KADANT INC
Form 10-Q
May 13, 2009

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 4, 2009

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 1-11406

KADANT INC.
(Exact name of registrant as specified in its charter)

Delaware	52-1762325
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

One Technology Park Drive	
Westford, Massachusetts	01886
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (978) 776-2000

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 x 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.

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 29, 2009
Common Stock, $.01 par value	12,264,997

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

KADANT INC.

Condensed Consolidated Balance Sheet
(Unaudited)

Assets

(In thousands)		April 4, 2009		January 3, 2009
Current Assets:				
Cash and cash equivalents	$	46,914	$	40,139
Accounts receivable, less allowances of $2,944 and $2,985		35,744		54,517
Inventories (Note 4)		45,686		55,762
Unbilled contract costs and fees		11,327		9,631
Other current assets		12,894		16,434
Assets of discontinued operation		517		524
Total Current Assets		153,082		177,007
Property, Plant, and Equipment, at Cost		100,436		103,225
Less: accumulated depreciation and amortization		59,236		61,587
		41,200		41,638
Other Assets		42,728		43,242
Goodwill		93,537		95,030
Total Assets	$	330,547	$	356,917

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

KADANT INC.

Condensed Consolidated Balance Sheet (continued)
(Unaudited)

Liabilities and Shareholders' Investment

(In thousands, except share amounts)	April 4, 2009	January 3, 2009
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations (Note 6)	$ 2,185	$ 3,289
Accounts payable	17,121	24,212
Accrued payroll and employee benefits	9,995	14,475
Customer deposits	7,090	11,747
Other current liabilities	24,216	22,840
Liabilities of discontinued operation	2,427	2,427
Total Current Liabilities	63,034	78,990
Other Long-Term Liabilities	30,566	31,412
Long-Term Obligations (Note 6)	51,985	52,122
Shareholders' Investment:		
Preferred stock, $.01 par value, 5,000,000 shares authorized; none issued	–	–
Common stock, $.01 par value, 150,000,000 shares authorized; 14,624,159 shares issued	146	146
Capital in excess of par value	93,500	92,916
Retained earnings	149,657	152,548
Treasury stock at cost, 2,359,162 and 2,074,362 shares	(49,493)	(46,707)
Accumulated other comprehensive items (Note 2)	(10,481)	(6,188)
Total Kadant Shareholders' Investment	183,329	192,715
Noncontrolling interest	1,633	1,678
Total Shareholders' Investment	184,962	194,393
Total Liabilities and Shareholders' Investment	$ 330,547	$ 356,917

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

KADANT INC.

Condensed Consolidated Statement of Operations
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended April 4, 2009	Three Months Ended March 29, 2008
Revenues	$ 64,957	$ 85,864
Costs and Operating Expenses:		
Cost of revenues	40,317	51,804
Selling, general, and administrative expenses	22,205	25,369
Research and development expenses	1,470	1,608
Restructuring costs and other income, net	757	(473)
	64,749	78,308
Operating Income	208	7,556
Interest Income	207	541
Interest Expense	(813)	(595)
(Loss) Income from Continuing Operations Before Provision for Income Taxes	(398)	7,502
Provision for Income Taxes	2,464	2,288
(Loss) Income from Continuing Operations	(2,862)	5,214
Loss from Discontinued Operation (net of income tax benefit of $3 and $3)	(4)	(4)
Net (Loss) Income	(2,866)	5,210
Net Income Attributable to Noncontrolling Interest	(25)	(97)
Net (Loss) Income Attributable to Kadant	$ (2,891)	$ 5,113
Amounts Attributable to Kadant:		
(Loss) Income from Continuing Operations	$ (2,887)	$ 5,117
Loss from Discontinued Operation	(4)	(4)
Net (Loss) Income Attributable to Kadant	$ (2,891)	$ 5,113
(Loss) Earnings per Share from Continuing Operations (Note 3):		
Basic	$ (.23)	$ .36
Diluted	$ (.23)	$ .36
(Loss) Earnings per Share Attributable to Kadant (Note 3):		
Basic	$ (.23)	$ .36
Diluted	$ (.23)	$ .36

Weighted Average Shares (Note 3):		
Basic	12,506	14,167
Diluted	12,506	14,273

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

KADANT INC.

