FLANDERS CORPORATION

INFORMATION AND DISCLOSURE STATEMENT

RESTATED

FOR THE QUARTER ENDED

MARCH 31, 2010

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

Item 1. Exact name of issuer and address of its principal executive offices

Name of Issuer:	Flanders Corporation
Principal Executive Offices:	531 Flanders Filters Road Washington, NC 27889 Telephone: (252) 946-8081 Fax: (252) 946-4738 www.flanderscorp.com
Investor Relations Officer:	John Oakley, President & CFO 531 Flanders Filters Road Washington, NC 27889 Telephone: (252) 946-8081

Item 2. Number of shares authorized and outstanding at March 31, 2010

Class	As of	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (public float)	Total Number of Beneficial Shareholders	Total Number of Shareholders of Record
Common	3/31/2010	50,000,000	26,132,838	19,512,435	1,541	204
Preferred	3/31/2010	10,000,000	-	-	-	-

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

EXPLANATORY NOTE

As discussed in Note A of the consolidated financial statements included herein, Flanders Corporation (the Company) is filing restatements of its Information and Disclosure Statement for the Quarter ended June 30, 2010 and March 31, 2010 (collectively "the restatements") to restate its financial statements and other financial information to reflect the appropriate timing and recognition of charge-offs and write-downs associated with certain plant consolidation and costs of facilities exited by the company during 2010. The restatements will ensure consistency with the Company's publicly available financial information.

Subsequent to filing the March 31, 2010 Information and Disclosure Statement, the Company determined that the potential to sublease facilities exited in connection with the previously announced consolidation of operations into the new Ardmore, Oklahoma facility is not likely and therefore a liability for the remaining lease term must be recorded effectively eliminating the lease expense for these facilities from the company's statements of operations for the remainder of the lease term. After considerable review, the company has also determined there has not been sufficient change in the external factors surrounding these leases and those liabilities should have been recorded in the first and second quarters of 2010 at the time the Company moved substantially all the operations from those facilities into the Ardmore facility. The Company recorded approximately $8.7 million related to these leases during 2010 of which $2 million of the liability is accrued as of March 31, 2010.

This Information and Disclosure Statement, as restated, continues to speak as of May 17, 2010, the date of the originally filed Information and Disclosure Statement, and the disclosures included in this Information and Disclosure Statement, as restated have not been updated to speak as of any later date. Information not affected by the restatement of financial statements or information as of and for the period ended March 31, 2010 is unchanged and reflects the disclosures made at the time of filing the original Information and Disclosure Statement.

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

Item 3. Interim Financial Statements

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS	**March 31, 2010 (unaudited and restated)**	**December 31, 2009**
Current assets		
Cash and cash equivalents	$ 324	$ 260
Receivables:		
Trade, less allowance: 3/31/2010 $2,210; 12/31/2009 $2,172	36,497	33,159
Other	329	407
Inventories	30,009	29,415
Deferred income taxes	2,959	2,566
Restricted cash	136	-
Other current assets	9,256	8,134
Total current assets	79,510	73,941
Property and equipment, less accumulated depreciation: 3/31/2010 $60,295; 12/31/2009 $58,797	71,273	71,263
Intangible assets, less accumulated amortization: 3/31/2010 $1,525; 12/31/2009 $1,510	279	280
Deferred income taxes	375	-
Other assets	18,120	17,511
Total assets	$ 169,557	$ 162,995
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt and capital lease obligations	$ 1,315	$ 1,051
Current maturity of line of credit	15,993	-
Accounts payable	32,600	26,856
Accrued expenses	7,526	5,831
Current portion of exit cost liability	796	-
Other current liabilities	498	498
Total current liabilities	58,728	34,236
Long-term capital lease obligations, less current maturities	135	150
Long-term debt, less current maturities	16,972	33,662
Long-term liabilities, other	3,090	3,085
Long-term exit cost liability	1,167	-
Deferred income taxes	58	158
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $.001par value, 10,000,000 shares authorized; none issued	-	-
Common stock, $.001 par value; 50,000,000 shares authorized; issued and outstanding: 26,132,838 shares at March 31, 2010 and December 31, 2009	26	26
Additional paid-in capital	88,918	88,902
Accumulated other comprehensive loss	(922)	(908)
Retained earnings	1,385	3,684
	89,407	91,704
	$ 169,557	$ 162,995

The accompanying notes are an integral part of these financial statements.

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2010 (restated)	Three Months Ended March 31, 2009
Net sales	$ 48,841	$ 48,020
Cost of goods sold	41,677	38,115
Gross profit	7,164	9,905
Operating expenses	8,210	7,403
Plant consolidation and exit costs	2,410	-
Operating income (loss)	(3,456)	2,502
Nonoperating income (expense):		
Other income (expense), net	99	754
Interest income (expense), net	(403)	(399)
Nonoperating income (expense), net	(304)	355
Earnings (loss) before income taxes and extraordinary items	(3,760)	2,857
Provision (benefit) for income taxes	(1,461)	1,057
Net earnings (loss)	$ (2,299)	$ 1,800
Net basic earnings (loss) per share	$ (0.09)	$ 0.07
Net Diluted earnings (loss) per share	$ (0.09)	$ 0.07
Weighted average common shares outstanding		
Basic	26,133	25,524
Diluted	26,133	25,780

The accompanying notes are an integral part of these financial statements.

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, January 1, 2009	$ 26	$ 87,253	$ (1,231)	$ (3,280)	$ 82,768
Stock option award compensation		46			46
Purchase and retirement of 391 shares of common stock	(1)	(2,500)	–	–	(2,501)
Issuance of 1,000 shares of common stock upon exercise of options	1	2,499	–	–	2,500
Tax benefit from stock options	–	1,604	–	–	1,604
Comprehensive earnings					
Net earnings	–	–	–	6,964	6,964
Gain on cash flow hedges	–	–	323	–	323
Total comprehensive earnings, net of tax					7,287
Balance, December 31, 2009	$ 26	$ 88,902	$ (908)	$ 3,684	$ 91,704
Purchase of 312 shares of common stock	–	(1,000)	–	–	(1,000)
Issuance of 312 shares of common stock	–	1,016	–	–	1,016
Comprehensive loss					
Net loss	–	–	–	(2,299)	(2,299)
Loss on cash flow hedges	–	–	(14)	–	(14)
Total comprehensive loss, net of tax					(2,313)
Balance, March 31, 2010 (unaudited and restated)	$ 26	$ 88,918	$ (922)	$ 1,385	$ 89,407

The accompanying notes are an integral part of these financial statements.

