

ALBANY INTERNATIONAL CORP /DE/
Form 3
November 15, 2006

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *	2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol
Â HOTARD EDGAR GEORGE	(Month/Day/Year) 11/09/2006	ALBANY INTERNATIONAL CORP /DE/ [AIN]
(Last) (First) (Middle)		
		4. Relationship of Reporting Person(s) to Issuer
		5. If Amendment, Date Original Filed(Month/Day/Year)

C/O ALBANY INTERNATIONAL CORP.,Â P.O. BOX 1907
(Street)

(Check all applicable)

Director 10% Owner
 Officer Other
(give title below) (specify below)

ALBANY,Â NYÂ 12201-1907
(City) (State) (Zip)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of	

Shares or Indirect
(I)
(Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HOTARD EDGAR GEORGE C/O ALBANY INTERNATIONAL CORP. P.O. BOX 1907 ALBANY, NY 12201-1907	X			

Signatures

Edgar G. Hotard	11/15/2006
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

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Earnings attributable to common shareholders for basic earnings per share

73,263 85,925 50,775

Numerator for diluted earnings per share:

Income attributable to common shareholders for basic earnings per share

\$73,263 \$85,925 \$50,775

Effect of convertible preferred stock

15,789 11,357 10,810

Net earnings for diluted earnings per share

89,052 97,282 61,585

Denominator for basic and diluted earnings per share:

Weighted-average shares outstanding

32,522 32,255 30,958

Share-based payment awards classified as participating securities

1,280 778 927

Denominator for basic earnings per share

33,802 33,033 31,885

Dilutive securities

3,602 3,488 3,787

Warrants

317 662

Convertible preferred stock

41,450 35,075 35,386

Denominator for diluted earnings per share

78,854 71,913 71,720

Basic earnings per share

\$2.17 \$2.60 \$1.59

Diluted earnings per share

1.13 1.35 .86

16. Segments

The Company reports information about its operating segments in accordance with the authoritative guidance related to segments. The Company's reportable segments represent components of the business for which separate financial information is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company operates in two reportable segments, North America and International. The Company has identified these segments due to commonality of the products in each of their business lines having similar economic characteristics, services, customers and processes. There were no significant inter-segment sales.

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FleetCor Technologies, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

16. Segments (continued)

The Company's segment results are as follows as of and for the years ended December 31 (in thousands):

	2009	2008	2007
Revenues, net			
North America	\$ 227,373	\$ 205,468	\$ 161,364
International	126,700	135,585	102,722
	\$ 354,073	\$ 341,053	\$ 264,086
Operating income			
North America	\$ 91,715	\$ 88,286	\$ 64,556
International	54,330	64,169	41,208
	\$ 146,045	\$ 152,455	\$ 105,764
Depreciation and amortization			
North America	\$ 15,990	\$ 16,058	\$ 11,624
International	12,378	11,182	8,669
	\$ 28,368	\$ 27,240	\$ 20,293
Capital expenditures			
North America	\$ 5,097	\$ 4,659	\$ 4,923
International	4,580	2,429	2,178
	\$ 9,677	\$ 7,088	\$ 7,101

2009 **2008**

Long lived assets (excluding goodwill)		
North America	\$ 121,519	\$ 58,060
International	150,448	125,475
	\$ 271,967	\$ 183,535

The table below presents certain financial information related to the Company's significant foreign operations as of and for the years ended December 31 (in millions):

	2009	2008	2007
Revenues, net			
Czech Republic	\$ 48.6	\$ 54.6	\$ 43.4
United Kingdom	55.7	61.8	57.2
Long-lived assets (excluding goodwill)			
Czech Republic	\$ 59.5	\$ 55.4	
United Kingdom	66.3	43.5	

For the years ended December 31, 2009 and 2008, two customers represented 25.1% and 20.5%, respectively of the Company's net revenue in North America. For the year ended December 31, 2007, a single customer represented 18.3% of the Company's net revenue in North America.

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FleetCor Technologies, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

17. Selected quarterly financial data (unaudited)

Year ended December 31, 2009	Fiscal quarters			
	First	Second	Third	Fourth
Revenues, net	\$ 68,076	\$ 88,110	\$ 100,575	\$ 97,312
Operating income	23,051	33,928	47,867	41,200
Net income	13,414	20,808	29,882	24,948
Income per share				
Basic	\$.31	\$.49	\$.76	\$.61
Diluted	.19	.26	.37	.31
Weighted average shares outstanding				
Basic	33,766	33,767	33,792	33,883
Diluted	71,690	80,463	81,687	81,575

Year ended December 31, 2008	Fiscal quarters			
	First	Second	Third	Fourth
Revenues, net	\$ 72,305	\$ 80,072	\$ 97,418	\$ 91,259
Operating income	31,831	40,337	48,262	32,025
Net income	19,473	24,806	30,642	22,362
Income per share				
Basic	\$.51	\$.67	\$.84	\$.58
Diluted	.27	.34	.43	.31
Weighted average shares outstanding				
Basic	32,770	32,969	32,973	33,415
Diluted	71,962	71,962	71,903	71,878

The sum of the quarterly earnings per common share amounts for 2009 and 2008 do not equal the earnings per common share for the years ended December 31, 2009 and 2008 due to rounding.

18. Subsequent event

On November 29, 2010, the Company amended its certificate of incorporation to increase the authorized common stock to 130,000,000 shares, retain the par value of .001 per share, and to provide for a two and one-half-for-one Common Stock split. All common share and per common share amounts within the consolidated financial statements and footnotes have been adjusted for all periods to reflect the stock split.

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FleetCor Technologies, Inc. and subsidiaries
Condensed consolidated balance sheets
(Unaudited)

(In thousands, except share and par value amounts)	December 31, 2009*	September 30, 2010	Pro Forma September 30, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 84,701	\$ 110,773	\$ 110,773
Restricted cash	67,979	65,927	65,927
Accounts receivable	163,461	256,634	256,634
Securitized accounts receivable restricted for securitization investors		167,000	167,000
Prepaid expenses and other current assets	24,113	40,212	40,212
Deferred income taxes	6,988	7,101	7,101
Total current assets	347,242	647,647	647,647
Property and equipment	72,091	76,514	76,514
Less accumulated depreciation and amortization	(44,868)	(50,930)	(50,930)
Net property and equipment	27,223	25,584	25,584
Goodwill	590,336	594,812	594,812
Other intangibles, net	197,430	190,871	190,871
Other assets	47,314	44,613	44,613
Total assets	\$ 1,209,545	\$ 1,503,527	\$ 1,503,527
Liabilities and Stockholders Equity			
Current liabilities:			
Accounts payable	\$ 175,578	\$ 226,348	\$ 226,348
Accrued expenses	46,746	46,257	46,257
Customer deposits	75,796	72,875	72,875
Securitization facility		167,000	167,000
Current portion notes payable and other obligations	22,621	10,801	10,801
Dividends payable			7,311
Total current liabilities	320,741	523,281	530,592
Notes payable and other obligations, less current portion	328,930	323,525	323,525
Deferred income taxes	85,825	84,792	84,792
Total noncurrent liabilities	414,755	408,317	408,317
Commitments and contingencies			
Stockholders equity:	330,654	344,018	

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Convertible preferred stock, \$.001 par value; 1,919,135 shares authorized and issued and 1,668,449 shares outstanding for Series D-1 at 2009 and 2010; 230,769 shares authorized and issued and 201,923 shares outstanding for Series D-2 at 2009 and 2010; 3,995,413 shares authorized, issued and outstanding for Series D-3 at 2009 and 2010; 8,164,281 shares authorized, issued and outstanding for Series D-4 at 2009 and 2010; 8,499,984 shares authorized, issued and outstanding for Series E at 2009 and 2010; 3,400,000 and 1,000,000 shares authorized for blank check preferred stock and none issued at 2009 and 2010 (aggregate liquidation preference of \$400,634 and \$409,996, respectively)

Common stock, \$.001 par value; 130,000,000 shares authorized, 65,892,313 shares issued and 34,025,173 shares outstanding at 2009; and 130,000,000 shares authorized, 66,041,342 shares issued and 34,125,163 shares outstanding at 2010

	66	66	110
Additional paid-in capital	94,996	97,928	377,361
Retained earnings	235,726	312,742	369,972
Accumulated other comprehensive loss	(12,173)	(7,605)	(7,605)
Less treasury stock (31,867,140 shares at 2009 and 31,916,179 shares at 2010)	(175,220)	(175,220)	(175,220)
Total stockholders' equity	474,049	571,929	564,618
Total liabilities and stockholders' equity	\$ 1,209,545	\$ 1,503,527	\$ 1,503,527

* Derived from the audited Consolidated Balance Sheet
See accompanying notes.

