

MERGENT INDUSTRIAL

NEW LISTING
January 26, 2010

This Supplemental News Reports is published as required, is part of the annual MERGENT INDUSTRIAL, OTC and OTC UNLISTED MANUALS and will be included in the bound 2010 January Monthly News Reports and is published on our Website.

FLANDERS CORP.

Company Website: www.flanderscorp.com

History: Incorporated in North Carolina on Jan. 5, 1996, as company previously incorporated in Nevada in July 1986, as Elite Acquisitions, Inc. Present name adopted in Jan. 1996.

On Dec. 29, 1995, Co. acquired Flanders Filters, Inc. (FFI).

On Jan. 29, 1996, Elite Acquisitions merged with and into Flanders Corporation.

On Mar. 1, 1996, Co. acquired all of the outstanding capital stock of Charcoal Service Corporation, along with certain land and buildings formerly owned by the shareholders of CSC, pursuant to a stock purchase agreement for the purchase price of \$4,435,690.

In Mar. 1996, Co. formed a wholly owned subsidiary, Airpure Products West, Inc. to manufacture Airpure's products for the Western United States.

On June 1, 1996, Co. acquired all of the outstanding capital stock of Air Seal Filter Housings, Inc., along with certain land and buildings formerly owned by the shareholders of Air Seal, pursuant to a stock purchase agreement for the purchase price of \$2,150,000.

In June 1996, Co. formed a wholly owned subsidiary in Singapore, Flanders International Pte, Ltd. (FIL), to market and eventually manufacture Co.'s products in the Far East.

On Sept. 23, 1996, Co. acquired all of the outstanding capital stock of Precisionaire. The purchase price was \$25,123,425 and 786,885 shares of Co.'s common stock, subject to a post-closing purchase price adjustment.

On Mar. 7, 1997, Co. acquired, through its majority owned subsidiary, Airseal West, Inc., the majority of the assets of BB&D Manufacturing, Inc., and Intermountain Painting and Subassembly, Inc (IP&S). Assets acquired included fixed assets, inventory and backlog. As consideration for such assets, Co. paid \$400,000 and IP&S and BB&D received 20% each of the outstanding stock of Airseal West. Airseal West will be located in Salt Lake City, Utah, and will manufacture specialty and standard housings for air filtration and HVAC systems, as well as integrated custom industrial-grade HVAC systems.

In Mar. 1997, pursuant to an acquisition agreement Co. acquired, through Airseal West, the majority of the assets of Intermountain Paint and Sub-Assembly, Inc. and BB&D Manufacturing, Inc. (collectively "BB&D").

In Dec. 1997, Co. acquired all of the outstanding stock of Glass Fiber Industries Inc., a Utah manufacturer of the media used in Co.'s standard-grade filters, for \$1,400,000.

In Feb. 1998, Co. acquired, through FFI, certain assets and assumed certain liabilities from Enviro Spin Technologies, Inc.

In July 1998, Co. completed the acquisition of Eco-Air Products, Inc. for \$13,000,000 in cash plus up to \$5,000,000 in stock held as a valuation allowance contingent upon Eco-Air meeting certain revenue forecasts.

On Apr. 1, 1999, Co. purchased the Tidewater group of companies, consisting of Tidewater Air Filter Fabrication Company, Inc., Newport Manufacturing, Inc., and Bio-Tec Inc., for a total cost of acquisition, net of cash received, of approximately \$1,787,000.

In Apr. 2000, Co. discontinued the operations of its subsidiary, Air Seal West Inc.

On Apr. 30, 2008, Co. sold its media supply business to Superior Media, LLC in exchange for promissory notes in the face amount totaling \$10,065,000.

In May 2009, Co. acquired furnace filter equipment and inventory of Wildwood Industries, Inc. for \$3,600,000. Co. then immediately sold unrelated assets to R.P.S Products, Inc. for \$2,200,000.

Business: Flanders is engaged in the design, manufacture and marketing of air filters and related products. Co. provides environmental filtration systems for end uses ranging from controlling contaminants in residences and commercial office buildings through specialized manufacturing environments for semiconductors, pharmaceuticals, chemical, biological, radiological and nuclear processing. Co.'s products include residential heating and air conditioning filters, residential air cleaners, industrial specialty filters, High Efficiency Particulate Air filters, Absolute Isolation Barriers, carbon filters, specialized air filter housings, surface finishing filters, and other related products.

Property: Co. maintains its principal executive offices in Washington, NC.