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited and restated)

	Three Months Ended March 31, 2010 (restated)	Three Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ (2,299)	$ 1,800
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,532	1,367
Provision for bad debts	494	476
Compensation expense	1,016	46
Deferred gain	(18)	(12)
(Gain) loss on disposal of property and equipment	267	(88)
Deferred taxes	(858)	158
Change in working capital components:		
Increase in accounts receivable	(3,832)	(2,748)
(Increase) decrease in other receivables	78	(121)
Decrease in inventory	(594)	(1,711)
(Increase) decrease in other current assets	(727)	600
Increase in other assets	(646)	(20)
Increase in accounts payable	5,745	4,038
Increase in accrued expenses	1,695	(1,903)
Increase in exit cost liability	1,963	-
Net cash provided by operating activities	3,816	1,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,134)	(3,850)
Proceeds from sale of property and equipment	692	49
Proceeds from notes receivable	390	290
Loans made to notes receivable	(116)	(198)
Net cash used in investing activities	$ (2,168)	$ (3,709)

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS - continued
(In thousands)
(unaudited and restated)

	Three Months Ended March 31, 2010 (restated)	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in restricted cash	$ (136)	$ -
Principal payments on long-term borrowings	(1,287)	(190)
Proceeds from revolving credit agreement	47,382	43,695
Payments to revolving credit agreement	(46,543)	(41,541)
Payment of debt issuance costs	-	(90)
Purchase and retirement of common stock	(1,000)	-
Net cash provided by (used in) financing activities	(1,584)	1,874
Net increase in cash and cash equivalents	64	47
CASH AND CASH EQUIVALENTS		
Beginning of period	260	404
End of period	$ 324	$ 451
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$ 297	$ 62
Interest, net of amounts capitalized	$ 537	$ 253
Interest capitalized to property, and equipment	$ 137	$ 143
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING		
Sale of building for note receivable	$ 400	$ 0
Sale of equipment for accounts payable offset	$ 249	$ 166

The accompanying notes are an integral part of these financial statements.

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

FLANDERS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED STATEMENTS

Note A. Restatement of Financial Statements

Subsequent to filing the March 31, 2010 Information and Disclosure Statement, the Company determined that its accounting for certain lease liabilities associated with facilities exited in connection with the consolidation efforts into its new Ardmore Oklahoma facility was not correct. Pursuant to Accounting Standards Codification 420 Exit or Disposal Cost Obligations, liabilities should have been recorded in the first quarter of 2010 as subleasing these facilities is not likely and therefore a liability for the remaining lease term must be recorded in the amount of approximately $2 million, effectively eliminating the lease expense for these facilities from the company's statements of operations for the remainder of the lease term. After considerable review, the company has also determined there has not been sufficient change in the external factors surrounding these leases and liabilities should have been recorded in the first quarter of 2010 at the time the Company moved substantially all the operations from those facilities into the Ardmore facility.

The description of our accounting policy for restructuring activities has been added to Note B. Note I, Restructuring and Exit Costs, has been added to disclose the actions and recorded amounts resulting from these consolidation and exit activities. As previously reported, none of these changes impact the Company's prior year's results or future cash flows.

Additionally, after a review of the Company's accounting for its percentage of completion contracts, it has been determined certain amounts recorded in its recording of the percentage of completion contracts were not recorded correctly and has accordingly increased cost of goods sold in connection with these contracts by $510 with a corresponding reduction to inventory in the March 31, 2010 financial statements.

Lastly, after a review of circumstances surrounding a set of specific transactions with a single customer, the Company determined there were amounts totaling approximately $1.1 million which should have been written off during the first quarter of 2010. This adjustment is included as a reduction in net sales for the three months ended March 31, 2010 with a corresponding reduction in trade accounts receivable.

The following table provides with explanations previously reported and the restated amounts (in thousands) described above and included in the restatements**.** Changes in other financial statement line items are a result of reclassifications and are also disclosed in the table with explanations.

(in thousands)	Previously Reported as of March 31, 2010	Restatement Adjustment	Restated as of March 31, 2010	
Changes to Consolidated Balance Sheet (assets)				
Cash	$ 485	$ (161)	$ 324	(e),(g)
Receivables: trade, net of allowance for doubtful accounts	37,621	(1,124)	36,497	(c)
Inventories	30,519	(510)	30,009	(b)
Deferred income taxes, current	2,643	316	2,959	(d)
Other current assets	8,638	618	9,256	(d)
Restricted cash	-	136	136	(e)
Property and equipment, net	71,279	(6)	71,273	(a)
Deferred income taxes, non-current	-	375	375	(d)

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

(in thousands)	Previously Reported as of March 31, 2010	Restatement Adjustment	Restated as of March 31, 2010	
Changes to Consolidated Balance Sheet (liabilities)				
Current maturity of line of credit	$ -	$ 15,993	$ 15,993	(f)
Accounts payable	25,379	7,221	32,600	(g)
Accrued expenses	14,772	(7,246)	7,526	(g)
Current portion of exit cost liability	-	796	796	(a)
Long-term debt, less current maturity	32,965	(15,993)	16,972	(f)
Long-term exit cost liability	-	1,167	1,167	(a)
Deferred income taxes, non-current	149	(91)	58	(d)
Retained earnings	3,588	(2,203)	1,385	
Changes to Consolidated Income Statement				
Net sales	49,965	(1,124)	48,841	(c)
Cost of goods sold	41,479	198	41,677	(a),(b)
Operating expenses	8,079	131	8,210	(a)
Plant consolidation and exit costs	-	2,410	2,410	(a)
Other income (expense), net	(58)	157	99	(h)
Interest income (expense), net	(506)	103	(403)	(h)
Provision (benefit) for income taxes	(61)	(1,400)	(1,461)	(d)
Net earnings (loss)	(96)	(2,203)	(2,299)	

