MORGAN JOSEPH

Hardlines & Leisure

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INITIATION OF COVERAGE

EQUITY RESEARCH

December 12, 2008

AT Cross Co.

ATX – NASDAQ – BUY

Inking A Plan For Growth

Key Metrics

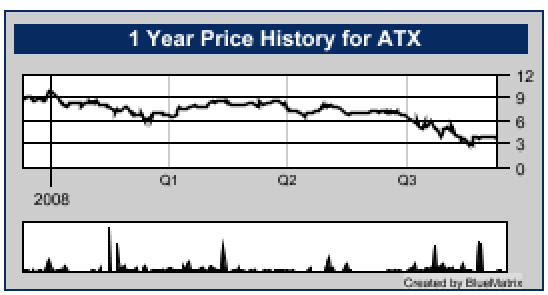
ATX - NASDAQ (as of 12/11/08)	$3.50
Price Target	$6.00
52-Week Range	$2.36-$10.37
Shares Outstanding (mm)	15.4
Market Cap. ($mm)	$54.0
3-Mo. Average Daily Volume	25,410
Institutional Ownership	43.4%
Debt/Total Capital (9/08)	19.9%
ROE (9/08)	8.78%
Book Value/Share (9/08)	$5.70
Price/Book Value	0.61
Dividend Yield	NA
TEV/ LTM EBITDA	3.6

EPS FY 12/31

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q	$0.01	--	$0.04A	--	$0.01E
2Q	$0.07	--	$0.12A	--	$0.10E
3Q	$0.15	--	$0.11A	--	$0.11E
4Q	$0.21	--	$0.11E	--	$0.25E
Year	$0.43	--	$0.39E	--	$0.47E
P/E	8.1x		9.0x		7.4x

Revenue ($mm)

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q	$32.6	--	$36.3A	--	$36.5E
2Q	$36.5	--	$43.2A	--	$42.7E
3Q	$35.1	--	$39.0A	--	$39.8E
4Q	$47.7	--	$43.0E	--	$49.8E
Year	$151.9	--	$161.4E	--	$168.8E



***Company Description**: AT Cross Co. (www.cross.com) engages in designing, manufacturing, and marketing personal accessories in the United States. The company operates in two segments, Cross Accessory Division (CAD) and Cross Optical Group (COG). The CAD segment offers writing instruments as well as various personal and business accessories under the Cross brands. The COG segment offers polarized eyewear under the brand Costa Del Mar and Native Eyewear.*

Investment Highlights

- **Initiating Coverage with a Buy rating, $6.00 price target.** AT Cross manufactures and distributes Cross pens and accessories as well as Costa Del Mar (CDM) and Native Eyewear (NE) sunglasses. Our $6.00 price target reflects a 5x EV/EBITDA multiple to our 2009 estimate and is supported by a discounted cash flow analysis yielding $7.65 per share.

- **Manufacturing efficiencies/optical growth should drive EBIT margin expansion.** AT Cross appears well positioned to expand, versus 2007 results, sales by roughly $29mm (6% 3 yr est. CAGR), EBIT by $8mm (22% 3 yr. CAGR), and EBIT margins 335 bps by 2010 as Cross streamlines its manufacturing/sourcing channels with top-line growth projected to be derived primarily from an expanding higher margined optical division.

- **Additional cuts being evaluated – could offset potentially lower sales.** A weakening economy could provide an obstacle for ATX to achieve our sales goals. Should weakness intensify, we believe AT Cross is evaluating additional cost reduction initiatives that could offset any revenue shortfalls.

- **Optical division eyeing material growth, sees 75% by 2010.** ATX's optical business has grown at a CAGR of 29% since 2003. Ongoing CDM expansion coupled with the recent acquisition of NE (roughly $10mm in size) appears to have the higher margined optical group on track to expand about 75% from $37mm in 2007 to potentially $65mm by 2010 (21% CAGR growth).

- **Cost cutting initiatives turn the corner, not done yet.** Transferring CAD manufacturing from the United States to China has materially improved profitability, with little apparent impact on product quality. EBIT margins, up roughly 600 bps since 2004, could expand another 335 bps by 2010 with product mix (roughly 240 bps), and more efficient manufacturing/raw material sourcing (approximately 120 bps) adding potential upside.

- **Expanding accessories offerings could add growth.** In 2002, non-pen sales accounted for roughly 2% of the category's revenues. Today, the addition of leather goods, hand bags, and glasses has expanded non-pen sales to roughly 12%.