The following table sets forth information regarding Co.'s principal facilities as of Dec. 31, 2008:

Location	Lease/ Owned	Sq. Ft.
Washington, NC	Owned	285,000
Bartow, FL (2)	Leased	335,000
Lake Wales, FL	Leased	137,693
Terrell, TX	Owned	75,000
Momence, IL	Owned	211,000
Singapore	Leased	3,800
Smithfield, NC	Leased	415,000
Smithfield, NC	Owned	474,000
Fort Bend, TX	Leased	60,000
Salt Lake City, UT	Leased	88,000
Tijuana, Mexico	Leased	127,000
Washington, NC	Leased	120,000
Philadelphia, PA	Leased	26,000
Matamoros, Mexico(2)	Leased	193,974
Dallas, TX	Leased	120,000
Brownsville, TX	Leased	60,000
Clarkton, NC	Leased	350,000

Subsidiaries

Airpure Filter Sales and Service, Inc.
Air Seal Filter Housing, Inc.
Flanders/CSC Corporation
Flanders Filters, Inc.
Flanders International, PTE (Singapore)
Precisionaire, Inc.
Industrias Seco De Tijuana (Mexico)

Officers

Harry L. Smith, Jr., Chairman; President; Chief Executive Officer
John Oakley, Senior Vice President; Chief Financial Officer
Debra E. Hill, Secretary

Directors

Harry L. Smith, Jr.
Kirk A. Dominick
Robert R. Amerson
David M. Mock

Auditors: Pender Newkirk & Company, LLP

Shareholder Relations: John C. Oakley, Senior Vice President & Chief Financial Officer **Tel.:** 252-946-8081

Annual Meeting: In December

No. of Stockholders: Jan. 4, 2010, 204

No. of Employees: Jan. 20, 2010, 2,700

Address: 531 Flanders Filter Road, Washington, NC 27889 **Tel.:** 252 946-8081 **Fax:** 252 946-4738 **E-mail:** joakley@flanderscorp.com **Web:** www.flanderscorp.com

Consolidated Income Account, years ended Dec. 31 (in \$):

	2008	2007	2006
		(revised)	(revised)
Net sales	217,328,000	244,941,000	238,378,000
Cost of goods sold	190,768,000	213,152,000	189,653,000
Gross profit	26,560,000	31,789,000	48,725,000
Oper exps	44,845,000	57,968,000	40,868,000
Goodwill impaired	2,442,000	543,000	
Other income (loss)	(20,727,000)	(26,722,000)	7,857,000
Other income			
(exp), net	3,598,000	774,000	2,400,000
Int exp	2,094,000	2,743,000	2,049,000
Non oper income (expense)	1,504,000	(1,969,000)	351,000
Earnings (loss) fr ops bef inc	(19,223,000)	(28,691,000)	8,208,000
Curr provision (benefit) for inc tax	184,000	285,000	90,000
Tot curr provision (benefit) for inc	(4,753,000)	(1,844,000)	6,371,000
Defer provision (benefit) for inc tax	(104,000)	(549,000)	(291,000)
Tot defer provision (benefit) for inc	(1,307,000)	(6,947,000)	(3,688,000)
Provision (benefit) for inc tax	(6,060,000)	(8,791,000)	2,683,000
Income (loss) bef extraord items	(13,163,000)	(19,900,000)	5,525,000
Extraord gain (loss) - flood loss	324,000		(1,158,000)
Extraord gain (loss) - fire loss	8,706,000	213,000	(1,957,000)
Net earnings (loss)	(4,133,000)	(19,687,000)	2,050,000
Common shares:			
Weight avg shares outstg - basic	25,693,000	26,362,000	26,340,000
Weight avg shares outstg - diluted	25,693,000	26,362,000	27,725,000
Yr end shares outstg	25,524,000	25,691,000	26,343,000
Earnings (loss) per sh fr contin ope	\$(0.51)	\$(0.75)	\$0.21
Earnings (loss) per sh fr extraord	\$0.35		\$(0.13)
Net earnings (loss) per sh - basic	\$(0.16)	\$(0.75)	\$0.08
Earnings (loss) per sh fr contin ope	\$(0.51)	\$(0.75)	\$0.20
Earnings (loss) per sh fr extraord	\$0.35		\$(0.13)
Net earnings (loss) per sh - diluted	\$(0.16)	\$(0.75)	\$0.07
No of full time employees	2,090	2,800	3,067
No of com stkhldrs	129	135	131

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No of beneficiary stkhlders 4

Reclassified to conform with 2008 presentation

Net of taxes - extraordinary gain (loss) - flood loss: 2006 \$1,012,000; 2008 \$174,000

Net of taxes - extraordinary gain (loss) - fire loss: 2006 \$1,305,000; 2008 \$4,688,000; 2007 \$142,000

Approximate As of February 22, 2007 As of February 15, 2008

Consolidated Balance Sheet, as of Dec. 31 (in \$):