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FleetCor Technologies, Inc. and subsidiaries
Condensed consolidated statements of income
(Unaudited)

(In thousands, except earnings per share amounts)	Nine Months Ended September 30	
	2009	2010
Revenues, net	\$ 256,761	\$ 327,294
Expenses:		
Merchant commissions	28,860	39,549
Processing	43,099	52,608
Selling	21,470	23,155
General and administrative	38,251	40,025
	125,081	171,957
Depreciation and amortization	20,235	25,238
Operating income	104,846	146,719
Other income, net	(369)	(767)
Interest expense, net	13,023	16,352
Total other expense	12,654	15,585
Income before income taxes	92,192	131,134
Provision for income taxes	28,088	40,752
Net income	64,104	90,382
Calculation of income attributable to common shareholders:		
Convertible preferred stock accrued dividends	(11,478)	(13,365)
Income attributable to common shareholders for basic earnings per share	\$ 52,626	\$ 77,017
Earnings per share:		
Basic earnings per share	\$ 1.56	\$ 2.26
Diluted earnings per share	\$.82	\$ 1.10
Weighted average shares outstanding:		
Basic weighted average shares outstanding	33,775	34,025
Diluted weighted average shares outstanding	77,978	82,240

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Pro forma September 30, 2010 earnings per share:	
Net income	\$ 90,382
Calculation of income attributable to common shareholders:	
Series D-3 preferred stock dividend	(7,311)
Income attributable to common shareholders for pro forma basic and diluted earnings per share	\$ 83,071
Pro forma basic earnings per share	\$ 1.07
Pro forma diluted earnings per share	\$ 1.01
Pro forma weighted average shares outstanding:	
Pro forma basic weighted average shares outstanding	77,600
Pro forma diluted weighted average shares outstanding	82,240

See accompanying notes.

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FleetCor Technologies, Inc. and subsidiaries
Condensed consolidated statements of cash flows
(Unaudited)

(In thousands)	Nine Months Ended September 30	
	2009	2010
Operating activities		
Net income	\$ 64,104	\$ 90,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,842	8,562
Stock-based compensation	1,999	2,453
Provision for losses on accounts receivable	25,424	15,097
Amortization of deferred financing costs	1,169	1,480
Amortization of intangible assets	9,782	12,749
Amortization of premium on receivables	2,442	2,447
Deferred income taxes	(968)	(3,107)
Changes in operating assets and liabilities (net of acquisitions):		
Restricted cash	(2,263)	2,052
Accounts receivable	(31,289)	(60,301)
Prepaid expenses and other current assets	23,071	(10,969)
Other assets	(967)	(408)
Accounts payable, accrued expenses and income taxes and deferred revenue	50,883	46,415
Net cash provided by operating activities	150,229	106,852
Investing activities		
Acquisitions, net of cash acquired	(225,554)	(6,216)
Purchases of property and equipment	(7,524)	(7,074)
Net cash used in investing activities	(233,078)	(13,290)
Financing activities		
Proceeds from issuance of common stock	107	480
Payments on securitization facility, net		(51,000)
Deferred financing costs paid		(1,067)
Proceeds from issuance of preferred stock	93,501	
Principal payments on notes payable	(16,961)	(17,585)
Principal payments on other obligations	(444)	(15)
Net cash provided by (used in) financing activities	76,203	(69,187)
Effect of foreign currency exchange rates on cash	5,310	1,697

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Net (decrease) increase in cash	(1,336)	26,072
Cash and cash equivalents at beginning of period	70,355	84,701
Cash and cash equivalents at end of period	\$ 69,019	\$ 110,773
Supplemental cash flow information		
Cash paid for interest	\$ 13,862	\$ 16,851
Cash paid for income taxes	\$ 13,382	\$ 40,604
Adoption of new accounting guidance related to asset securitization facility	\$	\$ 218,000

See accompanying notes.

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FleetCor Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements

1. Basis of presentation

We prepared the accompanying interim condensed consolidated financial statements in accordance with the instructions of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The Company believes these condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation. Operating results for the nine month period ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included elsewhere in this prospectus.

Pro forma information (unaudited)

In conjunction with an initial public offering of the Company's Common Stock, all outstanding shares of Convertible Preferred Stock automatically convert to Common Stock and all previously accrued cumulative dividends are forgiven except a portion of the cumulative dividends related to Series D-3 Convertible Preferred Stock. The shares of Series D-3 Convertible Preferred Stock are entitled to receive three-eighths of cumulative accrued dividends payable in cash. As such, the effect of the conversion, the accrual of the cash dividend and the forgiveness of all other dividends has been reflected in the unaudited pro forma balance sheet at September 30, 2010. Each share of the convertible preferred stock is convertible into one share of common stock.

The effect of the conversion and the payment of the three-eighths of all unpaid Series D-3 prior accruing dividends, has been reflected in the unaudited pro forma earnings per share computations for the nine month period ended September 30, 2010. The computation assumes an offering price of \$20 per share.

Subsequent events

The Company evaluated all subsequent events through November 29, 2010 the date of issuance of the Company's financial statements. No significant events occurred subsequent to the balance sheet date but prior to the issuance of the financial statement that would have a material impact on the Condensed Consolidated Financial Statements.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the total of net income and all other changes in equity that result from transactions and other economic events of a reporting period other than transactions with owners. The Company's accumulated other comprehensive income (loss) includes foreign currency translation losses of \$6.8 million and \$11.1 million and the unrealized loss on interest rate swaps of \$0.8 million and \$4.9 million as of September 30, 2010 and 2009, respectively.

Derivative financial instruments

Derivative financial instruments are generally used to manage certain interest rate risks through the use of interest rate swaps. These instruments, when settled, impact the Company's cash flows from operations. On the date in which the Company enters into a derivative, the derivative is designated as a hedge of the identified exposure. The Company measures effectiveness of its hedging relationships both at hedge inception and on an ongoing basis.

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FleetCor Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

1. Basis of presentation (continued)

Gains and losses on interest rate swaps designated as cash flow hedges, to the extent that the hedge relationship has been effective, are deferred in other comprehensive income and recognized in interest expense over the period in which the Company recognizes interest expense on the related debt instrument. Any ineffectiveness on these instruments is immediately recognized in interest expense in the period that the ineffectiveness occurs. No significant ineffectiveness was recorded on designated hedges in the nine month periods ended September 30, 2010 and 2009, respectively.

2. Recent accounting pronouncements

The Company maintains a \$500 million revolving trade accounts receivable securitization facility (the Facility). Pursuant to the terms of the Facility, the Company transfers its domestic accounts receivable, on a revolving basis, to FleetCor Funding LLC (Funding) a wholly-owned bankruptcy remote subsidiary (qualified special purpose entity or QSPE). In turn, Funding sells, without recourse, on a revolving basis, up to \$500 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset backed commercial paper conduit (Conduit). Funding maintains a subordinated interest in the form of over collateralization in a portion of the accounts receivable sold to the Conduit. There are no restrictions on the accounts receivable sold. Purchases by the Conduit are financed with the sale of highly-rated commercial paper.

In June 2009, the FASB issued guidance limiting the circumstances in which a financial asset may be derecognized when the transferor has not transferred the entire financial asset or has continuing involvement with the transferred asset. The concept of a qualifying special purpose-entity, which had previously facilitated sale accounting for certain asset transfers, was removed by this guidance. In addition, the guidance also shifts the determination of which enterprise should consolidate a variable interest entity (VIE) to a current control approach, such that an entity that has both the power to make decisions and the right to receive benefits or absorb losses that could potentially be significant to the VIE will consolidate a VIE. The guidance also requires ongoing assessments related to who should consolidate the VIE. These updates were effective as of January 1, 2010.

