

CLARCOR INC
Form 10-Q
March 19, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended February 27, 2010

OR

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

For the transition period from _____ to _____

Commission File Number 1-11024

CLARCOR Inc.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

36-0922490
(I.R.S. Employer
Identification No.)

840 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067
(Address of principal executive offices)

Registrant's telephone number, including area code

615-771-3100

No Change

(Former name, former address and former fiscal year, if changed since last report.)

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 No

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

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

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
x o o o

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

As of February 27, 2010, 50,433,773 common shares with a par value of \$1 per share were outstanding.

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* Item omitted because no answer is called for or item is not applicable

Part I – Item 1. Financial Statements

CLARCOR Inc.
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (Dollars in thousands)

	February 27, 2010 (Unaudited)	November 28, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,107	\$ 59,277
Restricted cash	659	762
Short-term investments	20,604	32,171
Accounts receivable, less allowance for losses of \$13,071 for 2010 and \$15,150 for 2009	162,168	164,545
Inventories:		
Raw materials	58,259	57,579
Work in process	26,796	23,405
Finished products	79,718	76,432
Total inventories	164,773	157,416
Deferred income taxes	29,260	27,567
Prepaid expenses and other current assets	7,500	6,790
Total current assets	446,071	448,528
Plant assets at cost, less accumulated depreciation	449,505 (263,030)	447,241 (259,150)
	186,475	188,091
Goodwill	227,160	228,182
Acquired intangibles, less accumulated amortization	94,777	95,990
Deferred income taxes	630	630
Other noncurrent assets	12,245	12,469
Total assets	\$ 967,358	\$ 973,890
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	\$ 92	\$ 99
Accounts payable	57,016	54,627
Accrued insurance liabilities	11,448	10,572
Accrued salaries, wages and commissions	10,367	8,599
Customer deposits	9,749	8,705
Compensated absences	7,197	7,903
Other accrued liabilities	34,950	36,018
Income taxes	7,738	5,419
Total current liabilities	138,557	131,942
Long-term debt, less current portion	31,993	52,096
Postretirement healthcare benefits	626	689
Long-term pension liabilities	62,344	61,746

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Deferred income taxes	33,215	32,136
Other long-term liabilities	4,653	5,394
Total liabilities	271,388	284,003
Contingencies		
Redeemable noncontrolling interest	1,361	1,412
SHAREHOLDERS' EQUITY		
Capital stock	50,434	50,393
Capital in excess of par value	39,663	36,814
Accumulated other comprehensive loss	(39,625)	(32,879)
Retained earnings	642,239	632,291
Total CLARCOR Inc. equity	692,711	686,619
Noncontrolling interests	1,898	1,856
Total shareholders' equity	694,609	688,475
Total liabilities and shareholders' equity	\$ 967,358	\$ 973,890

See Notes to Consolidated Condensed Financial Statements

CLARCOR Inc.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended	
	February 27, 2010	February 28, 2009
Net sales	\$ 215,131	\$ 213,690
Cost of sales	145,326	152,707
Gross profit	69,805	60,983
Selling and administrative expenses	46,909	47,296
Operating profit	22,896	13,687
Other income (expense):		
Interest expense	(123)	(928)
Interest income	21	142
Other, net	(392)	(20)
	(494)	(806)
Earnings before income taxes	22,402	12,881
Provision for income taxes	7,595	4,096
Net earnings	14,807	8,785
Less: Net losses attributable to noncontrolling interests	(59)	(6)
Net earnings attributable to CLARCOR Inc.	\$ 14,866	\$ 8,791
Net earnings per share attributable to CLARCOR Inc:		
Basic	\$ 0.29	\$ 0.17
Diluted	\$ 0.29	\$ 0.17
Average number of shares outstanding:		
Basic	50,594,234	51,059,182
Diluted	50,934,913	51,541,458
Dividends paid per share	\$ 0.0975	\$ 0.0900