Condensed Consolidated Statement of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended April 4, 2009	March 29, 2008
Operating Activities:		
Net (loss) income attributable to Kadant	$ (2,891)	$ 5,113
Net income attributable to noncontrolling interest	25	97
Loss from discontinued operation	4	4
(Loss) income from continuing operations	(2,862)	5,214
Adjustments to reconcile (loss) income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	1,843	1,858
Stock-based compensation expense	683	731
Gain on the sale of property, plant, and equipment	(11)	(652)
Provision for losses on (recovery of) accounts receivable	528	(6)
Other, net	(981)	289
Changes in current accounts, net of effects of acquisition:		
Accounts receivable	17,348	8,265
Unbilled contract costs and fees	(2,032)	521
Inventories	9,020	(4,489)
Other current assets	2,808	(280)
Accounts payable	(6,463)	444
Other current liabilities	(6,114)	(5,567)
Net cash provided by continuing operations	13,767	6,328
Net cash provided by discontinued operation	3	3
Net cash provided by operating activities	13,770	6,331
Investing Activities:		
Purchases of property, plant, and equipment	(1,157)	(1,610)
Acquisition	–	(1,197)
Proceeds from sale of property, plant, and equipment	31	887
Other, net	–	7
Net cash used in continuing operations for investing activities	(1,126)	(1,913)
Financing Activities:		
Proceeds from issuance of long-term obligations	17,000	28,000
Repayments of long-term obligations	(18,224)	(25,974)
Purchases of Company common stock	(3,341)	(12,004)
Proceeds from issuances of Company common stock	–	725
Other, net	6	(617)
Net cash used in continuing operations for financing activities	(4,559)	(9,870)
Exchange Rate Effect on Cash and Cash Equivalents	(1,310)	2,426

Increase (Decrease) in Cash and Cash Equivalents	6,775	(3,026)
Cash and Cash Equivalents at Beginning of Period	40,139	61,553
Cash and Cash Equivalents at End of Period	$ 46,914	$ 58,527
Non-cash Financing Activities:		
Issuance of Company common stock	$ 39	$ 122

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

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. General

The interim condensed consolidated financial statements and related notes presented have been prepared by Kadant Inc. (also referred to in this document as "we," "Kadant," "the Company," or "the Registrant"), are unaudited, and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the Company's financial position at April 4, 2009, and its results of operations and cash flows for the three-month periods ended April 4, 2009 and March 29, 2008. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated balance sheet presented as of January 3, 2009, has been derived from the consolidated financial statements that have been audited by the Company's independent registered public accounting firm. The condensed consolidated financial statements and related notes are presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and related notes of the Company. The condensed consolidated financial statements and notes included herein should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009, filed with the Securities and Exchange Commission.

Certain prior-period amounts have been reclassified to conform to the 2009 presentation, including the adoption of a new accounting standard. See Note 16 for further information.

2. Comprehensive (Loss) Income

Comprehensive (loss) income attributable to Kadant combines net (loss) income, other comprehensive items, and comprehensive income (loss) attributable to noncontrolling interest. Other comprehensive items represent certain amounts that are reported as components of shareholders' investment in the accompanying condensed consolidated balance sheet, including foreign currency translation adjustments, deferred gains and losses and unrecognized prior service loss associated with pension and other post-retirement plans, and deferred gains and losses on hedging instruments. The components of comprehensive (loss) income attributable to Kadant are as follows:

(In thousands)	Three Months Ended April 4, 2009	Three Months Ended March 29, 2008
Net (Loss) Income	$ (2,866)	$ 5,210
Other Comprehensive Items:		
Foreign Currency Translation Adjustment	(4,257)	7,874
Pension and Other Post-Retirement Liability Adjustments, net (net of income tax of $21 and $54 in 2009 and 2008, respectively)	(41)	(95)
Deferred (Loss) Gain on Hedging Instruments (net of income tax of $98 and $61 in 2009 and 2008, respectively)	(65)	238
	(4,363)	8,017
Comprehensive (Loss) Income	(7,229)	13,227