The Company analyzed the impact of the changes to the accounting guidance and concluded that it should consolidate Funding. The Company concluded it should consolidate this VIE because the Company maintains significant decision-making rights and receives all the benefits or is required to absorb all the losses of Funding. Accordingly, effective January 1, 2010, the Company consolidated its QSPE. Using the carrying amounts of the assets and liabilities of the QSPE as prescribed by the accounting guidance and any corresponding elimination of activity between the QSPE and the Company resulting from the consolidation on January 1, 2010, the Company recorded a \$218 million increase in total assets, a \$218 million increase in total liabilities and non-cash financing activities of \$218 million. Beginning January 1, 2010, the Company's consolidated balance sheet and statement of income no longer reflect activity related to its retained residual interest in eligible accounts receivable sold to Funding, but instead reflect the activity related to its securitized accounts receivable and the corresponding securitized debt, including interest income, fees generated from late payments, provision for losses on accounts receivable and interest expense. Interest expense and the provision for losses on accounts receivable associated with the securitized accounts receivable are no longer included as a deduction from revenues, net in the consolidated statement of income, resulting in an increase of \$21.4 million of revenues, net in the nine month period ended September 30, 2010 compared to the same period in 2009. The cash flows from borrowings and repayments, associated with the securitized debt, are now presented as cash flows from financing activities. The

Table of ContentsIndex to Financial Statements**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****2. Recent accounting pronouncements (continued)**

Company's consolidated statement of income for the nine month period ended September 30, 2009 and its balance sheet as of December 31, 2009 have not been retrospectively adjusted to reflect the adoption of this accounting guidance. Therefore, current period results and balances will not be comparable to prior period amounts, particularly with regard to accounts receivable, the securitization facility, the provision for losses on accounts receivable, interest expense and revenues, net.

On February 25, 2010, the Company extended the term of its asset securitization facility to February 24, 2011. The Company capitalized \$1.1 million in deferred financing fees in connection with this extension.

3. Accounts receivable

The Company utilizes proceeds from the sale of its accounts receivable as an alternative to other forms of debt, effectively reducing its overall borrowing costs. The Company's continuing involvement with accounts receivable that are sold consists of servicing such receivables for the financial institutions at market rates, which approximates the Company's cost of servicing and are not significant to the Company's consolidated financial statements. The assets of Funding consist of certain credit card receivables which are restricted to settle its obligations and are not expected to be available to the Company or its creditors. The liabilities of Funding consist of short term debt obligations for which creditors or beneficial interest holders do not have recourse to the general credit of the Company. The assets and liabilities of Funding approximate fair value due to their short-term nature.

Funding determines the level of funding achieved by the sale of trade accounts receivable, subject to a maximum amount. Prior to the adoption of the new accounting guidance on January 1, 2010, Funding retained a residual interest in the eligible receivables transferred to Funding, such that amounts payable in respect of such residual interest were distributed to Funding upon payment in full of all amounts owed by Funding to the financial institutions.

The Company's accounts receivable and securitized accounts receivable include the following (in thousands) at September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
Gross domestic receivables	\$ 148,920	\$ 36,583
Securitized accounts receivable	167,000	
Residual interest in eligible accounts receivable sold to Funding		33,184
Gross foreign receivables	122,756	108,458
Total gross receivables	438,676	178,225
Less allowance for doubtful accounts	(15,042)	(14,764)
Net accounts receivable and securitized accounts receivable	\$ 423,634	\$ 163,461

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A rollforward of the Company's allowance for doubtful accounts is as follows for the nine month periods ended September 30 (in thousands):

	Nine Months Ended September 30	
	2010	2009
Beginning allowance for doubtful accounts	\$ 14,764	\$ 10,407
Add:		
Provision for bad debts	15,097	25,424
Less:		
Write-offs	(14,819)	(22,720)
Ending allowance for doubtful accounts	\$ 15,042	\$ 13,111

All foreign receivables are Company owned receivables and are not included in securitized accounts receivable and the Company's accounts receivable securitization program. At September 30, 2010, there was \$167 million of short-term debt outstanding under the Company's accounts receivable securitization facility.

4. Fair value measurements

Accounting principles generally accepted in the U.S. define fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants.

As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

As the basis for evaluating such inputs, a three-tier value hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

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Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company's financial assets and liabilities adjusted to fair value consist of its money market fund investments included in cash and cash equivalents and its derivative instruments, which are included in accrued expenses. As the Company adjusts the value of its investments and derivative instruments to fair value each reporting period, no adjustment to retained earnings resulted from the adoption of the authoritative guidance on fair value.

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The Company determines the fair value of its mutual fund investments based on quoted market prices.

Level 2 fair value determinations are derived from directly or indirectly observable (market based) information. Such inputs are the basis for the fair values of the Company's derivative instruments. The Company generally uses derivatives for hedging purposes pursuant to the relevant authoritative guidance, and the Company's derivatives consist of interest rate swaps.

The Company determines the fair value of its derivative instruments based on Level 2 inputs in the fair value hierarchy.

The following tables present the Company's financial assets and liabilities which are measured at fair value on a recurring basis and that are subject to the disclosure requirements of the authoritative guidance as of September 30, 2010 and December 31, 2009 (in millions):

	Fair Value	Level 1	Level 2	Level 3
September 30, 2010				
Assets:				
Money market fund investments	\$ 10.6	\$ 10.6	\$	\$
Total	\$ 10.6	\$ 10.6	\$	\$
Liabilities:				
Interest rate swap	\$ 1.2	\$	\$ 1.2	\$
Total	\$ 1.2	\$	\$ 1.2	\$
December 31, 2009				
Assets:				
Money market fund investments	\$ 14.7	\$ 14.7	\$	\$
Residual interest in eligible receivables sold to the Facility				33.2
Total	\$ 14.7	\$ 14.7	\$	\$ 33.2
Liabilities:				
Interest rate swaps	\$ 6.4	\$	\$ 6.4	\$
Total	\$ 6.4	\$	\$ 6.4	\$

The Company's nonfinancial assets which are measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill and other intangible assets. The Company generally uses projected cash flows, discounted as necessary, to estimate the fair values of the assets using key inputs such as management's projections of cash flows on a held-and-used basis (if applicable), management's projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements fall in level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company's impairment assessments and as circumstances require.

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Table of ContentsIndex to Financial Statements**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****5. Share based compensation**

The Company accounts for stock-based compensation pursuant to relevant authoritative guidance, which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation cost, net of estimated forfeitures, over the requisite service period for awards expected to vest.

The Company has a Stock Incentive Plan (the Plan) pursuant to which the Company's board of directors may grant stock options or restricted stock to key employees. The Company is authorized to issue grants of restricted stock and options to purchase up to 26,963,150 and 20,213,150 shares as of September 30, 2010 and December 31, 2009, respectively. There were 6,775,007 and 41,570 additional options available for grant under the Plan at September 30, 2010 and December 31, 2009, respectively.

Stock options

Stock options are granted with an exercise price estimated to be greater than or equal to the fair market value on the date of grant. Options granted have vesting provisions ranging from two to four years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. All options were granted at estimated fair market value as authorized by the Company's board of directors.

Restricted stock

Awards of restricted stock and restricted stock units are independent of stock option grants and are generally subject to forfeiture if employment terminates prior to vesting. The vesting of the shares granted in 2009 is contingent on the sale of the Company or a public offering of the Company's common stock, subject to certain other conditions. With the exception of 830,000 restricted stock awards, awards granted prior to 2009 are fully vested. The remaining 830,000 shares of restricted stock vest upon the sale of the Company or a public offering of the Company's common stock.

The table below summarizes the compensation expense related to share-based payments for the nine month periods ended September 30 (in thousands):

	2010	2009
Stock options	\$ 2,453	\$ 1,999

The tax benefits recorded on stock-based compensation were \$527,826 and \$509,141 for the nine month periods ended September 30, 2010 and 2009, respectively.

Table of ContentsIndex to Financial Statements**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****5. Share based compensation (continued)**

The following summarizes the changes in the number of shares of common stock under option for the nine month period ended September 30, 2010 (shares and aggregate intrinsic value in thousands):

	Shares	Weighted Average Exercise Price	Options Exercisable at End of Period	Weighted Average Exercise Price of Exercisable Options	Aggregate Intrinsic Value
Outstanding at January 1, 2010	8,062	\$ 7.45	5,523	\$ 5.15	\$ 70,958
Granted	385	20.00			
Exercised	(125)	4.28			1,966
Forfeited	(387)	11.61			
Outstanding at September 30, 2010	7,935	7.91	6,060	6.03	84,687
Expected to vest as of September 30, 2010	7,935	7.91			

The weighted-average remaining contractual life for options outstanding was .79 years as of September 30, 2010.