See Notes to Consolidated Condensed Financial Statements

CLARCOR Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended	
	February 27, 2010	February 28, 2009
Cash flows from operating activities:		
Net earnings	\$ 14,807	\$ 8,785
Depreciation	6,989	6,921
Amortization	1,164	1,215
Stock-based compensation expense	2,511	2,415
Excess tax benefit from stock-based compensation	(127)	(422)
Changes in short-term investments	11,567	(6,229)
Changes in assets and liabilities, excluding short-term investments	(1,647)	6,350
Other, net	1	(82)
Net cash provided by operating activities	35,265	18,953
Cash flows from investing activities:		
Additions to plant assets	(5,996)	(6,955)
Proceeds from disposition of plant assets	74	224
Business acquisitions, net of cash acquired	-	(6,075)
Proceeds from insurance claim	557	-
Investment in affiliate	-	(1,000)
Net cash used in investing activities	(5,365)	(13,806)
Cash flows from financing activities:		
Net payments under line of credit	(20,000)	-
Payments on long-term debt	(29)	(45)
Sale of capital stock under stock option and employee purchase plans	525	1,805
Excess tax benefits from stock-based compensation	127	422
Cash dividends paid	(4,933)	(4,596)
Net cash used in financing activities	(24,310)	(2,414)
Net effect of exchange rate changes on cash	(3,760)	(167)
Net change in cash and cash equivalents	1,830	2,566
Cash and cash equivalents, beginning of period	59,277	40,715
Cash and cash equivalents, end of period	\$ 61,107	\$ 43,281
Cash paid during the period for:		
Interest	\$ 1,037	\$ 340
Income taxes	\$ 6,328	\$ 3,708

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Basis of Presentation

The Consolidated Condensed Balance Sheet as of February 27, 2010, the Consolidated Condensed Statements of Earnings and the Consolidated Condensed Statements of Cash Flows for the periods ended February 27, 2010 and February 28, 2009, have been prepared by CLARCOR Inc. ("CLARCOR" or "the Company") without audit. The Consolidated Condensed Financial Statements have been prepared on the same basis as those in the Company's Annual Report on Form 10-K for the fiscal year ended November 28, 2009 ("2009 Form 10-K"). The November 28, 2009 Consolidated Balance Sheet data was derived from the Company's year-end audited Consolidated Financial Statements as presented in the 2009 Form 10-K but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows have been made. The Company performed a review of subsequent events through the date the Consolidated Condensed Financial Statements were issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure. The results of operations for the period ended February 27, 2010, are not necessarily indicative of the operating results for the full year.

New Accounting Guidance

In December 2008, the Financial Accounting Standards Board ("FASB") expanded the required disclosures for pension and other postretirement plans by requiring disclosures about how investment allocation decisions are made by management, major categories of plan assets and significant concentration of risk. Additionally, an employer is required to disclose information about the valuation of plan assets. This accounting guidance is effective for the Company's fiscal year 2010 year-end and will affect the disclosures in the annual Consolidated Financial Statements.

In June 2008, the FASB issued guidance that requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) be considered participating securities and be included in the computation of earnings per share pursuant to the two-class method. The Company's unvested restricted stock unit awards discussed in Note 3 qualify as participating securities under this guidance. The impact of adopting this guidance on November 29, 2009 was not material to the Consolidated Condensed Financial Statements.

In December 2007, the FASB issued guidance affecting the accounting for businesses acquired, the presentation of noncontrolling interests, previously called minority interests, and requiring that assets acquired or liabilities assumed in a business combination and arising from a contingency be recognized at fair value at the acquisition date if the acquisition date fair value can be determined during the measurement period. The Company adopted this guidance on November 29, 2009. The guidance dealing with noncontrolling interests was retrospectively applied to all prior period information for presentation and disclosure requirements and resulted in the reclassification of certain prior year amounts. For all periods presented, noncontrolling interests are classified in the Consolidated Condensed Balance Sheets as either a separate component of shareholders' equity or as redeemable noncontrolling interests. Net earnings attributable to CLARCOR and the noncontrolling interests are reflected in the Consolidated Condensed Statements of Earnings. Payments for the acquisition of noncontrolling interests in entities of which the Company did not previously have control are included in investing activities in the Consolidated Condensed Statements of Cash