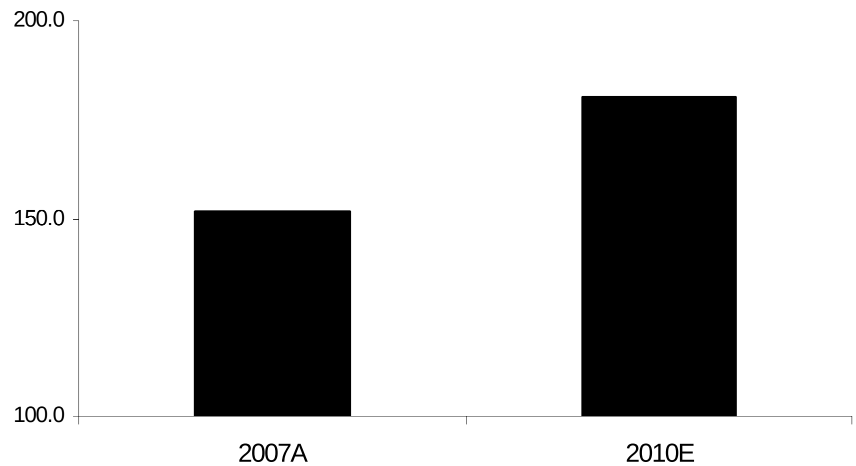
- **Balance sheet improved – free cash flow expected to turn positive.** With net debt (debt to cap. ratio of 20%) at roughly $8mm, Cross's balance sheet appears solid, and could be bolstered by positive expected free cash flows.

The Disclosure section may be found on pages 19-20 of this report.
The Valuation section may be found on pages 10-11 of this report.

Investment Thesis

We are initiating coverage of AT Cross Co. with a Buy rating and $6.00 price target. Over the past three years, AT Cross has expanded its EBIT margins 600 basis points to 6.5% and earnings per share by $0.49 to $0.43. At the forefront of the turnaround was the 2003 acquisition of sunglass manufacturer Costa Del Mar and the re-organization of the company's manufacturing processes. Costa Del Mar began as a $10mm, in annual sales, acquisition that expanded Cross's product offerings to include polarized sunglasses. Since taking control, the company has been able to achieve above company average gross margins and a compounded annual growth rate (CAGR) of roughly 29%. In 2007, the optical group generated $36.6mm in sales and 57.6% gross margins. Across the aisle, the accessory group was improving profitability via the 2003 re-organization initiative that eliminated roughly eighty non-manufacturing positions and moved manufacturing responsibilities overseas to China. Since the plan's roll-out, the accessory group's gross margins have expanded nearly 1,000 basis points from 47.8% in 2004 to 55.7% in 2007.

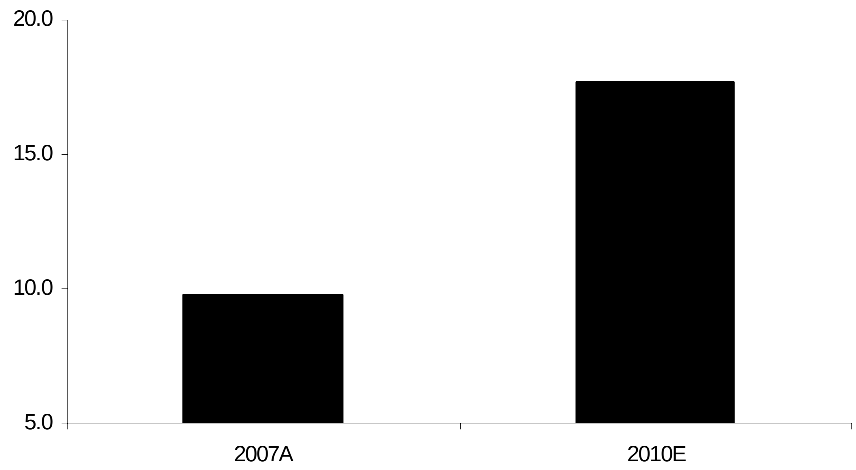
Table 1: Projected Revenue Growth – 2007A to 2010E ($ in mms)



Source: Company reports and Morgan Joseph estimates

We do not believe AT Cross is done and we expect revenues to expand 19% by 2010, a 6% CAGR growth. Also, we project EBIT to nearly double to $17.7mm, or 22% CAGR growth, from 2007 reported results. The largest contribution to projected growth should continue to come from the optical division. Coupled with further Costa Del Mar gains, the Native Eyewear acquisition could follow a similar pattern to that of Costa Del Mar through an expanding product line and improved distribution channels. While there could be some operating cost synergies and economies of scale identified, Native Eyewear is already generating gross profit margins above that of Costa Del Mar (roughly 15% EBIT margin) and the company average of approximately 7%. Twenty million in new sales from the category could add over 200 basis points to the company's current EBIT margins. The good news is that we believe they have the business model to achieve this goal as it was already accomplished following the Costa Del Mar acquisition.