The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the nine month period ended September 30, 2010 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2009	4,015	\$ 4.41
Granted	479	20.00
Cancelled	(88)	20.00
Outstanding at September 30, 2010	4,406	\$ 5.29

Vested as of September 30, 2010

2,332 \$.24

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Table of ContentsIndex to Financial Statements**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****6. Goodwill and other intangible assets**

Other intangible assets consisted of the following (in thousands):

	Useful Lives (Years)	September 30, 2010			December 31, 2009		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer and vendor agreements	5 to 20	\$ 210,806	\$ (39,168)	\$ 171,638	\$ 204,617	\$ (27,741)	\$ 176,876
Trade names and trademarks indefinite lived	N/A	12,626		12,626	12,626		12,626
Trade names and trademarks other	3 to 15	3,160	(925)	2,235	3,160	(754)	2,406
Software	3 to 10	5,530	(1,990)	3,540	5,530	(1,111)	4,419
Noncompete agreements	2 to 5	1,871	(1,039)	832	1,871	(768)	1,103
Total other intangible assets		\$ 233,993	\$ (43,122)	\$ 190,871	\$ 227,804	\$ (30,374)	\$ 197,430

Amortization expense related to intangible assets for the nine month periods ended September 30, 2010 and 2009 was \$12.7 million, and \$9.8 million, respectively.

A summary of changes in the Company's goodwill by reportable business segment is as follows (in thousands):

	December 31, 2009	Purchase Price Adjustments	Foreign Currency	September 30, 2010
North America	\$ 274,929	\$ 1,000	\$	\$ 275,929
International	315,407	3,599	(123)	318,883
	\$ 590,336	\$ 4,599	\$ (123)	\$ 594,812

7. Notes payable, credit agreements and securitization facility

The Company's debt instruments consist primarily of term notes as follows (in thousands):

	September 30, 2010	December 31, 2009
Term note payable domestic(a)	\$ 274,000	\$ 276,250
Term note payable foreign(b)	59,209	61,576
Other debt	1,117	13,725
Total notes payable	334,326	351,551
Securitization facility(c)	167,000	
Total notes payable, credit agreements and securitization facility	\$ 501,326	\$ 351,551

(a) The Company entered into a \$130 million term loan and a \$30 million revolving line of credit on June 29, 2005. On April 30, 2007, the Company amended and restated the facility increasing the term loan to \$250 million, increasing the revolving line of credit facility to \$50 million and entering into a \$50 million delayed draw term loan facility. In April 2008, the Company borrowed the additional \$50 million from the delayed

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FleetCor Technologies, Inc. and subsidiaries

Notes to condensed consolidated financial statements (continued)

7. Notes payable, credit agreements and securitization facility (continued)

draw term loan facility. The revolving line of credit facility is comprised of a \$30 million US tranche and a \$20 million global tranche and is collateralized by the assets and operations of the respective country where the borrowings are incurred. At September 30, 2010, the Company had no borrowings on the revolving line of credit. Interest on the term loan is payable at a rate per annum equal to the sum of the Base Rate plus 1.25% or the Eurodollar Rate plus 2.25%. Interest on the line of credit ranges from the sum of the Base Rate plus 1.00% to 1.50% or the Eurodollar Rate plus 2.00% to 2.50%. The term loan is payable in quarterly installments of .25% of the initial aggregate principal amount of the loans and is due on the last business day of each March, June, September, and December with the final principal payment due in April 2013. Principal payments of \$2.3 million were made on the term loan during the nine month period ended September 30, 2010.

(b) On December 7, 2006, one of the Company's foreign subsidiaries entered into foreign term loans in the Czech Republic denominated in Czech Koruna. The Facility A term loan was for \$47 million and the Facility B term loan was for \$33 million. Interest on the Facility A term loan is payable at a rate per annum equal to the sum of PRIBOR (Prague Interbank Offered Rate) plus 1.75% to .95% (2.15% at September 30, 2010). Interest on the Facility B term loan is payable at a rate per annum equal to the sum of PRIBOR plus 2.9% to 2% (3% at September 30, 2010). The Facility A term loan is payable in semiannual payments in June and December of each year beginning in June 2007 and ending in December 2013. The Facility B term loan is payable in a lump sum in December 2014. The outstanding balance of the note payable increased \$.7 million in 2010 due to the change in translation in the exchange rate. The term loans have financial covenants, one of which requires the Company to maintain cash and cash equivalents to satisfy a specific liquidity ratio. Principal payments of \$3.1 million were made on the Facility A term loan during the nine month period ended September 30, 2010.

(c) The Company is party to a receivables purchase agreement (securitization facility) that was amended and restated for the fourth time as of October 29, 2007 and which has been amended three times since then to add or remove purchasers and to extend the facility termination date. The current purchase limit under the securitization facility is \$500 million and the facility termination date is February 24, 2011. Interest on the securitization facility is payable at a rate per annum equal to 1.53% as of September 30, 2010. The unused facility fee is payable at a rate of .60% per annum as of September 30, 2010. The securitization facility provides for certain termination events, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things. Termination events include nonpayment, noncompliance with covenants, default under any indebtedness in excess of \$10.0 million, the failure to maintain certain ratios related to defaults, delinquencies and dilution, change in control, failure to maintain a leverage ratio of not greater than 2.25 to 1 through December 31, 2010 and 2.00 to 1 for the periods thereafter (measured quarterly), failure to maintain an interest coverage ratio of not less than 4.00 to 1 (measured quarterly) and failure to perform under a performance guaranty.

The Company was in compliance with all financial covenants at September 30, 2010.

In 2007, the Company entered into an interest rate swap agreement with a notional value of \$175 million, which matured in November 2010. The agreement converts a portion of the Company's variable rate debt exposure to a fixed rate.

The Company records any differences paid or received on this interest rate agreement as adjustments to interest expense over the life of the agreement, which expired in November 2010. This interest rate agreement has been designated as a cash flow hedge and the changes in the fair value of the agreement are recorded to accumulated other comprehensive income. During the nine month period ended September 30, 2010, no gain or loss was recognized on this instrument and there was no effect on income from hedge ineffectiveness. The net difference between interest paid and interest received related to this agreement resulted in a \$5.4 million increase in interest expense and \$2.2 million in accumulated other comprehensive income for the nine month period ended September 30, 2010.

Table of ContentsIndex to Financial Statements**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****8. Income taxes**

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the nine month periods ended September 30, 2010 and 2009 due to the following (dollars in thousands):

	2010	2009
Computed expected tax expense	\$ 45,897	\$ 32,267
Changes resulting from:		
Foreign income tax differential	(6,078)	(4,148)
State taxes net of federal benefits	2,838	2,028
Foreign sourced nontaxable income	(1,968)	(2,119)
Other	63	60
Provision for income taxes	\$ 40,752	\$ 28,088

9. Earnings per share

The Company reports a dual presentation of basic and diluted earnings per share (EPS). Basic EPS is computed by dividing net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the reported period. Diluted EPS reflects the potential dilution related to equity-based incentives using the if-converted and treasury stock methods, where applicable.

The calculation and reconciliation of basic and diluted earnings per share for the nine months ended September 30 (in thousands, except per share data):

	Nine Months Ended September 30	
	2010	2009
Numerator for basic earnings per share:		
Net income	\$ 90,382	\$ 64,104
Convertible preferred stock accrued dividends	(13,365)	(11,478)
Earnings attributable to common shareholders for basic earnings per share	77,017	52,626
Numerator for diluted earnings per share:		

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Income attributable to common shareholders for basic earnings per share	77,017	52,626
Net earnings for diluted earnings per share	90,382	64,104
Denominator for basic and diluted earnings per share:		
Weighted-average shares outstanding	32,222	32,612
Shared-based payment awards classified as participating securities	1,803	1,163
Denominator for basic earnings per share:		
Dilutive securities	4,640	3,430
Convertible preferred stock	43,575	40,773
Denominator for diluted earnings per share:		
	82,240	77,978
Basic earnings per share	\$ 2.26	\$ 1.56
Diluted earnings per share	\$ 1.10	\$.82

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[Table of Contents](#)[Index to Financial Statements](#)**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****10. Segments**

The Company reports information about its operating segments in accordance with the authoritative guidance related to segments. The Company's reportable segments represent components of the business for which separate financial information is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company operates in two reportable segments, North America and International. The Company has identified these segments due to commonality of the products in each of their business lines having similar economic characteristics, services, customers and processes. There were no significant inter-segment sales.