Flows. Payments for acquisitions of noncontrolling interest in entities of which the Company did have previous control are treated as equity transactions and are included in financing activities in the Consolidated Condensed Statements of Cash Flows. Prior to the adoption of this guidance, payments related to controlled entities were also included in investing activities.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

2. INVESTMENTS AND REDEEMABLE NONCONTROLLING INTERESTS

Investments

Effective May 1, 2008, the Company acquired a 30% share in BioProcessH2O LLC (“BPH”), a Rhode Island based manufacturer of industrial waste water and water reuse filtration systems, for \$4,000. Under the terms of the agreement with BPH, the Company has the right, but not the obligation, to acquire additional ownership shares and eventually complete ownership of the company over several years at a price based on, among other factors, BPH’s operating income. The investment, with a carrying amount of \$3,451 included in other noncurrent assets, is being accounted for under the equity method of accounting. The carrying amount is adjusted each period to recognize the Company’s share of the earnings or losses of the investee based on the percentage of ownership, as well as the receipt of any dividends. During the three months ended February 27, 2010, the Company received dividends of \$382 from BPH. The equity investment is periodically reviewed for indicators of impairment. The Company’s share of undistributed earnings was not material at February 27, 2010 or November 28, 2009.

Redeemable Noncontrolling Interests

In March 2007, the Company acquired an 80% ownership share in Sinfa SA (“SINFA”), a manufacturer of automotive and heavy-duty engine filters based in Casablanca, Morocco. As part of the purchase agreement, the Company and the noncontrolling owners each have an option to require the purchase of the remaining 20% ownership shares by the Company after December 31, 2012 which would result in SINFA becoming a wholly owned subsidiary. The remaining 20% of SINFA owned by the noncontrolling owners has been reported as redeemable noncontrolling interests and classified as mezzanine equity in the Consolidated Condensed Balance Sheets. The redeemable noncontrolling interests will be accreted to the redemption price, through equity, at the point at which the redemption becomes probable.

3. INCENTIVE PLANS AND STOCK-BASED COMPENSATION

On March 23, 2009, the shareholders of CLARCOR approved the 2009 Incentive Plan, which replaced the 2004 Incentive Plan. The 2009 Incentive Plan allows the Company to grant stock options, restricted stock unit awards, restricted stock, performance awards and other awards to officers, directors and key employees of up to 3,800,000 shares during a ten-year period that ends in December 2019. Upon share option exercise or restricted stock unit award conversion, the Company issues new shares unless treasury shares are available. The key provisions of the Company’s stock-based incentive plans are described in Note N of the Company’s consolidated financial statements included in the 2009 Form 10-K.

Stock Options

Nonqualified stock options are granted at exercise prices equal to the market price of CLARCOR common stock at the date of grant, which is the date the Board of Directors approves the grant and the participants receive it. The Company’s Board of Directors determines the vesting requirements for stock options at the time of grant and may accelerate vesting. In general, options granted to key employees vest 25% per year beginning at the end of the first year; therefore, they become fully exercisable at the end of four years. Vesting may be accelerated in the event of retirement, disability or death of a participant or change in control of the Company. Options granted to non-employee

directors vest immediately. All options expire ten years from the date of grant unless otherwise terminated.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

The following table summarizes compensation expense related to stock options during the three months ended February 27, 2010 and February 28, 2009.

	Three Months Ended	
	February 27, 2010	February 28, 2009
Pre-tax compensation expense	\$ 1,778	\$ 1,657
Tax benefits	(602)	(527)
Excess tax benefits associated with tax deductions over the amount of compensation expense recognized in the consolidated condensed financial statements	152	517

The following table summarizes activity with respect to stock options granted by the Company and includes options granted under the 1994 Incentive Plan, the 2004 Incentive Plan and the 2009 Incentive Plan.