Comprehensive Income (Loss) Attributable to Noncontrolling Interest		45		(226)
Comprehensive (Loss) Income Attributable to Kadant	$	(7,184)	$	13,001

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

3. (Loss) Earnings per Share

Basic and diluted (loss) earnings per share are calculated as follows:

(In thousands, except per share amounts)	Three Months Ended April 4, 2009	March 29, 2008
Amounts Attributable to Kadant:		
(Loss) Income from Continuing Operations	$ (2,887)	$ 5,117
Loss from Discontinued Operation	(4)	(4)
Net (Loss) Income	$ (2,891)	$ 5,113
Basic Weighted Average Shares	12,506	14,167
Effect of Stock Options, Restricted Stock Awards and Employee Stock Purchase Plan	–	106
Diluted Weighted Average Shares	12,506	14,273
Basic (Loss) Earnings per Share:		
Continuing Operations	$ (.23)	$ .36
Discontinued Operation	–	–
Net (Loss) Income	$ (.23)	$ .36
Diluted (Loss) Earnings per Share:		
Continuing Operations	$ (.23)	$ .36
Discontinued Operation	–	–
Net (Loss) Income	$ (.23)	$ .36

Options to purchase approximately 75,700 and 55,500 shares of common stock for the first quarters of 2009 and 2008, respectively, were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price for the common stock and the effect of their inclusion would have been anti-dilutive. In addition, the dilutive effect of restricted stock units totaling 117,000 shares of common stock was not included in the computation of diluted (loss) earnings per share in the first quarter of 2009 as the effect would have been anti-dilutive.

4. Inventories

The components of inventories are as follows:

(In thousands)	April 4, 2009	January 3, 2009
Raw Materials and Supplies	$ 19,540	$ 21,687
Work in Process	7,488	16,230
Finished Goods	18,658	17,845
	$ 45,686	$ 55,762

5. Income Taxes

The provision for income taxes was $2,464,000 and $2,288,000 in the first quarters of 2009 and 2008, respectively. The provision for income taxes in the first quarter of 2009 included income tax expense of $1,134,000 associated with earnings from the Company's foreign operations and income tax expense of $1,178,000 associated with applying a valuation allowance to certain deferred tax assets. The provision for income taxes of $2,464,000 in the first quarter of 2009 does not include a tax benefit of $1,405,000, as the Company was not able to record a tax benefit on its U.S. pre-tax losses due to its accumulated loss position in the U.S. tax jurisdiction and the uncertainty of profitability in future periods.

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

6. Short- and Long-Term Obligations

Short- and Long-term Obligations

Short- and Long-term obligations are as follows:

(In thousands)		April 4, 2009		January 3, 2009
Revolving Credit Facility	$	38,000	$	38,000
Variable Rate Term Loan, due from 2009 to 2016		8,625		8,750
Variable Rate Term Loan, due from 2010 to 2011		5,860		5,872
Short-Term Obligation under Kadant Jining Credit Facilities		1,685		2,789
Total Short- and Long-Term Obligations		54,170		55,411
Less: Short-Term Obligations and Current Maturities		(2,185)		(3,289)
Long-Term Obligations, less Current Maturities	$	51,985	$	52,122

The weighted average interest rate for long-term obligations was 3.41% as of April 4, 2009.

Revolving Credit Facility

On February 13, 2008, the Company entered into a five-year unsecured revolving credit facility (2008 Credit Agreement) in the aggregate principal amount of up to $75,000,000, which includes an uncommitted unsecured incremental borrowing facility of up to an additional $75,000,000. The Company can borrow up to $75,000,000 under the 2008 Credit Agreement with a sublimit of $60,000,000 within the 2008 Credit Agreement available for the issuances of letters of credit and bank guarantees. The principal on any borrowings made under the 2008 Credit Agreement is due on February 13, 2013. As of April 4, 2009, the outstanding balance on the 2008 Credit Agreement was $38,000,000 and the Company had $33,474,000 of borrowing capacity available under the committed portion of the 2008 Credit Agreement.