The Company's segment results are as follows for the nine month periods ended September 30 (in thousands):

	Nine Months Ended September 30	
	2010	2009
Revenues, net		
North America	\$ 219,447	\$ 167,002
International	107,847	89,759
	\$ 327,294	\$ 256,761
Operating income		
North America	\$ 95,185	\$ 65,978
International	51,534	38,868
	\$ 146,719	\$ 104,846
Depreciation and amortization		
North America	\$ 15,251	\$ 11,381
International	9,987	8,854
	\$ 25,238	\$ 20,235
Capital expenditures		
North America	\$ 4,860	\$ 4,166
International	2,214	3,358
	\$ 7,074	\$ 7,524

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Long lived assets by operating segment are as follows (in thousands):

	September 30, 2010	December 31, 2009
Long lived assets (excluding goodwill)		
North America	\$ 114,315	\$ 121,519
International	146,753	150,448
	\$ 261,068	\$ 271,967

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Table of ContentsIndex to Financial Statements**FleetCor Technologies, Inc. and subsidiaries****Notes to condensed consolidated financial statements (continued)****10. Segments (continued)**

The table below presents revenues related to the Company's significant foreign operations for the nine month periods ended September 30 (in thousands):

	Nine Months Ended September 30	
	2010	2009
Revenues, net		
Czech Republic	\$ 39,224	\$ 36,929
United Kingdom	57,975	41,084

For the nine month periods ended September 30, 2010 and 2009, two customers represented 30.5% and 24.0%, respectively of the Company's net revenues in North America.

Revenues, net in North America for the nine month periods ended September 30, 2010 and 2009 were predominately generated in the United States.

The table below presents long-lived assets related to the Company's significant foreign operations (in thousands):

	September 30, 2010	December 31, 2009
Long-lived assets (excluding goodwill)		
Czech Republic	\$ 57,057	\$ 59,475
United Kingdom	66,240	66,322

11. Subsequent event

On November 29, 2010, the Company amended its certificate of incorporation to increase the authorized common stock to 130,000,000 shares, retain the par value of .001 per share, and to provide for a two and one-half-for-one Common Stock split. All common share and per common share amounts within the consolidated financial statements and footnotes have been adjusted for all periods to reflect the stock split.

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Independent auditors report

The Board of Directors

CLC Group, Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheet of CLC Group, Inc. and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CLC Group, Inc. and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Kansas City, Missouri

April 1, 2009

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Table of ContentsIndex to Financial Statements**CLC Group, Inc. and subsidiaries****Consolidated balance sheet****December 31, 2008****(Dollars in thousands)**

Assets	
Current assets:	
Cash and cash equivalents	\$ 13,675
Accounts receivable, less allowance of \$60 as of December 31, 2008	25,096
Deferred tax assets	1,061
Other current assets	1,245
Total current assets	41,077
Property, equipment, and capitalized software, net	2,624
Debt issuance costs, net of accumulated amortization	29
Goodwill	43,440
Identifiable intangible assets, net of accumulated amortization	12,864
Other	27
Total assets	\$ 100,061
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	\$ 22,084
Accrued liabilities	4,632
Income tax payable	1,812
Current portion of long-term debt	25,400
Total current liabilities	53,928
Deferred tax liabilities	4,765
Total liabilities	58,693
Stockholders' equity:	
Common stock, \$0.001 par value. Authorized 160,000 shares; issued and outstanding 58,023 shares	4,313
Additional paid-in capital	37,055
Retained earnings	37,055
Total stockholders' equity	41,368
Total liabilities and stockholders' equity	\$ 100,061

See accompanying notes to consolidated financial statements.

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CLC Group, Inc. and subsidiaries
Consolidated statement of operations
Year ended December 31, 2008

(Dollars in thousands)

Fee revenue	\$ 58,615
Less:	
Operating expenses	25,828
Depreciation and amortization	2,890
Management fee to related party	500
Income from operations	29,397
Other income (expense):	
Interest income	245
Interest expense	(2,226)
Other	(82)
Total other expense	(2,063)
Income before taxes	27,334
Provision for income taxes	10,812
Net income	\$ 16,522

See accompanying notes to consolidated financial statements.

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CLC Group, Inc. and subsidiaries
Consolidated statement of stockholders equity
Year ended December 31, 2008

(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Total stockholders equity
Balance at December 31, 2007	\$	\$ 4,313	\$ 20,533	\$ 24,846
Net income			16,522	16,522
Balance at December 31, 2008	\$	\$ 4,313	\$ 37,055	\$ 41,368

See accompanying notes to consolidated financial statements.

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CLC Group, Inc. and subsidiaries
Consolidated statement of cash flows
Year ended December 31, 2008

(Dollars in thousands)

Cash flows from operating activities:	
Net income	\$ 16,522
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,890
Amortization of debt issue costs	200
Deferred income taxes	276
Change in assets and liabilities:	
Accounts receivable	(9,715)
Other current assets	(1,042)
Accounts payable	1,094
Accrued liabilities	2,684
Income tax receivable/payable	1,926
Net cash provided by operating activities	14,835
Cash flows from investing activity:	
Purchase of property, equipment, and capitalized software	(2,424)
Net cash used in investing activity	(2,424)
Cash flows from financing activities:	
Borrowings under revolving credit facility	3,600
Repayments under revolving credit facility	(6,350)
Repayments of long-term debt	(3,600)
Net cash used in financing activities	(6,350)
Net increase in cash and cash equivalents	6,061
Cash and cash equivalents at beginning of year	7,614
Cash and cash equivalents at end of year	\$ 13,675
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 2,237
Cash paid during the year for income taxes	8,606

See accompanying notes to consolidated financial statements.

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CLC Group, Inc. and subsidiaries
Notes to consolidated financial statements
December 31, 2008

(Dollars in thousands, except share data)

(1) Summary of significant accounting policies

(a) Nature of formation/operations

CLC Group, Inc. (CLCG) (the Company), formerly known as Corporate Lodging Holdings, Inc., and its wholly owned subsidiary, CLC Services, Inc. (CLCS), formerly known as Corporate Lodging, Inc., were formed on June 10, 2003 for the sole purpose of acquiring Corporate Lodging Consultants, Inc. (CLC); Crew Transport Services, Inc. (CTS); and Crew Transportation Specialists, Inc. (CTSI) from their sole shareholder. The Company commenced operations with the closing of the purchase transaction (the Transaction) on June 18, 2003.

CLC provides lodging management services to customers for a transaction fee. Services of CLC include the negotiation of hotel room rates and the processing of hotel stay transactions. CLC also provides nonlodging vendor management and payment processing services. CTSI provides transportation management services, including negotiation of transportation rates and processing transaction, to its customers for a fee. CTS has been inactive since February 2006.

On April 1, 2009, the stockholders signed a stock purchase agreement to sell 100% of the outstanding shares to Fleetcor Technologies Operating Company, LLC. On the same day, all outstanding debt was repaid as part of the closing. The sale resulted in additional vesting of options under the 2003 Stock Option/Stock Issuance Plan and a cash bonus payable under the 2006 Management Bonus Plan.

(b) Principles of consolidation

The consolidated financial statements include CLCG and its wholly owned subsidiaries, CLCS, CLC, CTS, and CTSI. Intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and cash equivalents

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include \$19,566 of overnight repurchase agreements at December 31, 2008.

(d) Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses to the Company in the Company's existing accounts receivable based upon historical experience, the current receivable aging, and knowledge of specific customer issues. The Company's customers are primarily in the railroad and trucking industries or U.S. government agencies and are affected by general economic activity in the United States. Net write-offs for 2008 were \$116.

(e) Revenue recognition

The Company contracts with customers to provide them with lodging and transportation management services, which includes both negotiation of rates and administration of the billings. Revenue is recognized when the

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CLC Group, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Dollars in thousands, except share data)

lodging or transportation services are completed. The Company also provides certain services to vendors for a fee, which is recognized at the time services are performed.