	Shares Granted under Incentive Plans	Weighted Average Exercise Price
Outstanding at beginning of year	3,229,187	\$ 27.43
Granted	423,460	\$ 32.31
Exercised	(19,550)	\$ 12.27
Surrendered	(7,950)	\$ 33.79
Outstanding at February 27, 2010	3,625,147	\$ 28.07
Options exercisable at February 27, 2010	2,634,713	\$ 26.10

At February 27, 2010, there was \$4,309 of unrecognized compensation cost related to option awards which the Company expects to recognize over a weighted-average period of 2.9 years.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

The following table summarizes information about the Company's outstanding and exercisable options at February 27, 2010.

Range of Exercise Prices	Number	Options Outstanding			Options Exercisable			
		Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Life in Years	
\$9.25 - \$13.75	195,784	\$ 12.36	\$ 3,993	1.41	195,784	\$ 12.36	\$ 3,993	1.41
\$16.01 - \$22.80	792,445	\$ 20.34	9,833	2.85	792,445	\$ 20.34	9,833	2.85
\$25.31 - \$32.30	1,395,708	\$ 29.06	5,153	6.46	975,983	\$ 27.67	4,962	5.01
\$32.78 - \$38.23	1,241,210	\$ 34.38	-	7.64	670,501	\$ 34.64	-	7.27
	3,625,147	\$ 28.07	\$ 18,979	5.80	2,634,713	\$ 26.10	\$ 18,788	4.67

The following table summarizes information about stock option exercises during the three months ended February 27, 2010 and February 28, 2009.

	Three Months Ended	
	February 27, 2010	February 28, 2009
Fair value of options exercised	\$ 71	\$ 425
Total intrinsic value of options exercised	419	1,369
Cash received upon exercise of options	240	1,498
Tax benefit realized from exercise of options	152	502

The weighted average fair value per option at the date of grant for options granted during the three months ended February 27, 2010 and February 28, 2009, was \$8.38 and \$7.58, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions by grant year.

	Three Months Ended	
	February 27, 2010	February 28, 2009
Risk-free interest rate	2.76%	1.81%
Expected dividend yield	1.25%	0.96%
Expected volatility factor	26.28%	24.23%
Expected option term in years	5.7	5.6

The expected life selected for options granted during each year presented represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. Expected volatilities are based upon historical volatility of the Company's monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate is selected based on yields from U.S. Treasury zero-coupon issues with a remaining term approximately equal to the expected term of the options being valued.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

Restricted Stock Unit Awards

The Company's restricted stock unit awards are considered nonvested share awards. The restricted stock unit awards require no payment from the employee. Compensation cost is recorded based on the market price of the stock on the grant date and is recorded equally over the vesting period of four years. During the vesting period, officers and key employees receive compensation equal to the amount of dividends declared on common shares they would have been entitled to receive had the shares been issued. Upon vesting, employees may elect to defer receipt of their shares. There were 101,629 and 99,265 vested and deferred shares at February 27, 2010 and November 28, 2009, respectively.

The following table summarizes compensation expense related to restricted stock unit awards during the periods presented.

	Three Months Ended	
	February 27, 2010	February 28, 2009
Pre-tax compensation expense	\$ 733	\$ 758
Tax benefits	(248)	(241)
Excess tax expense associated with tax deductions under the amount of compensation expense recognized in the consolidated condensed financial statements	(25)	(95)

The following table summarizes the restricted stock unit awards.

	Shares Granted under Incentive Plans	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	67,476	\$ 34.01
Granted	34,128	\$ 32.30
Vested	(21,727)	\$ 34.15
Nonvested at February 27, 2010	79,877	\$ 33.24

The total fair value of shares vested during the three months ended February 27, 2010 and February 28, 2009 was \$742 and \$614, respectively.