The obligations of the Company under the 2008 Credit Agreement may be accelerated upon the occurrence of an event of default under the 2008 Credit Agreement, which includes customary events of default including without limitation payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, bankruptcy and insolvency related defaults, defaults relating to such matters as the Employment Retirement Income Security Act (ERISA), uninsured judgments and the failure to pay certain indebtedness, and a change of control default.

The 2008 Credit Agreement contains negative covenants applicable to the Company and its subsidiaries, including financial covenants requiring the Company to comply with a maximum consolidated leverage ratio of 3.5 and a minimum consolidated fixed charge coverage ratio of 1.2, and restrictions on liens, indebtedness, fundamental changes, dispositions of property, making certain restricted payments (including dividends and stock repurchases), investments, transactions with affiliates, sale and leaseback transactions, swap agreements, changing its fiscal year, arrangements affecting subsidiary distributions, entering into new lines of business, and certain actions related to the discontinued operation. As of April 4, 2009, the Company was in compliance with these covenants.

Commercial Real Estate Loan

On May 4, 2006, the Company borrowed $10,000,000 under a promissory note (2006 Commercial Real Estate Loan), which is repayable in quarterly installments of $125,000 over a ten-year period with the remaining principal balance of $5,000,000 due upon maturity. As of April 4, 2009, the remaining balance on the 2006 Commercial Real Estate Loan was $8,625,000.

The Company's obligations under the 2006 Commercial Real Estate Loan may be accelerated upon the occurrence of an event of default under the 2006 Commercial Real Estate Loan and the related Mortgage and Security Agreements, which include customary events of default including without limitation payment defaults, defaults in the performance of covenants and obligations, the inaccuracy of representations or warranties, bankruptcy- and insolvency-related defaults, liens on the properties or collateral and uninsured judgments. In addition, the occurrence of an event of default under the 2008 Credit Agreement or any successor credit facility would be an event of default under the 2006 Commercial Real Estate Loan.

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

6. Short- and Long-Term Obligations (continued)

Kadant Jining Loan and Credit Facilities

On January 28, 2008, the Company's Kadant Jining subsidiary (Kadant Jining) borrowed 40 million Chinese renminbi, or approximately $5,860,000 at the April 4, 2009 exchange rate (2008 Kadant Jining Loan). Principal on the 2008 Kadant Jining Loan is due as follows: 24 million Chinese renminbi, or approximately $3,516,000, on January 28, 2010 and 16 million Chinese renminbi, or approximately $2,344,000, on January 28, 2011.

On July 30, 2008, Kadant Jining and the Company's Kadant Yanzhou subsidiary (Kadant Yanzhou) each entered into a short-term credit line facility agreement (2008 Facilities) that would allow Kadant Jining to borrow up to an aggregate principal amount of 45 million Chinese renminbi, or approximately $6,593,000 at the April 4, 2009 exchange rate, and Kadant Yanzhou to borrow up to an aggregate principal amount of 15 million Chinese renminbi, or approximately $2,198,000 at the April 4, 2009 exchange rate. The 2008 Facilities have a term of 364 days and are renewable annually on or before July 30 at the discretion of the lender. As of April 4, 2009, Kadant Jining had borrowed $1,685,000 and Kadant Jining and Yanzhou had $7,106,000 of borrowing capacity available under the 2008 Facilities.

7. Warranty Obligations

The Company provides for the estimated cost of product warranties at the time of sale based on the actual historical return rates and repair costs. In the Pulp and Papermaking Systems (Papermaking Systems) segment, the Company typically negotiates the terms regarding warranty coverage and length of warranty depending on the products and applications. While the Company engages in extensive product quality programs and processes, the Company's warranty obligation is affected by product failure rates, repair costs, service delivery costs incurred in correcting a product failure, and supplier warranties on parts delivered to the Company. Should actual product failure rates, repair costs, service delivery costs, or supplier warranties on parts differ from the Company's estimates, revisions to the estimated warranty liability would be required.