Table 2: Projected EBIT Growth – 2007A to 2010E ($ in mms)



Source: Company reports and Morgan Joseph estimates

The second-largest profit generator should be improved product sourcing and manufacturing facility optimization. Within product sourcing, most accessory raw materials are sourced from the United States. With its plant now based in China, the logistics clearly add unnecessary transportation costs and lead times necessary to produce inventory. The company is in the process of qualifying local Asian suppliers for components. Once accomplished, this should reduce freight costs, lower inventory levels, and speed up time to market. Within the facility, the company is looking for added cost efficiencies, such as the recent addition of a state-of-the-art lacquer line. This service was previously outsourced and now the process is done within the plant faster and at a lower cost. Other opportunities appear to be the consolidation of overseas warehouses. All told, these initiatives could improve EBIT margins by 120 basis points in 2010. Prior to expectations for a global slowdown and currently reduced projected sales leverage, manufacturing benefits targeted over 200 bps in EBIT margin gains.

Additional opportunities include improving direct to consumer opportunities with Q1 e-commerce, catalog, and 1-800 sales up 20%, along with visitor Web hits up 38% Y/Y. Other initiatives include the expansion of its accessory product line, identifying other strategic acquisition opportunities, and expanding shop-in-shop (SIS) retail locations overseas. The company currently has roughly 100 SISs in place, which is up from roughly 80 last year and could expand to 110 by this year end. Once a SIS is in place, sales typically expand 20% to 30%, providing a win-win for AT Cross and its retail customer.

Based upon the company's strong market presence and opportunities for growth, we are initiating coverage of AT Cross with a Buy rating and $6.00 price target based off of an EV/EBITDA multiple of 5.3x to our 2009 EBITDA estimate of $19mm. Based upon relatively low trading volume (currently averaging roughly 25,000 shares traded per day) and broad daily price fluctuations (shares opened at $5.58, traded down 37% to $3.51, and closed nearly flat at $5.54, all in one day), we recommend AT Cross shares to investors with a long-term horizon. Based upon current economic conditions, limited visibility for near term consumer spending patterns, and past share trading patterns, we expect share price volatility to continue and would recommend accumulating shares at current levels.

Currently trading at 3.6x TTM (trailing twelve months) EV/EBITDA, our $6.00 price target assumes an EV/EBITDA multiple of 5.3x, which is in line with its peer group multiple, on our 2009 (future twelve month) EV/EBITDA expectations. Supporting this valuation is a discounted cash flow valuation of $7.65 per share. Upside to our estimates could be achieved through additional accretive and strategic acquisitions. While added capital and/or leverage may be required to complete another deal, the company's balance sheet appears solid and well positioned with $14mm in cash and a debt to capitalization ratio of 19.9%.

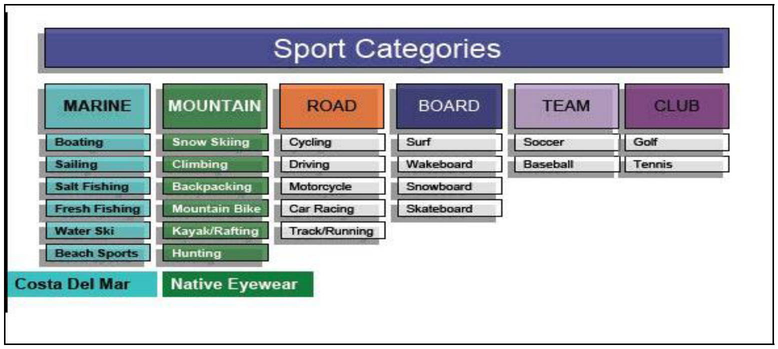
Investment Positives

Expanding higher margined optical division

On April 22, 2003, AT Cross announced that it had completed the acquisition of Costa Del Mar Sunglasses, Inc. The acquisition transitioned the company into the premium eyewear category and diversified its company product line and distribution channels. Prior to the acquisition, Costa Del Mar was generating annual sales of roughly $11mm. Following the acquisition, AT Cross has been able to expand the category at a compounded annual growth rate of roughly 29% with 2007 sales up 34% Y/Y to $36mm. One key to the segment's growth has been its early adoption of polarized lenses. Polarized lenses reduce the glare caused from light emanating from flat surfaces such as water, snow, or a windshield. Costa Del Mar has been 100% polarized since its introduction in 1985, and currently, the polarized lens segment of the premium sunglass market is the fastest growing segment in that market. Ten years ago, roughly 5% of the premium market included polarized lenses, whereas today, it is over 30%. Originally, the brand was focused towards male fishermen, which would explain the polarized focus, due to a high correlation of water activities, in the southeastern part of the United States, particularly in Florida. Over the past couple of years, Costa Del Mar has been expanding into Texas and California with those regions achieving solid and encouraging growth. With a 30% growth rate, the brand is clearly taking market share and gaining traction with existing and new customers. We believe the product is transferrable nationwide and project further expansion going forward. Additional opportunities include branching out from its primarily saltwater focus into freshwater markets with increased focus upon women and college students.

