third quarter of 2009 and an increase of 2.1% compared to $149.8 million in the second quarter of 2010. Sales volume increased in the third quarter of 2010 by approximately 9% as compared to the third quarter of 2009 and increased approximately 7% sequentially over the second quarter of 2010. Sales across most product lines contributed to both the year-over-year and sequential increases.

Selling prices increased approximately 3% in the third quarter of 2010 compared to the third quarter of 2009 and decreased approximately 2% in comparison to the second quarter of 2010. Excluding the stretch film business and mix changes within product lines, prices increased approximately 1% sequentially. Price increases announced late in the third quarter contributed very little to this increase.

Sales for the first nine months of 2010 totaled $448.1 million compared to $377.6 million for the first nine months of 2009. Sales volume for the first nine months of 2010 increased approximately 14% compared to the first nine months of 2009.

Gross profit for the third quarter of 2010 totaled $17.4 million at a gross margin of 11.4% compared to $24.4 million at a gross margin of 18.0% for the third quarter of 2009. The decrease in both gross profit and gross margin was due to higher resin-based, paper and adhesive raw material costs partially offset by higher volume and manufacturing cost reduction initiatives. Gross profit and gross margin for the first nine months of 2010 and 2009 were $54.5 million at 12.2% and $57.7 million at 15.3%, respectively. On a sequential basis, gross profit decreased by $1.0M from $18.4 million reported for the second quarter of 2010. A sequential decline in resin-based raw material costs was largely offset by increases in paper and adhesive raw material.

T&F DIVISION EBITDA RECONCILIATION

TO NET EARNINGS
(in millions of US dollars)
(Unaudited)

	Three months ended			Nine months ended	
	September 30, 2010	September 30, 2009	June 30, 2010	September 30, 2010	September 30, 2009
	$	$	$	$	$
Sales from external customers	152.9	135.2	149.8	448.1	377.6
Costs of sales	135.5	110.8	131.5	393.6	319.9
Gross profit	17.4	24.4	18.4	54.5	57.7
Divisional earnings before income taxes	3.0	8.9	1.9	7.0	14.1
Depreciation, amortization, and foreign exchange gains/losses	7.8	7.4	7.3	22.4	22.3
EBITDA	10.8	16.3	9.2	29.3	36.4

EBITDA for the third quarter of 2010, third quarter of 2009, and second quarter of 2010 was $10.8 million, $16.3 million and $9.2 million, respectively. The decrease in EBITDA in the third quarter of 2010 compared to the third quarter of 2009 was due to lower gross profit. EBITDA for the first nine months of 2010 and 2009 was $29.3 million and $36.4 million, respectively.

Results of Operations - ECP Division

Sales in the third quarter of 2010 were $34.1 million, an increase of 19.8% compared to $28.5 million for the third quarter of 2009 and an increase of 12.2% over sales of $30.4 million in the second quarter of 2010. Sales volume decreased in the third quarter of 2010 by approximately 4% compared to the third quarter of 2009 and increased approximately 5% sequentially over the second quarter of 2010. A significant mix shift occurred in the third quarter of 2010 from paper products to woven products and resulted in sales increasing more than sales volume.

Selling prices increased approximately 13% in the third quarter of 2010 compared to the third quarter of 2009 and increased approximately 2% as compared to the second quarter of 2010.

Sales for the first nine months of 2010 totaled $92.4 million compared to $77.1 million for the first nine months of 2009. Sales volume for the first nine months of 2010 increased approximately 5% compared to the first nine months of 2009.

Gross profits for the third quarter of 2010 totaled $2.1 million, representing a gross margin of 6.2%, compared to $2.0 million and a gross margin of 7.0% for the third quarter of 2009. The increase in gross profit and decrease in gross margin was primarily due to changes in product mix and increased resin-based and paper raw materials. Gross profit and gross margin for the first nine months of 2010 and 2009 were $6.1 million at 6.6% and $5.0 million at 6.5%, respectively.

ECP DIVISION
ADJUSTED EBITDA
RECONCILIATION
TO NET EARNINGS
(LOSS)

(in millions of US dollars)

(Unaudited)

	Three months ended			Nine months ended	
	September 30, 2010	September 30, 2009	June 30, 2010	September 30, 2010	September 30, 2009
	$	$	$	$	$
Sales from external customers	34.1	28.5	30.4	92.4	77.1
Costs of sales	32.0	26.5	27.5	86.3	72.1
Gross profit	2.1	2.0	3.0	6.1	5.0
Divisional earnings (loss) before income taxes	(1.8)	(0.9)	0.5	(4.3)	(3.4)
Depreciation, amortization, and foreign exchange gains/losses	2.3	1.7	1.5	5.9	4.8
EBITDA	0.5	0.8	1.9	1.7	1.4

EBITDA for the third quarter of 2010, third quarter of 2009, and second quarter of 2010 was positive $0.5 million, positive $0.8 million and positive $1.9 million, respectively. The decrease in EBITDA in the third quarter of 2010 compared to the third quarter of 2009 was due to higher gross profit. EBITDA for the first nine months of 2010 and 2009 was $1.7 million and $1.4 million, respectively.

Results of Operations Corporate

The Company does not allocate the cost of manufacturing facility closures, restructuring, strategic alternatives or other charges to its two divisions. These expenses are retained at the corporate level as are stock-based compensation expense, financial expenses, and the cost of being a public company. The unallocated corporate expenses for the third quarter of 2010, third quarter of 2009, and second quarter of 2010 totaled $0.7 million, $1.0 million, and $0.7 million, respectively. For the first nine months of 2010 and 2009, unallocated corporate costs totaled $2.0 million and $2.6 million, respectively.

Off-Balance Sheet Arrangements

The Company maintains no off-balance sheet arrangements except for the letters of credit issued and outstanding.

Related Party Transactions

There have been no material changes with respect to related party transactions since Management s Discussion and Analysis for the year ended December 31, 2009. Reference is made to the Section entitled Related Party Transactions in the Company s Management Discussion and Analysis for the year ended December 31, 2009 and to Note 4 to the unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2010.

Balance Sheet

One of the metrics the Company uses to measure inventory performance is Days Inventory. One of the metrics the Company uses to measure trade receivables is Days Sales Outstanding (DSO s). DSO s increased by 6 days from the fourth quarter of 2009 to the third quarter of 2010 and increased by 2 days sequentially in the third quarter of 2010 as compared to the second quarter of 2010. The increase in DSO s was related to increases in international and consumer sales, which normally have longer payment terms. Days Inventory declined by 3 days in the third quarter of 2010 compared to the fourth quarter of 2009 and declined by 1 day compared to the second quarter of 2010. The calculations are shown in the following tables:

Three months ended					Three months ended			
September 30, 2010	December 31, 2009	September 30, 2009	June 30, 2010		September 30, 2010	December 31, 2009	September 30, 2009	June 30, 2010
$	$	$						