(a) The Company recognized $2,410 of Plant consolidation and exit costs which was the result of $1,963 of total exit cost liabilities incurred, $6 of property and equipment write-off, and $441 reclassified from “Cost of goods sold” and “Operating expenses” into “Plant consolidation and exit costs” to appropriately reflect the ongoing expenses for these exited facilities as well as severance costs incurred during the first quarter of 2010.
(b) Certain percentage of completion contract amounts were not recorded correctly. The Company has revised these amounts resulting in an increase to “Cost of goods sold” in connection with these contracts by $510 and a corresponding reduction to inventory.
(c) Write-off of net sales on specific transactions with a single customer related to product returns totaling $1.1 million with a corresponding reduction to trade accounts receivable.
(d) As a result of losses resulting from the restatement transactions, the Company recognized $1,400 of benefit for income taxes on the income statement and recognized a portion of that amount totaling $782 as deferred taxes related specifically to the “Plant consolidation and exit costs” and $618 as income tax receivable.
(e) A portion of the Company’s cash is restricted to use for a specific purpose, not for immediate use, and has been segregated from operating cash.
(f) As a result of the restatement, the Company reclassified the line of credit as discussed in Note E.
(g) The Company reclassified $7,246 uninvoiced receipts from “Accrued expenses” to “Accounts payable”, offset by $25 reclassified from cash to correct its entry for book overdraft.
(h) The Company reclassified for proper presentation certain amounts from “Other income (expense), net” to other financial statement line items, including $103 interest income to “Interest income (expense), net” and $260 of loss on disposition of asset to “Operating expenses”.

The impact of all restatement items is a decrease in net income of $2.2 million in the first quarter of 2010, or $(0.08) per fully diluted share.

Note B. Nature of Business and Interim Financial Statements

Nature of business

The Company designs, manufactures and sells air filters and related products. It is focused on providing complete environmental filtration systems for uses ranging from controlling contaminants in residences and commercial office buildings through specialized manufacturing environments for semiconductors and pharmaceuticals. The Company also designs and manufactures much of its own production equipment to automate processes to decrease labor costs associated with its standard products. The vast majority of the Company's current revenues come from the sale of after-market replacement filters, since air filters are typically placed in equipment designed to last much longer than the filters.

The Company sells some products for end users outside of the United States through domestic specialty clean room contractors. These sales are accounted for as domestic sales. The Company also sells products through foreign distributors, primarily in Europe, and through a wholly-owned subsidiary, which sells to customers in the Pacific Rim. Sales through foreign distributors and its wholly owned foreign subsidiary total less than 5% of net sales. Assets held outside the United States are negligible.

The Company has one reportable segment which is air filtration systems.

Interim financial statements

The interim consolidated condensed financial statements presented herein are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly our financial position, results of operations and cash flows. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on March 23, 2010.

The results of operations and cash flows for the three months ended March 31, 2010 may not be indicative of the results that may be expected for the year ending December 31, 2010. Further, in connection with preparation of the consolidated condensed financial statements and in accordance with the recently issued Statement of Financial Accounting Standards No. 165 "Subsequent Events" (*included in Accounting Standards Codification ("ASC") 855*), the Company evaluated subsequent events after the balance sheet date of March 31, 2010 through May 17 2010.

Reclassifications

Certain items in the consolidated financial statements as of and for the year ended December 31, 2009, have been reclassified to conform to the current presentation. Such reclassifications were made to current liabilities. The Company reclassified uninvoiced receipts of $7,503 from "Accrued expenses" to "Accounts payable" and reclassified $132 from "Operating expense" to "Interest expense" for interest expenses that were initially recorded as bank fees.

For the three months ended March 31, 2009, the Company reclassified various items related to the consolidated condensed cash flow statements. These included the reclassification of "Accrued expenses" to "Accounts payable", the reclassification of "(Increase) decrease in other assets" from investing activities to operating activities, and the gross presentation of both "Payments to revolving credit agreement" and "Proceeds from revolving credit agreement" which were previously shown net in the cash flow statement.

Other comprehensive loss

Other comprehensive loss is defined as the change in equity during a period, from transactions and other events not included in net earnings, excluding changes resulting from investments by owners (e.g., supplemental stock offerings) and distributions to owners (e.g., dividends).

As of March 31 2010, accumulated comprehensive loss consisted of the following (in thousands):

Balance at December 31, 2009	$	(908)
Net change during the period related to cash flow hedges		(14)
Balance at March 31, 2010	$	(922)

Accounts receivable

The majority of the Company's accounts receivables are due from large retail, wholesale, construction and other companies. Credit is extended based on evaluation of the customers' financial condition. Accounts receivable terms are within normal time frames for the respective industries. The Company maintains allowances for doubtful accounts for estimated losses, which are reviewed regularly by management. The estimated losses are based on the aging of accounts receivable balances and historical write-off experience, net of recoveries. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Principles of consolidation

The consolidated financial statements include the accounts and operations of the Company and its subsidiaries, all of which are wholly owned. All intercompany transactions and balances are eliminated in consolidation.

Derivative financial instruments

The Company has limited involvement with derivative financial instruments. The Company has three interest-rate swap agreements to hedge against the potential impact on earnings from increases in market interest rates of two variable rate bonds and one variable rate note. Under the interest rate swap agreements for the bonds, we receive or make payments on a monthly basis, based on the differential between 5.49% and a tax exempt interest rate as determined by a remarketing agent. Under the interest rate swap agreement for the note, we receive or make payments on a monthly basis, based on the differential between 5.86% and LIBOR plus 1.75%. These interest rate swaps are accounted for as a cash flow hedge in accordance with FASB authoritative guidance. Gains or losses related to inefficiencies of the cash flow hedge were included in net income during the period related to hedge ineffectiveness. The tax affected fair market value of the interest rate swaps of $922 is included in “Accumulated other comprehensive loss” on the balance sheet. This fair value was determined using level 2 inputs as defined in FASB authoritative guidance. The interest rate swap contracts on the bonds expire in 2013 and 2015 and the interest rate swap on the note expires in 2013.