The Company contracts with lodging and transportation vendors to supply the lodging or transportation. Upon receipt of an invoice from a vendor for the cost of the lodging or transportation, the Company invoices its customers for the cost of the lodging or transportation plus the transaction fee. Generally, the Company only pays vendors after receipt of payment by the customer. The Company's contracts with vendors typically provide that the Company will process payments received from customers, but that the Company is not ultimately responsible for noncollection from customers. As a result, the Company recognizes the transaction fee as net revenue in accordance with Emerging Issues Task Force (EITF) Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*.

In addition, the Company provides vendor management and payment processing services on a project basis. In 2007, the Company entered into a two-year contract to provide program administration and transaction processing services in support of a federal government program sponsored by the National Telecommunication and Information Association (NTIA). The Company has concluded that the contract deliverables do not meet the separation criteria and, therefore, treats the deliverables as a single element, in accordance with EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. Revenue is recognized when the services are provided and the payment amount is not contingent on any future event. As of December 31, 2008, \$1,903 of deferred revenue related to the program is included in accrued liabilities on the consolidated balance sheet.

(f) Property, equipment, and capitalized software

Property, equipment, and capitalized software are stated at cost. Additions of new equipment and software are capitalized. Repairs and minor replacements, as well as incremental software modifications that do not materially increase values or extend useful lives, are charged to expense.

Depreciation or amortization is computed on the straight-line method over the estimated useful lives of the related assets, as follows:

	Years
Office, furniture, and equipment	3 - 7
Software and software development	2 - 5
Leasehold improvements	5

Leasehold improvements are amortized over the shorter of the estimated useful life of improvements and the lease term, which is 5 years.

Certain internal and external costs incurred in connection with developing or obtaining software for internal use are capitalized in accordance with the American Institute of Certified Public Accountants' Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. These capitalized costs are included in property, plant, and equipment and are subject to amortization over their estimated useful lives, beginning when the software project is put in service. The Company periodically reviews the lives and values of its capitalized software and makes adjustments if necessary.

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CLC Group, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Dollars in thousands, except share data)

(g) Debt issuance costs

Debt issuance costs are being amortized over the life of the corresponding debt on a straight-line basis, which approximates the effective-interest method.

(h) Goodwill and other intangible assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in a purchase business combination. The goodwill is assigned to CLC and is deductible for income tax purposes.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, at its inception on June 18, 2003. SFAS No. 142 requires that goodwill no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. Accordingly, the Company has not recorded any goodwill amortization. During 2008, the Company performed its annual impairment review of goodwill and concluded that there was no impairment.

(i) Long-lived assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, purchased intangibles subject to amortization and long-lived assets, such as property, equipment, and capitalized software, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(j) Income taxes

The Company and its subsidiaries file consolidated federal tax returns. The Company also files and pays income taxes in Kansas, Virginia, and Connecticut. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities for a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are provided for deferred tax assets where it is considered more likely than not that the Company will not realize the benefit of such assets.

(k) Stock option plan

Effective January 1, 2006, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 123(R), *Share-Based Payment* (SFAS 123(R)). This statement replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123(R) requires that all stock-based

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CLC Group, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Dollars in thousands, except share data)

compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. As the Company previously used the minimum value method, as defined by SFAS 123, for purposes of measuring the fair value of share options, SFAS 123(R) was adopted using the prospective method of application, which requires the Company to recognize compensation cost on a prospective basis. Under this method, the Company did not record stock-based compensation expense for awards granted prior to, but not yet vested as of, January 1, 2006, using the fair value amounts estimated under SFAS 123. For stock-based awards granted after January 1, 2006, the Company computes compensation expense based on estimated grant date fair value using the Black-Scholes option valuation model. However, this compensation expense was immaterial and, therefore, not recorded.

(l) Foreign currency transactions

The Company has certain customers and vendors located in Canada with which it transacts business in Canadian currency. The Company maintains bank accounts in Canada in connection with this business. Gains and losses resulting from transactions denominated in a foreign currency are included in income at the time of the transactions and were insignificant in 2008.

(m) Comprehensive income

The Company's comprehensive income consists of net income, as there is no other comprehensive income.

(n) Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(p) Recently issued accounting standards

FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes* an Interpretation of FASB Statement No. 109.

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. It prescribes a recognition of a tax position threshold and measurement attributes for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. On December 30,

[Table of Contents](#)[Index to Financial Statements](#)**CLC Group, Inc. and subsidiaries****Notes to consolidated financial statements (continued)****December 31, 2008**

(Dollars in thousands, except share data)

2008, the FASB issued FASB Staff Position (FSP) 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which deferred the effective date of FIN 48 for nonpublic entities that have not already issued a complete set of financial statements fully reflecting the FIN 48 requirements. As a result, the provisions of FIN 48 are effective for the 2009 fiscal year with cumulative effective of the change in accounting principle recorded as an adjustment to opening balance of retained earnings. The Company does not expect the adoption of FIN 48 to have a significant impact.

(2) Property, equipment, and capitalized software

Property, equipment, and capitalized software consist of the following at December 31, 2008:

Leasehold improvements	\$ 1,637
Office, furniture, and equipment	1,640
Software and software development	797
	4,074
Less accumulated depreciation and amortization	1,450
	\$ 2,624

Depreciation and amortization expense with respect to property, equipment, and capitalized software for the year ended December 31, 2008 amounted to \$817.

(3) Identifiable intangible assets

The Company has identifiable intangible assets consisting of the following as of December 31, 2008:

	Gross carrying amount	Weighted average amortization period	Accumulated amortization
Amortizing intangible assets:			
Customer relationships	\$ 22,000	12 years	\$ 10,144
Software	1,600	12 years	738

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Noncompetition agreements	700	7 years	553
Tradenname	130	5 years	130
Total	\$ 24,430		\$ 11,565

Aggregate amortization expense for amortizing intangible assets was \$2,079 for the year ended December 31, 2008. Estimated amortization expense for the next five years is \$2,067 in 2009, \$2,013 in 2010, \$1,967 in 2011, \$1,967 in 2012, and \$1,967 in 2013.

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Table of ContentsIndex to Financial Statements**CLC Group, Inc. and subsidiaries****Notes to consolidated financial statements (continued)****December 31, 2008****(Dollars in thousands, except share data)****(4) Debt**

Debt at December 31, 2008 consists of the following:

Senior term loan, due June 30, 2009	\$ 25,400
Revolving credit facility, due June 30, 2009	
Total debt	25,400
Less current portion	25,400
Long-term debt	\$

The senior term loan and the revolving credit facility (the Loans) are secured by substantially all of the assets of the Company's subsidiaries and the repayment of the Loans is guaranteed by CLCG. The Loans mature on June 30, 2009. The senior term loan requires quarterly principal payments and mandatory prepayments under certain circumstances. The credit agreement requires the Company to comply with certain covenants, including the maintenance of certain financial ratios. The financial covenants include maintaining a maximum leverage ratio of 2.75 to 1, a minimum fixed charge coverage ratio of 1.10 to 1, and a minimum interest coverage ratio of 3.75 to 1, and also restricting capital expenditures to \$1,500 per year plus carryforward amounts from the prior years. These ratios change in future years in which some become more restrictive. The Loans bear interest at the Borrowers' option at either (i) LIBOR plus 2.75% (3.26% at December 31, 2008) or (ii) prime rate plus 1.50% (4.75% at December 31, 2008). The Borrowers must pay a commitment fee of 1/2% per annum on the unused portion of the revolving credit facility.

(5) Income taxes

Income tax expense consists of the following for the year ended December 31, 2008:

	Current	Deferred	Total
U.S. federal	\$ 8,661	\$ 250	\$ 8,911
State and local	1,875	26	1,901
	\$ 10,536	\$ 276	\$ 10,812

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Income tax expense was \$10,812 for the year ended December 31, 2008, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to income before taxes as a result of the following:

Computed expected tax expense	\$ 9,566
Increase in income taxes resulting from:	
State and local income taxes, net of federal income tax benefit	1,236
Other, net	10
	\$ 10,812

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Table of ContentsIndex to Financial Statements**CLC Group, Inc. and subsidiaries****Notes to consolidated financial statements (continued)****December 31, 2008****(Dollars in thousands, except share data)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2008 are presented below:

Deferred tax assets:	
Accrued liabilities	\$ 1,814
Allowance for bad debt	24
Total gross deferred tax assets	1,838
Deferred tax liabilities:	
Other current assets	344
Goodwill and identifiable intangibles	5,088
Property, equipment, and capitalized software	110
Total gross deferred tax liabilities	5,542
Net deferred tax liability	\$ 3,704

The Company is required to establish a valuation allowance for any portion of the gross deferred tax asset that management believes will not be realized. In the opinion of management, it is more likely than not the Company will realize the benefit of the deferred income tax assets through deductions against future earnings and, therefore, no such allowance has been established.