The changes in the carrying amount of the Company's product warranties included in other current liabilities in the accompanying condensed consolidated balance sheet are as follows:

(In thousands)		Three Months Ended April 4, 2009
Balance at Beginning of Period	$	3,671
Provision charged to income		195
Usage		(582)
Currency translation		(60)
Balance at End of Period	$	3,224

See Note 17 for warranty information related to the discontinued operation.

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

8. Restructuring Costs and Other Income, Net

2008 Restructuring Plan

The Company recorded additional restructuring costs, which consisted of severance and associated costs of $34,000, in the first quarter of 2009 associated with its 2008 Restructuring Plan.

2009 Restructuring Plan

The Company recorded restructuring costs of $723,000 in the first quarter of 2009 associated with its 2009 Restructuring Plan, which consisted of severance and associated costs related to the reduction of 43 full-time positions in China, the U.S., and France, all at its Papermaking Systems segment. These actions were taken to adjust the Company's cost structure and streamline its operations in response to the continued weak economic environment.

A summary of the changes in accrued restructuring costs, of which $2,117,000 is included in other current liabilities and $589,000 is included in other long-term liabilities as of April 4, 2009 in the accompanying condensed consolidated balance sheet, is as follows:

(In thousands)		Severance Costs
2008 Restructuring Plan		
Balance at January 3, 2009	$	2,872
Provision		34
Payments		(544)
Currency translation		(3)
Balance at April 4, 2009	$	2,359
2009 Restructuring Plan		
Balance at January 3, 2009	$	–
Provision		723
Payments		(380)
Currency translation		4
Balance at April 4, 2009	$	347

The Company expects to pay the remaining accrued restructuring costs as follows: $2,117,000 in 2009 and $589,000 from 2010 to 2015.

Other Income

In the first quarter of 2008, the Company sold real estate in France for $746,000, resulting in a pre-tax gain of $594,000 on the sale.

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

9. Business Segment Information

The Company has combined its operating entities into one reportable operating segment, Papermaking Systems, and a separate product line, Fiber-based Products, which is reported in Other. In classifying operational entities into a particular segment, the Company aggregated businesses with similar economic characteristics, products and services, production processes, customers, and methods of distribution.

	Three Months Ended	
(In thousands)	April 4, 2009	March 29, 2008
Revenues:		
Papermaking Systems	$ 61,987	$ 83,258
Other	2,970	2,606
	$ 64,957	$ 85,864
(Loss) Income from Continuing Operations Before Provision for Income Taxes:		
Papermaking Systems	$ 2,882	$ 10,878
Corporate and Other (a)	(2,674)	(3,322)
Total Operating Income	208	7,556
Interest Expense, Net	(606)	(54)
	$ (398)	$ 7,502
Capital Expenditures:		
Papermaking Systems	$ 1,112	$ 1,425
Corporate and Other	45	185
	$ 1,157	$ 1,610

(a) Corporate primarily includes general and administrative expenses.

10. Stock-Based Compensation

Restricted Stock Units

On March 4, 2009, the Company granted an aggregate of 20,000 restricted stock units (RSUs) to its outside directors with an aggregate fair value of $157,000, which will vest at a rate of 5,000 shares per quarter on the last day of each quarter in 2009. On March 4, 2009, the Company also granted to its outside directors an aggregate of 40,000 RSUs with an aggregate fair value of $314,000, which will only vest and compensation expense will only be recognized upon a change in control as defined in the Company's 2006 equity incentive plan. The 40,000 RSUs will be forfeited if a change in control does not occur prior to the end of the first quarter of 2010.

On March 3, 2008, the Company granted an aggregate of 40,000 RSUs to its outside directors with an aggregate fair value of $975,000, which only would have vested and compensation expense would have been recognized upon a change in control prior to the end of the first quarter of 2009, as defined in the Company's 2006 equity incentive plan.

The 40,000 RSUs were forfeited at the end of the first quarter of 2009 and no compensation expense was recognized.