Revenue recognition

The Company’s products are sold with terms and conditions, which vary depending on particular business environments in which the Company operates. The standard policy of the Company is to recognize revenue in accordance with accounting principles generally accepted in the United States of America; specifically SAB Topic 13A (included *in Accounting Standards Codification (“ASC”) 605*).

Generally, sales are recognized when shipments are made to customers. Rebates, allowances for damaged goods and other advertising and marketing program rebates, are accrued pursuant to contractual provisions and included in accrued expenses. An insignificant amount of our revenues fall under the percentage-of-completion method of accounting used for long-term contracts. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

Restructuring

From time to time, the Company engages in actions associated with cost reduction initiatives. The Company's restructuring actions require significant estimates including: (a) expenses for severance and other employee separation costs, (b) remaining lease obligations, including sublease income, and (c) other exit costs. The Company has accrued amounts that it believes are its best estimates of the obligations it expects to incur in connection with these actions, but these estimates are subject to change due to market conditions and final negotiations. Should the actual amounts differ from the originally estimated amounts, earnings could increase or decrease.

Stock Options and Warrants

The following table summarizes the activity related to all Company stock options and warrants for the three months ended March 31, 2010 and the year ended December 31, 2009:

	Warrants	Options	Exercise Price per Share		Weighted Average Exercise Price per Share	
	(thousands)	(thousands)	Warrants	Options	Warrants	Options
Outstanding at January 1, 2009	15	2,905	4.69 - 4.69	$2.50 - 11.72	$ 4.69	$ 5.29
Granted	-	15	-	4.60 - 4.60	-	4.60
Exercised	-	(1,000)	-	2.50 - 2.50	-	2.50
Canceled or expired	-	(60)	-	5.21 - 8.60	-	7.47
Outstanding at December 31, 2009	15	1,860	4.69 - 4.69	4.37 - 11.72	4.69	6.71
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Canceled or expired	-	(30)	-	9.03 - 11.01	-	9.36
Outstanding at March 31, 2010	15	1,830	4.69 - 4.69	4.37 - 11.72	$ 4.69	$ 6.67

The options expire at various dates ranging through January 2019.

Share-Based Compensation

As of March 31, 2010, there was no unrecognized stock-based compensation expense related to non-vested stock options.

The aggregate intrinsic value of options outstanding at March 31, 2010, based on the Company's closing stock price of $3.80 as of the last business day of the period ended March 31, 2010, which would have been received by the optionees had all options been exercised on that date was $0. The aggregate intrinsic value of options exercisable at March 31, 2010, based on the Company's closing stock price of $3.80 as of the last business day of the period ended March 31, 2010, which would have been received by the optionees had all options exercisable been exercised on that date was $0. There were no options exercised during the three months ended March 31, 2010. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the options.

Options on 1,830 shares of common stock were not included in computing diluted EPS for the quarter period ended March 31, 2010, because their effects were anti-dilutive.

Additionally, during the quarter ended March 31, 2010, the Company issued 312,500 as compensation to members of management resulting in a noncash expense of $1.0 million.

Impact of Recently Issued Accounting Pronouncements

In June 2009, the FASB issued SFAS 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" (now known as ASC 105-10). ASC 105-10 provides for the FASB Accounting Standards Codification (the "Codification") to become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification did not change GAAP but reorganizes the literature. ASC 105-10 is effective for interim and annual periods ending after September 15, 2009.

In February 2010, the FASB amended guidance that required an entity to disclose the date through which it had evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. This amendment was effective immediately. The adoption of the guidance did not have a material impact on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Note C. Inventories

Inventories consist of the following at March 31, 2010 and December 31, 2009 (in thousands):

	3/31/2010 restated	12/31/2009
Finished goods	$ 12,911	$ 12,027
Work in progress	1,775	1,373
Raw materials	15,323	16,015
	$ 30,009	$ 29,415

Note D. Notes Receivable and Other Assets

Notes Receivable and Other assets consist of the following at March 31, 2010 and December 31, 2009 (in thousands):

	3/31/2010	12/31/2009
Other assets	$ 1,712	$ 1,081
Notes receivable	16,408	16,430
	$ 18,120	$ 17,511

The Company has $16.4 million in notes receivable from various parties relating from the sale of businesses, real estate or equipment unrelated to the Company's core business of manufacturing and marketing air filters and air filtration products. The carrying value of the notes receivable approximate fair market value and the company believes that all notes are collectible as of March 31, 2010.

Note E. Pledged Assets and Debt

As of March 31, 2010, the Company's total obligations to Bank of America were approximately $16 million. During September 2009, the Company entered into an amendment to the credit facility with its bank. The current revolving credit agreement with the bank provides a maximum line of credit of $36 million (subject to availability) and bears interest at (i) LIBOR plus 3.75%; or (ii) the bank's base rate plus 2.75%. The revolving credit agreement is part of a combined facility with a bank that also includes a $12 million facility to guarantee letters of credit. The line of credit is due in 2011. The combined facility is collateralized by substantially all of the Company's assets and restricts capital expenditures, payment of dividends and share repurchases. As of March 31, 2010, events of default existed under the revolving credit agreement as the Company was not in compliance with the minimum fixed charge coverage ratio and certain other covenants. These events of default remain uncured but the current lender has not accelerated or demanded payment of the debt. The Company is in the process of refinancing the credit facility with another lender. If we are unable to refinance or restructure this credit facility, or if BOA were to accelerate obligations under this credit facility, we will be forced to reduce and delay capital expenditures and business acquisitions, sell assets, restructure or refinance our indebtedness, sell additional equity securities, which could result in dilution to existing shareholders, and decline certain business opportunities from customers. Our failure to refinance or restructure our arrangements with BOA could have a material adverse impact on our future operations. The credit facility is classified as a current liability as of March 31, 2010.