The Company has recognized \$1,687 of compensation cost prior to February 27, 2010 related to nonvested restricted stock unit awards. As of February 27, 2010, there was \$968 of total unrecognized compensation cost related to nonvested restricted stock unit awards that the Company expects to recognize during fiscal years 2010 through 2013.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

4. COMPREHENSIVE EARNINGS

Total comprehensive earnings and its components are as follows:

	Other Comprehensive Earnings, Net of Tax:			
	Net Earnings	Foreign Currency and Other Adjustments	Pension Liability Adjustments	Comprehensive Earnings
Three Months Ended February 27, 2010:				
CLARCOR Inc.	\$ 14,866	\$ (7,369)	\$ 623	\$ 8,120
Non-redeemable noncontrolling interests	45	(3)	-	42
Redeemable noncontrolling interests	(104)	53	-	(51)
	\$ 14,807	\$ (7,319)	\$ 623	\$ 8,111
Three Months Ended February 28, 2009:				
CLARCOR Inc.	\$ 8,791	\$ (3,314)	\$ 217	\$ 5,694
Non-redeemable noncontrolling interests	95	1	-	96
Redeemable noncontrolling interests	(101)	8	-	(93)
	\$ 8,785	\$ (3,305)	\$ 217	\$ 5,697

The components of the ending balances of accumulated other comprehensive loss are as follows:

	February 27, 2010	November 28, 2009
Pension liability, net of tax of \$23,178 and \$22,796	\$ (38,589)	\$ (39,212)
Translation adjustments, net of tax of \$155 and \$155	(1,036)	6,333
Accumulated other comprehensive loss	\$ (39,625)	\$ (32,879)

5. GOODWILL AND ACQUIRED INTANGIBLES ASSETS

The following table reconciles the activity for goodwill by segment for the three months ended February 27, 2010. All goodwill is stated on a gross basis, as the Company has not recorded any impairment charges against goodwill.

	Industrial/ Engine/Mobile Environmental			Total
	Filtration	Filtration	Packaging	
Balance at November 28, 2009	\$ 22,551	\$ 205,631	\$ -	\$ 228,182
Acquisitions	-	-	-	-
Currency translation adjustments	(1,013)	(9)	-	(1,022)
Balance at February 27, 2010	\$ 21,538	\$ 205,622	\$ -	\$ 227,160

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

The following table summarizes acquired intangibles by segment. Other acquired intangibles includes parts manufacturer regulatory approvals, developed technology, patents and non-compete agreements.

	Engine/Mobile Filtration	Industrial/ Environmental Filtration	Packaging	Total
Balance at February 27, 2010				
Trademarks, gross - indefinite lived	\$ 603	\$ 41,022	\$ -	\$ 41,625
Trademarks, gross - finite lived	307	488	-	795
Accumulated amortization	(47)	(279)	-	(326)
Trademarks, net	863	41,231	-	42,094
Customer relationships, gross	4,122	34,194	-	38,316
Accumulated amortization	(1,252)	(8,793)	-	(10,045)
Customer relationships, net	2,870	25,401	-	28,271
Other acquired intangibles, gross	243	35,921	-	36,164
Accumulated amortization	(243)	(11,509)	-	(11,752)
Other acquired intangibles, net	-	24,412	-	24,412
	\$ 3,733	\$ 91,044	\$ -	\$ 94,777

The following table summarizes estimated amortization expense for the next five fiscal years.

Fiscal year 2010	\$ 4,669
Fiscal year 2011	4,589
Fiscal year 2012	4,574
Fiscal year 2013	4,477
Fiscal year 2014	4,340

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

6. FAIR VALUE MEASUREMENTS

The Company measures certain assets and liabilities at fair value as discussed throughout the notes to its quarterly and annual financial statements. Assets or liabilities that have recurring measurements are shown below:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Balance at February 27, 2010				
Short-term investments	\$ 20,604	\$ 20,604	\$ -	\$ -
Restricted trust (part of noncurrent assets)	1,350	1,350	-	-
Balance at November 28, 2009				
Short-term investments	\$ 32,171	\$ 32,171	\$ -	\$ -
Restricted trust (part of noncurrent assets)	1,419	1,419	-	-
Interest rate agreement (part of current liabilities)	(961)	-	(961)	-

The Company's short-term investments primarily consist of tax-exempt municipal money market funds which are actively traded. The restricted trust, which is used to fund certain payments for the Company's U.S. combined nonqualified pension plans, consists of actively traded equity and bond funds. The interest rate agreement's fair value was determined using the present value of expected future cash flows using forward rates as of November 28, 2009 and discount rates commensurate with the risks associated with those cash flows. The interest rate agreement expired January 1, 2010. There were no changes in fair value determination methods or significant assumptions used in those methods during the three months ended February 27, 2010.