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

10. Stock-Based Compensation (continued)

Performance-Based Restricted Stock Units

On March 3, 2009, the Company granted to certain officers of the Company performance-based RSUs, which represent, in aggregate, the right to receive 92,500 shares (the target RSU amount), subject to adjustment, with a grant date fair value of $8.47 per share. The RSUs will cliff vest in their entirety on the last day of the Company's 2011 fiscal year, provided that the officer remains employed by the Company through the vesting date. The target RSU amount is subject to adjustment based on the achievement of a specified EBITDA target generated from continuing operations for the 2009 fiscal year.

The performance-based RSU agreements provide for forfeiture in certain events, such as voluntary or involuntary termination of employment, and for acceleration of vesting in certain events, such as death, disability or a change in control of the Company. If the officer dies or is disabled prior to the vesting date, then a ratable portion of the RSUs will vest. If a change in control occurs prior to the end of the performance period, the officer will receive the target RSU amount; otherwise, the officer will receive the number of deliverable RSUs based on the achievement of the performance goal, as stated in the RSU agreements.

Each performance-based RSU represents the right to receive one share of the Company's common stock upon vesting. The Company is recognizing compensation expense associated with performance-based RSUs ratably over the vesting period based on the grant date fair value. Compensation expense of $490,000 and $417,000 was recognized in the first quarter of 2009 and 2008, respectively, associated with performance-based RSUs. Unrecognized compensation expense related to the unvested performance-based RSUs totaled approximately $2,575,000 at April 4, 2009, and will be recognized over a weighted average period of 1.6 years.

Time-Based Restricted Stock Units

The Company granted time-based RSUs in prior periods to certain employees of the Company. Each time-based RSU represents the right to receive one share of the Company's common stock upon vesting. The Company is recognizing compensation expense associated with these time-based RSUs ratably over the vesting period based on the grant date fair value. Compensation expense of $106,000 and $114,000, respectively, was recognized in the first quarter of 2009 and 2008 associated with time-based RSUs. Unrecognized compensation expense related to the time-based RSUs totaled approximately $1,106,000 as of April 4, 2009, and will be recognized over a weighted average period of 2.4 years.

A summary of the changes in the Company's unvested RSUs for the first quarter of 2009 is as follows:

	Units (In thousands)	Weighted Average Grant-Date Fair Value
Unvested RSUs at January 3, 2009	294	$ 27.05
Granted	153	$ 8.23

Vested	(5)	$	7.85
Forfeited / Expired	(42)	$	24.53
Unvested RSUs at April 4, 2009	400	$	20.37

KADANT INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

11. Employee Benefit Plans

Defined Benefit Pension Plans and Post-Retirement Welfare Benefits Plans

The Company's Kadant Web Systems subsidiary has a noncontributory defined benefit retirement plan. Benefits under the plan are based on years of service and employee compensation. Funds are contributed to a trustee as necessary to provide for current service and for any unfunded projected benefit obligation over a reasonable period. Effective December 31, 2005, this plan was closed to new participants. This same subsidiary also has a post-retirement welfare benefits plan (included in the table below in "Other Benefits"). No future retirees are eligible for this post-retirement welfare benefits plan.

The Company's Kadant Lamort subsidiary sponsors a defined benefit pension plan (included in the table below in "Other Benefits"). Benefits under this plan are based on years of service and projected employee compensation.

The Company's Kadant Johnson subsidiary also offers a post-retirement welfare benefits plan (included in the table below in "Other Benefits") to its U.S. employees upon attainment of eligible retirement age. This plan will be closed to employees who will not meet its retirement eligibility requirements on January 1, 2012.

The components of the net periodic benefit cost (income) for the pension benefits and other benefits plans in the first quarters of 2009 and 2008 are as follows:

(In thousands)	Three Months Ended April 4, 2009		Three Months Ended March 29, 2008	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Components of Net Periodic Benefit Cost (Income):				
Service cost	$ 205	$ 35	$ 216	$ 21
Interest cost	330	60	297	63
Expected return on plan assets	(324)	–	(368)	–
Recognized net actuarial loss	124	–	11	–
Amortization of prior service cost (income)	14	(183)	14	(198)
Net periodic benefit cost (income)	$ 349	$ (88)	$ 170	$ (114)