The company also has debt to a regional development authority with certain restrictive covenants. As a result of the reclassification of the credit facility from non-current to current classification in the consolidated balance sheet, the Company is in violation of one of its financial ratio covenants. The loan agreement stipulates a cure period during which time the Company is intending to remedy the violation; therefore, in accordance with ASC 470-10-45-11, the Company has classified the debt with the regional development authority as non-current.

Note F. Income Taxes

During 2009, we settled IRS audits for the years 2002 to 2006. This settlement of these audits resulted in a decrease of our federal unrecognized tax benefits by $4.7 million. In addition, our unrecognized tax benefit for state tax decreased by $.5 million due to the settlement of the IRS audits.

The Company is under examination, or may be subject to examination, by the Internal Revenue Service ("IRS") for calendar years 2006 through 2008. We are under examination, or may be subject to examination, in the following major jurisdictions for the years specified: Mexico for 2004 through 2008, Singapore for 2002 through 2008, Florida for 2002 through 2008, and North Carolina for 2002 to 2008. These liabilities have been included in the Company's FIN 48 (also known as ASC 740) liability which is included in other current liabilities.

Note G. Litigation

From time to time, the Company is a party to various legal proceedings incidental to our business. None of these proceedings are material to our business, operations or financial condition. In the opinion of management, although the outcome of any legal proceeding cannot be predicted with certainty, the ultimate liability of the Company in connection with its legal proceedings will not have a material adverse effect on the Company's financial position, but could be material to the results of operations in any one future accounting period.

Note H. Sale Leaseback of Property and Related Party Transactions

In August 2008, the Company sold its Bartow property to Wal-Pat II, LLC, a related party. The property was sold for $3.7 million and part of the proceeds was used to pay down approximately $1.8 million of the existing debt on this property. The Company has recorded a deferred gain of $1.4 million on the sale which will be amortized to rent expense over the lease term of 10 years.

During the second quarter 2009, the Company purchased a building in Folcroft, Pennsylvania from Wal-Pat II, LLC by assuming a note payable for $1.5 million. Wal-Pat II, LLC is a related entity owned by Robert R. Amerson. Mr. Amerson is our former CEO and former Chairman of our Board of Directors and beneficially owns approximately 25.2% of our outstanding common shares as of March 31, 2010.

During the third quarter 2009, the Company purchased a building in Rosenburg, Texas from Wal-Pat III, LLC by assuming a note payable for $3.4 million from Wal-Pat III, LLC and by providing another note payable to Wal-Pat III, LLC for another $1.2 million. The note payable to Wal-Pat III, LLC was repaid in January 2010.

During the first quarter of 2010, the Company entered into a long term lease of a manufacturing facility in Ardmore, Oklahoma. The property is leased from National Warehouse Leasing, a related party owned by Harry L. Smith, Jr.

This facility is intended to replace the Company's manufacturing capacity previously located in four separate facilities in Texas and Mexico.

The above terms and amounts are not necessarily indicative of the terms and amounts that would have been incurred had comparable transactions been entered into with independent parties.

Note I. Restructuring and Exit Costs

As part of management's business strategy to improve performance and better position the Company for longer-term profitable growth, management, from time to time, alters its business model to better serve customer demand, and rationalize and consolidate manufacturing capacity. Management's facility consolidation, restructuring and integration decisions are based, in part, on cash flows analysis to achieve these goals.

As a result of management's strategic review process, the Company initiated plans in 2010 to consolidate its manufacturing and administrative operations and dispose of non-strategic assets in order to provide long-term cost savings by reducing its fixed-cost structure:

Ardmore, Oklahoma consolidation: During the first quarter of 2010, the Company commenced plans to consolidate filter manufacturing previously carried out in four facilities located in Dallas, Texas, Brownsville, Texas and two facilities in Matamoros Mexico into a single facility in Ardmore, Oklahoma. This plant consolidation effort is expected to be completed in the third quarter of 2010.

Administrative offices: Management completed its consolidation of administrative facilities during the first quarter of 2010, closing both the Tampa, Florida office and the former corporate headquarters in St. Petersberg, Florida consolidating those operations into the Company's new corporate offices in Washington, North Carolina.

Bath, North Carolina: The Company's Bath, North Carolina facility was also closed during the first quarter of 2010, its operations consolidated into its facility in Washington, North Carolina.

As a result of these actions, management recorded net plant consolidation and exit costs charges of $2.4 million through March 31, 2010. The charges have been computed based on the present value of future obligations under operating leases, as well as severance and other employee benefits based on existing severance policies and local laws and other estimated exit costs, and our estimate of the realizable value of the affected tangible assets.

Impairments of long-lived assets, which represent non-cash asset write-downs, typically arise from business restructuring decisions that lead to the disposition of assets no longer required in the restructured business. For these situations, the Company recognizes a loss when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Fair values for assets subject to impairment testing are determined primarily by management, taking into consideration various factors including third-party appraisals, quoted market prices and previous experience. If an asset remains in service at the decision date, the asset is written down to its fair value and the resulting net book value is depreciated over its remaining economic useful life. When the Company commits to a plan to sell an asset, including the initiation of a plan to locate a buyer, and it is probable that the asset will be sold within one year based on its current condition and sales price, depreciation of the asset is discontinued and the asset is classified as an asset held for sale. The asset is written down to its fair value less any selling costs.

Liabilities for exit costs, including, among other things, severance, other employee benefit costs and operating lease obligations on idle facilities, are measured initially at their fair value and recorded when incurred. The Company has reported restructuring and exit activities based on the specific driver of the cost and reflected the expense in the accounting period when the cost has been committed or incurred.

The following table summarizes the 2010 charges taken for plant restructuring, exit and impairment charges related to actions initiated in 2010. The accrued amounts remaining as of March 31, 2010, are broken out to show the current and long term requirements to satisfy the remaining obligations.