The fair values of the Company's financial instruments, which are cash, accounts receivable, short-term investments, the restricted trust and the interest rate agreement (only at November 28, 2009), approximated the carrying values of those financial instruments at both February 27, 2010 and November 28, 2009. An expected present value technique is used to estimate the fair value of long-term debt. A fair value estimate of \$30,768 and \$49,513 for long-term debt at February 27, 2010 and November 28, 2009, respectively, is based on the current interest rates available to the Company for debt with similar remaining maturities. The carrying value for the long-term debt at February 27, 2010 and November 28, 2009 is \$32,085 and \$52,195, respectively.

7. GUARANTEES AND WARRANTIES

The Company has provided letters of credit totaling approximately \$23,433 and \$23,395 as of February 27, 2010 and November 28, 2009, respectively, to various government agencies, primarily related to industrial revenue bonds, and to insurance companies and other commercial entities in support of its obligations. The Company believes that no payments will be required resulting from these obligations.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

In the ordinary course of business, the Company also provides routine indemnifications and other guarantees whose terms range in duration and are often not explicitly defined. The Company does not believe these will have a material impact on the results of operations or financial condition of the Company.

Warranties are recorded as a liability on the balance sheet and as charges to current expense for estimated normal warranty costs and, if applicable, for specific performance issues known to exist on products already sold. The expenses estimated to be incurred are provided at the time of sale and adjusted as needed, based primarily upon experience.

Changes in the Company's warranty accrual during the three months ended February 27, 2010 and February 28, 2009, are as follows:

Balance at November 28, 2009	\$	3,989
Accruals for warranties issued during the period		148
Accruals related to pre-existing warranties		23
Settlements made during the period		(178)
Other adjustments, including currency translation		(131)
Balance at February 27, 2010, included in other accrued liabilities	\$	3,851
Balance at November 27, 2008	\$	2,494
Accruals for warranties issued during the period		157
Accruals related to pre-existing warranties		73
Settlements made during the period		(167)
Other adjustments, including currency translation		(8)
Balance at February 28, 2009, included in other accrued liabilities	\$	2,549

8. LONG-TERM DEBT AND INTEREST RATE AGREEMENT

On December 18, 2007, the Company entered into a five-year multicurrency revolving credit agreement ("Credit Facility") with a group of financial institutions under which it may borrow up to \$250,000 under a selection of currencies and rate formulas. The Credit Facility interest rate is based upon, at the Company's election, either a defined Base Rate or the London Interbank Offered Rate ("LIBOR") plus or minus applicable margins. Commitment fees, letter of credit fees and other fees are also payable as provided in the credit agreement. At February 27, 2010, long-term debt included \$15,000 outstanding on the Credit Facility.

The Company's significant accounting policies for derivative instruments are described in Note A of the 2009 Form 10-K. On January 2, 2008, the Company entered into a fixed rate interest swap agreement to manage its interest rate exposure on certain amounts outstanding under the Credit Facility. The interest rate agreement expired January 1, 2010. The interest rate agreement provided for the Company to receive interest at floating rates based on LIBOR and pay a 3.93% fixed interest rate plus an applicable margin on a notional amount of \$100,000. Payments pursuant to the interest rate agreement were settled on a net basis quarterly. Hedge accounting was not applied to the fixed rate interest swap agreement and therefore, unrealized gains or losses were recorded in interest expense in the Consolidated Condensed Statements of Earnings. Periodic settlement payments or receipts were recorded as a component of cash flows from operating activities in the Consolidated Condensed Statements of Cash Flows.

CLARCOR Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(Unaudited)

At November 28, 2009, the Company had the following derivative in a liability position.

Derivatives In Liability Position

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	Fair Value
November 28, 2009		
Fixed rate interest swap agreement	Current liabilities	\$ 961