The Company utilizes a FASB Statement No. 5, *Accounting for Contingencies*, analysis to quantify uncertain tax positions and accrue tax accordingly. The Company has determined that there are no such accruals necessary.

(6) Leases

The Company leases two offices located in Overland Park and Wichita, Kansas. The Overland Park lease expires in October 2011 and monthly rental payments total approximately \$7. The Wichita lease expires in July 2013. Monthly rental payments under the Wichita lease total approximately \$45, which include all charges for operating expenses such as maintenance, taxes, insurance, and utilities. In accordance with the terms of the lease, the monthly rental payments are subject to annual adjustment based on changes in certain operating expenses.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2008 are:

Year ending December 31:	
2009	\$ 659
2010	661
2011	649
2012	580
2013	484
Thereafter	
Total minimum future lease payments	\$ 3,033

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CLC Group, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Dollars in thousands, except share data)

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. A leasehold improvement allowance received from the landlord is recorded as a deferred rent credit and is amortized over the term of the lease. As of December 31, 2008, \$1,093 of leasehold improvement allowance is included in accrued liabilities on the consolidated balance sheet. Rental expense for the year ended December 31, 2008 amounted to \$577 and is included in operating expenses in the consolidated statement of operations.

(7) Common stock

Holders of common stock are entitled to one vote per share, and to receive dividends, and upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders.

(8) Related-party transactions

The Company pays a management fee of \$500 per year, payable quarterly in arrears, to Nautic Partners V, LP and its affiliates (Nautic). Nautic is a holder of a majority of the Company's common stock. Included in accrued liabilities for December 31, 2008 is \$125 representing the management fee due for the fourth quarter of the year.

Barry Downing, previous owner of CLC, CTS, and CTSI, has ongoing relationships with the Company. As of December 31, 2008, he holds 10,000 shares of common stock in CLC Group, Inc. He serves as chairman of the Company's board of directors. He is also a minority owner of Lodging Enterprises, Inc. (LEI). LEI is an owner of various hotel facilities, which the Company does business under a marketing agreement. In 2008, the Company derived fee revenue of approximately \$526 from LEI.

(9) Commitments and contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

At December 31, 2008, the Company had a reserve of \$1,476 recorded in accrued liabilities in the consolidated balance sheets, which is intended to cover any liabilities or future costs associated with the wind-down of certain lodging programs operated for FEMA. The reserve is management's best estimate based on the volume of business conducted and the results of similar previous programs for any potential future liabilities for this FEMA program.

(10) Concentration of risk

Since October 2005, the Company has entered into various contracts with the FEMA. These contracts last for various durations, and in certain cases, provide the government with unilateral extension options. For the year ended December 31, 2008, the Company derived 11% of its revenue from FEMA. Included in accounts receivable at year end was \$862 due from FEMA. In 2007, the Company entered into a two-year contract to provide multiple deliverables for financial processing and other services in support of a federal government program sponsored by

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the NTIA. For the year ended December 31, 2008, the Company derived 49% of its revenues from the NTIA program contract. Included in accounts receivable at year end was \$5,418 related to the NTIA program contract.

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CLC Group, Inc. and subsidiaries

Notes to consolidated financial statements (continued)

December 31, 2008

(Dollars in thousands, except share data)

(11) Stock option plans

On June 18, 2003, the board of directors approved the 2003 Stock Option/Stock Issuance Plan (the Stock Plan) under which stock options may be granted to employees. The Stock Plan authorizes the grants of options to purchase up to 10,229 shares of authorized but unissued common stock. The Stock Plan is divided into two separate equity programs: (i) the Option Grant Program under which eligible persons may, at the discretion of the Plan administrator, be granted options to purchase shares of common stock and (ii) the Stock Issuance Program under which eligible persons may be issued shares of common stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Company or any subsidiary. The Option Grant Program is the only program out of which options have been granted. The term of the stock options granted is 10 years. The vesting period provides that 50% of the options vest in equal installments over five years, beginning the first anniversary of option grant date. The remaining 50% will vest only upon consummation of an initial public offering of the Company or upon the occurrence of a change in control of the Company. Upon termination of service from the Company, the option holder has three months from the date of termination to exercise its options. After three months, any unexercised options are automatically forfeited.

No options for shares were issued in 2008. Prior to adoption of SFAS 123(R), the Company recorded no compensation expense, as the exercise price of the options was greater than the estimated fair value of the common stock at the date of grant. All of the options have an exercise price of \$606.

A summary of the status of the Company's stock option plan as of December 31, 2008 and changes during the year then ended is presented below:

Options	Number of shares	Weighted average remaining contractual term
Outstanding at beginning of year	6,543	
Granted		
Forfeited	(60)	
Exercised		
Outstanding at end of year	6,483	5.0 years
Options exercisable at year-end	3,025	4.9 years

(12) Management bonus plan

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Effective November 1, 2006, the board of directors approved the 2006 Management Bonus Plan (Bonus Plan) to provide a means by which key employees of the Company may be given an opportunity to participate in the proceeds of a corporate transaction, which is defined as a merger, consolidation, exchange, conveyance, or sale of the Company or if the Company completes a public offering pursuant to the Securities Act of 1933, as amended. Upon the consummation of a corporate transaction, each participant shall become entitled to receive a cash bonus payment calculated in accordance with the Bonus Plan. As management did not deem a qualifying transaction probable as of December 31, 2008, no amounts have been recorded in the consolidated financial statements.

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CLC Group, Inc. and subsidiaries
Condensed consolidated balance sheets
(Unaudited)

(In thousands, except share and par value amounts)	* December 31, 2008	March 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,675	\$ 21,231
Accounts receivable (less allowance for doubtful accounts of \$60 and \$80, at 2008 and 2009, respectively)	25,096	19,227
Other current assets	1,245	1,261
Deferred and accrued income taxes	1,061	1,191
Total current assets	41,077	42,910
Property, equipment, and capitalized software, net	2,624	2,528
Goodwill	43,440	43,440
Other intangibles, net	12,864	12,348
Other assets	56	42
Total assets	\$ 100,061	\$ 101,268
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 22,084	\$ 17,548
Accrued expenses	6,444	7,263
Current portion of notes payable and other obligations	25,400	25,400
Total current liabilities	53,928	50,211
Deferred income taxes	4,765	5,006
Total liabilities	58,693	55,217
Stockholders' equity:		
Common stock, \$0.001 par value. Authorized 160,000; issued and outstanding 58,023 shares		
Additional paid-in capital	4,313	4,313
Retained earnings	37,055	41,738
Total stockholders' equity	41,368	46,051
Total liabilities and stockholders' equity	\$ 100,061	\$ 101,268

See accompanying notes.

* Derived from the audited consolidated balance sheet.

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CLC Group, Inc. and subsidiaries
Condensed consolidated statements of income
(Unaudited)

(In thousands, except share amounts)	Quarter ended March 31	
	2008	2009
Fee revenue	\$ 11,782	\$ 16,308
Operating expenses	4,757	7,186
Management fee to related party	125	132
Depreciation and amortization	737	790
Income from operations	6,163	8,200
Interest expense, net	554	253
Income before income taxes	5,609	7,947
Provision for income taxes	2,244	3,266
Net income	\$ 3,365	\$ 4,681

See accompanying notes.

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CLC Group, Inc. and subsidiaries

Condensed consolidated statement of cash flows

(Dollars in thousands)

(Unaudited)

	Quarter ended March 31	
	2008	2009
Cash flows from operating activities:		
Net income	\$ 3,365	\$ 4,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	737	791
Deferred and accrued income taxes	1,941	1,133
Change in accounts receivable, other current assets, accounts payable, accrued liabilities, and income tax receivable/payable:	(3,786)	1,025
Net cash provided by operating activities	2,257	7,717
Cash flows from investing activity:		
Purchase of property, equipment, and capitalized software	(208)	(163)
Net cash used in investing activity	(208)	(163)
Cash flows from financing activities:		
Borrowings under revolving credit facility net of repayments	(3,645)	
Net cash used in financing activities	(3,645)	
Net (decrease) increase in cash and cash equivalents	(1,596)	7,554
Cash and cash equivalents at beginning of period	1,785	13,677
Cash and cash equivalents at end of period	\$ 189	\$ 21,231

See accompanying notes to consolidated financial statements.