(in thousands)	Costs Recognized and Accrued in 2010	Payments / Amortized	Accrued as of March 31, 2010
Employee termination and other benefits	$ 158	$ 158	$ -
Consolidation of manufacturing footprint	228	228	-
Asset dispositions	6	6	-
Operating lease liability	2,018	55	1,963
	$ 2,410	$ 447	$ 1,963

Item 4. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussions should be read in conjunction with our Consolidated Condensed Financial Statements presented in "Item 3 – Financial Statements" and our audited financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our report on Form 10-K for the year ended December 31, 2009. The information set forth in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes forward-looking statements that involve risks and uncertainties. Many factors, including those discussed below under "Outlook," could cause actual results to differ materially from those contained in the forward-looking statements below.

Overview

We design, manufacture and market air filters and related products, and are focused on providing complete 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. Currently, we believe, based on available trade and industry data, that we are one of the largest domestic manufacturers of air filters that are utilized by many industries including those associated with commercial and residential heating, ventilation and air conditioning systems (commonly known as "HVAC" systems), semiconductor manufacturing, ultra-pure materials, chemical, biological, radiological and materials processing, biotechnology, pharmaceuticals, synthetics, nuclear power and nuclear materials processing. We also design and manufacture much of our own production equipment to automate our processes in order to decrease labor costs associated with our standard products. Our customers include Texas Instruments, The Home Depot, Inc., Lowe's, Glaxo, Merck & Co., Inc., Upjohn Co., Wal-Mart Stores, Inc., Westinghouse Electric Corp., Ace, True Value, Intel, etc.

The majority of our revenues come from the sale of after-market replacement filters, since air filters are typically placed in equipment designed to last much longer than the filters.

Critical Accounting Policies

The following discussion and analysis is based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, and assets and liabilities during the periods reported. Estimates are used when accounting for certain items such as revenues, allowances for returns, early payment discounts, customer discounts, doubtful accounts, employee compensation programs, depreciation and amortization periods, taxes, inventory values, insurance programs, and valuations of investments, goodwill, other intangible assets and long-lived assets. We base our estimates on historical experience, where applicable and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. We believe that the following critical accounting policies affect our more significant judgments and estimates used in preparation of our consolidated financial statements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on the aging of our accounts receivable balances and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate, additional allowances may be required.

We maintain an allowance for estimated losses on our notes receivables based on the inability of the payor's to meet the note obligations scheduled payments due.

We value our inventories at the lower of cost or market. We write down inventory balances for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Estimates of our insurance costs are developed by management's evaluation of the likelihood and probable amount of potential claims based on historical experience and evaluation of each claim. Changes in the key assumptions may occur in the future, which would result in changes to related insurance costs.
Poor operating performance of the business activities related to intangible assets or long-lived assets could result in future cash flows of these assets declining below carrying values, which could require a write-down of the carrying value of these assets, which would adversely affect operating results.

Generally, sales are recognized when shipments are made to customers. Rebates, allowances for damaged goods and other advertising and marketing program rebates are accrued pursuant to contractual provisions and included in accrued expenses. An insignificant amount of our revenues fall under the percentage-of-completion method of accounting used for long-term contracts. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

Results of Operations for Three Months Ended March 31, 2010 Compared to March 31, 2009

The following table summarizes our results of operations as a percentage of net sales for the three months ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31,			
	2010 Restated		2009	
Net sales	$ 48,841	100.0%	$ 48,020	100.0%
Gross profit	7,164	14.7	9,905	20.6
Operating expenses	8,210	16.8	7,403	15.4
Plant consolidation and exit costs	2,410	-	-	-
Operating income (loss)	(3,456)	(7.1)	2,502	5.2
Nonoperating income (expense), net	(304)	(0.6)	355	0.7
Provision (benefit) for income taxes	(1,461)	(3.0)	1,057	2.2
Net earnings (loss)	(2,299)	(4.7)	1,800	3.7

Net sales: Net sales for the first quarter of 2010 increased by $821, or 1.7%, to $48,841 from $48,020 for the first quarter of 2009. Sales were up during the first quarter of 2010 compared to the first quarter of 2009 due to improvements in certain channels of the Company's commercial and industrial markets.

Gross profit: Gross profit for the first quarter of 2010 decreased by $2,741, or 27.7%, to $7,164, which represented 14.7% of net sales, from $9,905, which represented 20.6% of net sales for the first quarter of 2009. The gross profit decreased during the first quarter of 2010 due primarily to a $1.1 million write off on specific transactions from a single customer, pricing pressure in the Company's commercial and industrial markets and lower than anticipated volume in the retail distribution channel partially offset by decreases in the pricing of the Company's raw materials.

Operating expenses: Operating expenses for the first quarter of 2010 increased by $807 or 10.9%, to $8,210, representing 16.8% of net sales, from $7,403, representing 15.4% of net sales, for the first quarter of 2009. The increase in operating expenses is due to $1.0 million of stock compensation expense and a $270 increase in outbound freight costs.

Plant consolidation and exit costs: Plant consolidation and exit costs for the first quarter of 2010 were $2,410 which included $158 for severance costs, $6 for write down of property and equipment, $228 for ongoing costs and expenses such as rents, property taxes, insurance and utilities, and $2,018 for operating lease liabilities related to the exited facilities.

Nonoperating income (expense), net: Net nonoperating income (expense) for the first quarter of 2010 decreased by $659, to a loss of $304 representing (0.6%) of net sales, from $355 representing 0.7% of net sales for the first quarter of 2009 due to a loss on the sale of real estate of approximately $384 and an increase in interest expense in 2010.

Provision (benefit) for income taxes: Our effective state and federal tax rate, adjusted for the effect of certain credits and adjustments, was approximately 39% and 37% for 2010 and 2009, respectively.