	2008	2007 (revised)
Assets:		
Cash & cash equivs	404,000	498,000
Trade receivables, gross	41,365,000	52,757,000
Less: allow for doubtful accts	3,683,000	3,663,000
Trade receivables, net	37,682,000	49,094,000
Other receiv	280,000	1,260,000
Finished goods	14,579,000	27,209,000
Work in prog	1,924,000	3,254,000
Raw mater	15,820,000	19,631,000
Inventories, gross	32,323,000	50,094,000
Less allowances	774,000	2,858,000
Inventory	31,549,000	47,236,000
Defer tax	4,285,000	4,197,000
Inc tax	10,048,000	8,549,000
Other curr assets	4,714,000	2,672,000
Tot curr assets	88,962,000	113,506,000
Land	810,000	1,124,000
Buildings	31,953,000	30,656,000
Mach & equip	58,261,000	67,395,000
Office equip	10,867,000	10,202,000
Vehicles	1,458,000	1,699,000
Constr in prog	9,327,000	4,624,000
Prop & equipment, gross	112,676,000	115,700,000
Less accum deprec	55,520,000	54,232,000
Prop & equipment, net	57,156,000	61,468,000
Intang assets, net	295,000	3,872,000
Real estate held for sale	52,000	52,000
Dep	543,000	563,000
Notes receiv	13,493,000	3,530,000
Defer tax - non curr	42,000	
Defer exps	56,000	154,000
Investment, at cost	418,000	410,000

Notes receiv & other assets	14,604,000	4,709,000
Tot assets	161,017,000	183,555,000
Liabilities:		
Curr matur of long-term debt & capita		
Accts pay	22,795,000	30,046,000
Customer rebates	2,521,000	7,226,000
Bank overdraft	1,778,000	2,394,000
Other accrued exps	9,218,000	14,973,000
Accrued exps	13,517,000	24,593,000
Other curr liabil	6,179,000	5,880,000
Tot curr liabil	43,798,000	63,255,000
Long-term cap lse obligations, less cur		
Revolving line of credit	14,747,000	16,019,000
Notes pay	4,160,000	6,269,000
Indust rev bonds	8,500,000	8,500,000
Note with var int rate	2,611,000	
Various oblig under cap lse agree	1,454,000	1,560,000
Long term debt, gross	31,472,000	32,348,000
Less curr maturities	1,307,000	2,736,000
Long-term debt	30,165,000	29,612,000
Less long-term cap lse obligations, less curr maturities		
Long-term debt, less curr maturities	29,611,000	28,669,000
Long-term liabilities, other		
Defer tax	4,286,000	2,112,000
Com stk	26,000	1,174,000
Addit paid-in cap	87,253,000	87,305,000
Accum other comprehensive income (loss)		
Retain earnings (accum deficit)	(1,231,000)	(782,000)
Stkhlders eq	82,768,000	87,402,000

Long Term Debt: Dec. 31, 2008, \$31,472,000 (including current portion of \$1,307,000) comprised of:

(1) \$14,747,000 prime plus 1% (7.75% at Dec. 31, 2008) revolving line of credit.

(2) \$3,631,000 6.5% secured note payable to a regional development authority, due in varying quarterly installments, plus interest, through Dec. 2017.

(3) \$529,000 secured note payable to a bank with interest at prime plus 0.25%, with rate adjusted annually (4.25% at Dec. 31, 2008), due through June 2017, collateralized by a deed of trust on real property.

(4) \$8,500,000 secured industrial revenue bonds with a variable tax exempt interest rate as determined by a remarketing agent, with rate effectively fixed at 5.49% by an interest-rate swap, due Apr. 1, 2013 to Apr. 1, 2015.

(5) \$2,611,000 secured note with a variable rate with rate effectively fixed at 5.86% by an interest-rate swap, due Oct. 9, 2013.

(6) \$1,454,000 various obligations under capital lease agreements.

Capital Stock:

1. Flanders Corp. common; par \$0.001.

AUTH — 50,000,000 shs.

OUTSTG — Dec. 31, 2008 25,524,000 shs; par \$0.001.

WARRANTS — 15,000 shs.

OWNERSHIP — As of Dec. 31, 2008, officers and directors as a group owned 35.5% of Co.'s common stock.

OPTIONS — Dec. 31, 2008, options outstanding, 2,905,000 shares; available for grant, 1,325,000; authorized for issuance, 2,000,000.

LISTED — NASDAQ National Market System (NMS): FLDR

PRICE RANGE —

	2009	2008	2007	2006
High	6.78	7.74	9.94	12.15
Low	3.47	4.14	4.32	8.33

OFFERED — (1,600,000 shares) at \$9.50 per share (proceeds to Co. \$ 13,480,000) on Jan. 16, 1997. Proceeds were used to pay down long-term and convertible debt. On Jan. 31, 1997, the Underwriter of the offering exercised their over-allotment option to purchase 240,000 shares of Co.'s common stock at \$9.50 per share.

PRIVATE PLACEMENTS — (1,100,000 shares) at \$2.50 per share privately placed on Dec. 29, 1995.

(500,000 shares) at \$2.50 per share privately placed on Jan. 24, 1996.

(1,537,315 shares) at \$5.00 per share privately placed on June 3, 1996. A portion of the proceeds of this private placement were used to acquire CSC.

(1,333,889 shares) at \$9.00 per share privately placed in Sept. and Oct. 1996.