that the Company can secure reliable and cost effective inventory sourcing to support and better position itself for growth, the Company is continuously evaluating additional internal manufacturing expansion, as well as additional outside sources of products. The Company believes its financial position will provide sufficient funds should an appropriate investment opportunity arise and thereby, assist the Company in improving customer satisfaction and in maintaining or increasing market share. Based upon plans for new product introductions, product mixes, capacity restraints on certain product lines and equipment upgrades, the Company anticipates that year 2005 capital expenditures for the manufacturing facilities will be $12-16 million.

Off-Balance Sheet Arrangements

The Company does not have any transactions, arrangements and other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provided off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, hedging (except for the interest rate swap agreement), or research and development services, that could expose us to liability that is not reflected on the face of the financial statements.

Contractual Obligations

The following table represents the Company's contractual obligations as of December 31, 2004:

	Payments due by period (in thousands)				
Contractual Obligations	*Total*	*Less than 1 year*	*1-3 years*	*3-5 years*	*More than 5 years*
Long-term debt	$11,347	$ 3,514	$ 7,250	$ 583	$ 0
Capital leases	2,777	230	460	460	1,627
Operating leases	13,498	3,461	6,420	3,617	0
Purchase obligations	2,927	2,927	0	0	0
Total obligations	$30,549	$10,132	$14,130	$4,660	$1,627

Inflation did not have a material effect on net sales or net income in fiscal years 2002 through 2004. A significant increase in inflation could affect future performance.

Recently Issued Accounting Pronouncements and Proposed Accounting Changes

In November 2004, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," in Determining Whether to Report Discontinued Operations*. The consensus provides guidance in determining: (a) which cash flows should be taken into consideration when assessing whether the cash flows of the disposal component have been or will be eliminated from the ongoing operations of the entity, (b) the types of involvement ongoing between the disposal component and the entity disposing of the component that constitute continuing involvement in the operations of the disposal component, and (c) the appropriate (re)assessment period for purposes of assessing whether the criteria in paragraph 42 have been met. The consensus was ratified by the FASB at their November 30, 2004 meeting and should be applied to a component of an enterprise that is either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004. The Company does not anticipate a material impact on the financial statements from the adoption of this consensus.