Use of Non-GAAP Measures for Measuring Quarterly Results

Management uses some measures not in accordance with generally accepted accounting principles (GAAP) to evaluate the results of the company's operations and believes earnings before interest, taxes, certain noncash and nonoperating expenses, extraordinary items, depreciation and amortization (EBITDA) provides a useful measure of operations. The measurement is used in concert with net income and cash flows from operating activities, which measure actual cash generated in the period. In addition, we believe EBITDA is a supplemental measurement tool used by analysts and investors to help evaluate overall operating performance and the ability to incur and service debt and make capital expenditures. EBITDA does not represent funds available for the our discretionary use and is not intended to represent or to be used as a substitute for net income or cash flows from operating activities data as measured under U.S. generally accepted accounting principles ("GAAP"). The items excluded from EBITDA but included in the calculation of the Corporation's reported net income and cash flows from operating activities are significant components of the accompanying consolidated income statements and cash flows, and must be considered in performing a comprehensive assessment of overall financial performance. Our calculation of EBITDA may not be consistent with calculations of EBITDA used by other companies. The following is a reconciliation of the Corporation's net earnings to EBITDA:

(in thousands)	Three months ended March 31, 2010 Restated	Three months ended March 31, 2009
Net earnings (loss)	$ (2,299)	$ 1,800
Noncash stock compensation expense	1,016	-
Loss on sale of real estate	384	-
Interest expense, net	403	399
Taxes	(1,461)	1,057
Plant consolidation and exit costs	2,410	-
Depreciation and amortization	1,532	1,367
EBITDA	$ 1,984	$ 4,623

Liquidity and Capital Resources

Our working capital was approximately $20,782 at March 31, 2010, compared to approximately $39,705 at December 31, 2009. This includes cash and cash equivalents of $324, at March 31, 2009 and $260 at December 31, 2009.

Our trade receivables increased $3,338, or 10.1% to $36,497 at March 31, 2010, from $33,159 at December 31, 2009 due to the timing of sales during the first quarter of 2010. Trade receivables are typically higher during the second and third quarters due to higher sales volume due to increased demand during the warmer months of the year.

Inventories increased $594, or 2.0%, to $30,009 at March 31, 2010 from $29,415 at December 31, 2009. The increase in inventory was primarily due to the seasonal increase in raw materials as the company prepares for the peak demand during the warmer months.

Our continuing operations generated $3,816 and $1,873 of cash during the first quarter of 2010 and 2009, respectively. The increase in cash flows from operating activities was primarily due to an increase in accounts payable partially offset by a decrease in accrued expenses.

Our financing activities used $1,584 of cash during the first quarter of 2010, primarily consisting of payments on long term borrowings and the repurchase of stock. Our investing activities used $2,168 of cash during the first quarter of 2010, primarily due to purchase of property and equipment.

The Company's revolving credit agreement provides a maximum line of credit of $36 million (subject to availability) and bears interest at (i) LIBOR plus 3.75%; or (ii) the bank's base rate plus 2.75%. The revolving credit agreement is part of a combined facility with a bank that also includes a $12 million facility to guarantee letters of credit. The line of credit is due in October 2011. The combined facility is collateralized by substantially all of the Company's assets and restricts capital expenditures, payment of dividends and share repurchases.

In connection with the working capital credit facility and notes payable to a regional development authority and bank, the Company and its majority owned subsidiaries have agreed to certain restrictive covenants which include, among other things, not paying dividends or repurchasing its stock without prior written consent, and maintenance of certain financial ratios at all times including: a minimum current ratio, minimum tangible net worth, a maximum ratio of total liabilities to tangible net worth and a minimum fixed charge coverage ratio. As of March 31, 2010, the Company is in violation of one of its financial ratio covenants in regard to the note payable to a regional development authority, and is currently in the cure period during which time the Company is proceeding with reasonable diligence to remedy the violation. As of March 31, 2010, events of default existed under the revolving credit agreement as the Company was not in compliance with the minimum fixed charge coverage ratio and certain other covenants. These events of default remain uncured but the current lender has not accelerated or demanded payment of the obligations. We are attempting to refinance our obligations under the revolving credit agreement. If we are unable to refinance or restructure this credit facility, or if obligations under this credit facility were to accelerate, we will be forced to reduce and delay capital expenditures and business acquisitions, sell assets, restructure or refinance our indebtedness, sell additional equity securities, which could result in dilution to existing shareholders, and decline certain business opportunities from customers. Our failure to refinance or restructure our existing arrangements could have a material adverse impact on our future operations.

We believe that our cash on hand, cash generated by operations, and cash available from our existing credit facility is sufficient to meet the capital demands of our current operations during the 2010 fiscal year. Any major increases in sales, particularly in new products, may require substantial capital investment for the manufacture of filtration products. Failure to obtain sufficient capital could materially adversely impact our growth potential.

Off Balance Sheet Arrangements

As of March 31, 2010, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Outlook

During the past three years, we have captured additional market share among “big box” retailers such as The Home Depot, Lowe’s and Wal-Mart, capitalizing on our ability to service national accounts from regional distribution centers. We anticipate additional market gains among these types of retailers during the next two years and are introducing new products focused on their marketing and end-user requirements. Sales to these retail outlets, while seasonal, also tend to follow progress in the overall economy. Additional gains in market share in this market may not have a significant impact on revenues without some recovery in the overall U.S. economy. Additionally, significant revenue enhancement to these customers is largely dependent upon the success of the new products we are introducing to this marketplace.

We have adapted our biocontainment products for use as part of a system for hardening government buildings, commercial office complexes and public venues against airborne bioweapons such as anthrax and smallpox. There is currently an increase of interest in these products over the past quarter. Any interest towards hardening these types of facilities against airborne bioweapons could have a significant impact on our business.

Sales of air filtration products for semiconductor facilities, historically a major market, are expected to begin recovery during 2010 with continued improvement during 2011.

We have collected data that indicates that residential filter users replace their filters, on average, approximately one and a half times per year. Manufacturers of residential furnace and air conditioning systems recommend that these filters be changed every month. A minor trend toward increased maintenance of these residential heating and cooling systems could have a positive impact on our business.

Our most common products, in terms of unit and dollar volume, are residential throw-away spun-glass filters, which usually sell for prices under $1.00. Any increase in consumer concern regarding air pollution, airborne pollens, allergens, and other residential airborne contaminants could result in replacement of some of these products with higher value products. Our higher value products include our NaturalAire® higher-efficiency filters for residential use with associated sales prices typically over $5.00 each. Any such trend would have a beneficial effect on our business.