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CLC Group, Inc. and subsidiaries
Notes to condensed consolidated financial statements
(Dollars in thousands)

1. Basis of Presentation

We prepared the accompanying interim condensed consolidated financial statements in accordance with the instructions of regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The Company believes these condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation. Operating results for the quarter ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included elsewhere in this Form S-1.

2. Adoption of New Accounting Standards

The Company's adoption of any other new accounting standards is presented below.

Expanded Disclosure for Derivative Instruments and Hedging Activities

On January 1, 2009, the Company adopted ASC 815-10-50, Derivatives and Hedging-Overall-Disclosure, which requires expanded disclosures about an entity's derivative instruments and hedging activities, including requirements that interim financial statements include certain disclosures for derivative instruments. ASC 815-10-50 did not change any accounting requirements, but instead relates only to disclosures. Since the Company has not entered into any derivative instruments the adoption did not have any impact on the Company's condensed consolidated financial statements.

Noncontrolling Interests in Consolidated Financial Statements

On January 1, 2009, the Company adopted ASC 810-10-65-1, Consolidation-Overall-Transition and Open Effective Date Information, which revised the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under this new guidance, noncontrolling interests are considered equity and the practice of classifying minority interests within a mezzanine section of the balance sheet was eliminated. Net (loss) income encompasses the total (loss) income of all consolidated subsidiaries and there is separate disclosure on the face of the statement of operations of the attribution of that (loss) income between the controlling and noncontrolling interests. Increases and decreases in the noncontrolling ownership interest amounts are accounted for as equity transactions. Any future issuance of noncontrolling interests that causes the controlling interest to lose control and deconsolidate a subsidiary will be accounted for by full gain or loss recognition. As the Company does not have any noncontrolling interest the adoption of ASC 810-10-65-1 did not impact the Company's condensed consolidated financial statements.

Business Combinations

On January 1, 2009, the Company adopted ASC 805, Business Combinations. ASC 805 changed many well-established business combination accounting practices and significantly affected how acquisition transactions are reflected in the financial statements. ASC 805 changed the accounting treatment for certain acquisition-related

Table of ContentsIndex to Financial Statements**CLC Group, Inc. and subsidiaries****Notes to condensed consolidated financial statements****(Dollars in thousands)**

activities that occur after its adoption including (a) recording contingent consideration at the acquisition date at fair value, (b) expensing acquisition-related costs as incurred, and (c) expensing restructuring costs associated with the acquired business. ASC 805 also introduced certain new disclosure requirements. Since ASC 805 uses an expanded definition of a business, the Company was required to evaluate its reporting units at adoption. The adoption of ASC 805 did not have an impact on the Company's condensed consolidated financial statements. However, it could have a significant impact on the accounting for any future acquisitions.

3. Share based compensation

The Company accounts for stock-based compensation pursuant to relevant authoritative guidance, which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation cost, net of estimated forfeitures, over the requisite service period for awards expected to vest. There were not any grants of stock based compensation and there were not any stock options exercised during the quarter ended March 31, 2009.

All outstanding options as of December 31, 2008 vest upon a liquidity event. Therefore, no compensation expense was recorded during the quarter ended March 31, 2009. See footnote 9 for further discussion of the compensation costs recorded related to the non-vested options on April 1, 2009 in connection with the acquisition of the Company by FleetCor Technologies, Inc.

4. Identifiable intangible assets

The Company has identifiable intangible assets consisting of the following for the quarter ended March 31, 2009:

	Gross	Weighted	
	carrying	average	Accumulated
	amount	period	amortization
Amortizing intangible assets			
Customer relationships	\$ 22,000	12 years	\$ 10,602
Software	1,600	12 years	771
Noncompetition agreements	700	7 years	577
Tradename	130	5 years	130
Total	\$ 24,430		\$ 12,080

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Aggregate amortization expense for amortizing intangible assets for the quarter ended March 31, 2009 and 2008 was \$515 and \$668 respectively.

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CLC Group, Inc. and subsidiaries

Notes to condensed consolidated financial statements

(Dollars in thousands)

5. Debt

Debt at March 31, 2009 consists of the following:

Senior term loan, due June 30, 2009	\$ 25,400
Revolving credit facility, due June 30, 2009	
Total debt	25,400
Less current portion	(25,400)
Long-term debt	\$

The senior term loan and the revolving credit facility (the Loans) are secured by substantially all of the assets of the Company's subsidiaries and the repayment of the Loans is guaranteed by CLCG. The Loans mature on June 30, 2009. The senior term loan requires quarterly principal payments and mandatory prepayments under certain circumstances. The credit agreement requires the Company to comply with certain covenants, including the maintenance of certain financial ratios. The financial covenants include maintaining a maximum leverage ratio of 2.75 to 1, a minimum fixed charge coverage ratio of 1.10 to 1, and a minimum interest coverage ratio of 3.75 to 1, and also restricting capital expenditures to \$1,500 per year plus carryforward amounts from the prior years. These ratios change in future years in which some become more restrictive. The Loans bear interest at the Borrowers' option at either (i) LIBOR plus 2.75% or (ii) prime rate plus 1.50%. The Borrowers must pay a commitment fee of 1/2% per annum on the unused portion of the revolving credit facility.

6. Income taxes

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the quarters ended March 31, 2010 and 2009 due to the following (dollars in thousands):

	2009	2008
Computed expected tax expense	\$ 2,781 35%	\$ 1,963 35%
Changes resulting from:		
State taxes net of federal benefits	336 4%	278 5%
Other	149 2%	3 0%
Provision for income taxes	\$ 3,266 41%	\$ 2,244 40%

7. Commitments and contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's condensed consolidated financial position, results of operations, or liquidity.

At March 31, 2009, the Company had a reserve of \$1.5 million recorded in accrued liabilities in the consolidated balance sheets, which is intended to cover any liabilities or future costs associated with the wind-down of certain

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CLC Group, Inc. and subsidiaries
Notes to condensed consolidated financial statements
(Dollars in thousands)

lodging programs operated for FEMA. The reserve is management's best estimate based on the volume of business conducted and the results of similar previous programs for any potential future liabilities for this FEMA program.

8. Related-party transactions

The Company pays a management fee of \$500 per year, payable quarterly in arrears, to Nautic Partners V, LP and its affiliates (Nautic). Nautic is a holder of a majority of the Company's common stock. Included in accrued liabilities for March 31, 2009 is \$125 representing the management fee due for the first quarter of 2009.

Barry Downing, previous owner of CLC, CTS, and CTSI, has ongoing relationships with the Company. As of March 31, 2009, he holds 10,000 shares of common stock in CLC Group, Inc. He serves as chairman of the Company's board of directors. He is also a minority owner of Lodging Enterprises, Inc. (LEI). LEI is an owner of various hotel facilities, which the Company does business under a marketing agreement. For the period ended March 31, 2009 the Company derived fee revenue of approximately \$108 from LEI.

9. Subsequent events

On April 1, 2009 FleetCor Technologies, Inc. (FleetCor) acquired all of the outstanding stock of the Company. All outstanding non-vested options as of March 31, 2009 vested upon the acquisition and compensation expense of \$830 was recorded in connection with this transaction in April of 2009.

Prior to the closing of the acquisition by FleetCor, the Company recorded additional compensation expense in April 2009 related to the 2006 Management Bonus Plan aggregating \$4,800 as a result of the consummation of the FleetCor acquisition.

The Company determined that achievement of the performance condition for recognition of these awards was not probable of achievement until the closing of the acquisition when the awards vested.

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12,675,000 Shares

Common Stock

PROSPECTUS

J.P. Morgan

Goldman, Sachs & Co.

Barclays Capital

Morgan Stanley

PNC Capital Markets LLC

Raymond James

Wells Fargo Securities

Until January 8, 2011, all dealers effecting transactions in these Securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.