We believe there is currently a gradually increasing public awareness of the issues surrounding indoor air quality and that this trend will continue for the next several years. We also believe there is an increase in public concern regarding the effects of indoor air quality on employee productivity, as well as an increase in interest by standards-making bodies in creating specifications and techniques for detecting, defining and solving indoor air quality problems. We further believe there will be an increase in interest in our Absolute Isolation Barriers in the future because these products may be used in both semiconductor and pharmaceutical manufacturing plants to prevent cross-contamination between different lots and different processes being performed at the same facility. These products also increase production yields in many applications.

Currently, the largest domestic market for air filtration products is for mid-range ASHRAE-rated products and HVAC systems, typically used in commercial and industrial buildings. To date, our penetration of this market has been relatively small. We believe our ability to offer a "one stop" supply of air filtration products to HVAC distributors and wholesalers may increase our share of this market. We also believe that our recently developed modular air handlers and environmental tobacco smoke systems will enable us to expand sales to these customers. We intend our new products to serve as high profile entrants with distributors and manufacturers' representatives, who can then be motivated to carry our complete product line.

We have continually looked for cost reductions in our products. During the past five years, we have continued to complete the development and redesigning of numerous systems and products which were only partially completed when we acquired the companies which originally claimed to have fully developed them. These products include the automated machinery necessary for high-speed production of our pleated filters, acquired with Precisionaire, and the mass-production processes for bonded carbon high-mass zero-density products.

This Outlook section, and other portions of this document, include certain "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including, among others, those statements preceded by, following or including the words "believe," "expect," "intend," "anticipate" or similar expressions. These forward-looking statements are based largely on the current expectations of management and are subject to a number of assumptions, risks and uncertainties. Our actual results could differ materially from these forward-looking statements. Important factors to consider in evaluating such forward-looking statements include those discussed in Item 1A. Risk Factors as well as:

- the shortage of reliable market data regarding the air filtration market,
- changes in external competitive market factors or in our internal budgeting process which might impact trends in our results of operations,
- anticipated working capital or other cash requirements,
- changes in our business strategy or an inability to execute our strategy due to unanticipated changes in the market,
- product obsolescence due to the development of new technologies, and
- various competitive factors that may prevent us from competing successfully in the marketplace.

In light of these risks and uncertainties, there can be no assurance that the events contemplated by the forward-looking statements contained in this statement will in fact occur.

Item 5. Legal Proceedings

From time to time, the Company is a party as plaintiff or defendant to various legal proceedings related to our normal business operations. In the opinion of management, although the outcome of any legal proceeding cannot be predicted with certainty, the ultimate liability of the Company in connection with its legal proceedings will not have a material adverse effect on the Company's financial position, but could be material to the results of operations in any one future accounting period. The Company makes appropriate reserves for litigation, even if not material. Defense costs are expensed as incurred.

Item 6. Defaults on Senior Securities

None.

Item 7. Other Information

Departure and Election of Directors

On March 31, 2010 Robert Amerson, 60, announced his retirement from the Board of Directors. Additionally, on March 31, 2010, Charlie Lee Tingen Jr., Phil Hodges, Wesley M. Measamer and John Oakley were nominated to fill open seats on the Board.

Charlie Lee Tingen Jr., 40, is a Senior Financial Advisor with Bengala and Tingen, a financial advisory practice of Ameriprise Financial Services, Inc. since 1995. Prior to providing 15 years of analysis and financial planning to individuals and businesses, Tingen was a loan officer with BB&T Corporation. Tingen received a Bachelor of Science degree from East Carolina University in 1992.

Wesley M. Measamer CPA, 39, is president of Wesley M. Measamer, CPA PA. Measamer has provided full service accounting services for 15 years to businesses within several industries including manufacturing and retail. Measamer is licensed with the NC State Board of Certified Public Accountants and holds a Bachelor of Science in Accounting and Master of Business Administration from East Carolina University.

Phil Hodges, 53, is the founder of Metrics, Inc., a contract pharmaceutical development company based in Greenville NC and currently serves as its President and CEO. Prior to Metrics, Hodges spent 12 years with Burroughs Wellcome Corporation in its analytical development laboratories. Hodges holds a Bachelor of Science in Chemistry and a Master of Science in Analytical Chemistry from East Carolina University.

John Oakley, 42, Flanders' President and Chief Financial Officer, joined the company in December 2008. With over 18 years of experience in finance and operations he most recently served as Chief Financial Officer of Nexxus Lighting, Inc. prior to joining Flanders. Previously, he held several posts of increasing responsibility with Home Meridian International including Chief Financial Officer and served as a member of the board of directors. Oakley holds a Bachelor of Science degree in Accounting from the University of North Carolina at Charlotte.

Tingen, Measamer and Hodges are considered "independent" Directors which brings the total of "independent" Directors to five of our seven member Board.

Item 8. Exhibits

None.

Item 9. Issuer's Certifications

Please see Exhibits 9A and 9B included at the end of this information and disclosure statement.

FLANDERS CORPORATION
INFORMATION AND DISCLOSURE STATEMENT
RESTATED FOR THE QUARTER ENDED MARCH 31, 2010

Exhibit 9A

Certification of Chief Executive Officer

I, Harry Smith, Chief Executive Officer and Chairman of the Board of Directors of Flanders Corporation, (the "Company), certify that:

1. I have reviewed this quarterly information and disclosure statement of the Company for the period ended March 31, 2010;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

December 17, 2010

<u>/s/ Harry Smith</u>
Harry Smith
Chief Executive Officer and Chairman of the Board of Directors

Exhibit 9B

Certification of Chief Financial Officer

I, John Oakley, Chief Financial Officer, President, and Director of Flanders Corporation, (the "Company), certify that:

1. I have reviewed this quarterly information and disclosure statement of the Company for the period ended March 31, 2010;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

December 17, 2010

/s/ John Oakley
John Oakley
Chief Financial Officer, President, and Director