In 2007, the optical group generated sales and EBIT of $37mm and $6mm, or 24% of total sales and a 16% EBIT margin, respectively. Expectations are for the optical group to expand to $65mm by 2010 with EBIT margins remaining roughly even with current levels, although upside could materialize through economies of scale and/or identified synergies. In addition, to further Costa Del Mar's projected growth, the optical group should benefit from the recent acquisition of Native Eyewear Inc. Native Eyewear, when acquired, was estimated to be generating roughly $11mm in annual sales with EBIT margins already above that of Costa Del Mar. Both brands have premium price points above $100, offer high quality polarized sunglasses, and have been expanding annually in the double digits. Whereas CDM's primary focus remains in the water, NE's has been in outdoor and mountain sports, such as hiking, climbing, trail running, road/mountain biking, kayaking, and snow sports, target market. CDM primarily sells in the southeastern part of the United States, yet NE's primary market is in the northeast and mountain west regions; therefore cannibalization should be negligible and NE's existing relationships with R.E.I., Eastern Mountain Sports, and L.L. Bean, to name a few, should add key relationships for CDM expansion.

Table 3: Optical Group Category Breakdown

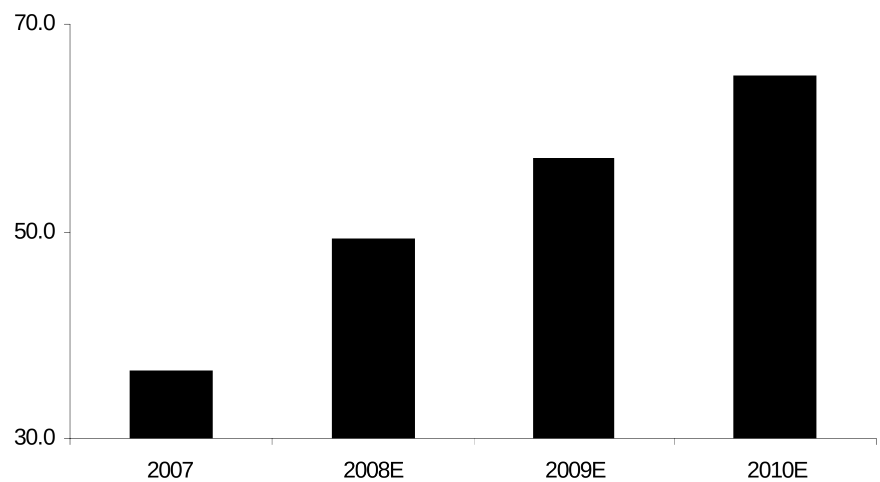


Source: Company presentation

At a cost of $19mm, NE is expected to add $0.07 to fiscal year 2009 EPS and appears well positioned to follow a similar growth pattern of CDM with expanded product line and market share gains. Currently, NE offers roughly one dozen sunglass styles, which was roughly the size of CDM when acquired by AT Cross. A similar pattern to CDM would expand the current line base from twelve to upwards of fifty different offerings.

The estimated United States sunglass market is roughly $2.3bn in size, based upon wholesale dollars, and has been expanding annually 4% to 5% over the past three years. The premium category, with price points above $50 per pair, is approximately $1.45bn in size. Broken down further, the premium sports market is roughly $850mm in size, with premium fashion at around $600mm. AT Cross does not, nor do we expect, the company to participate in the future, within the fashion market. As mentioned above, both Costa Del Mar and Native Eyewear have been experiencing double-digit growth, so market share gains appear to be achieved by AT Cross. As constituted, Costa Del Mar and Native Eyewear account for roughly 5% of the premium sport sunglass market and are expected, within three years, to expand that market share to between 8% and 9%.

Table 4: Projected Optical Group Sales: 2007A to 2010E



Source: Company reports and Morgan Joseph estimates

We believe that AT Cross is positioned well to continue the early success seen in the COG. According to the company, EBIT margins for the group should remain stable at 15% and we expect CAGR for sales of 21% from 2007 to 2010. Additionally, we believe that AT Cross is in a prime position to acquire another sunglass company specializing in an area underserved by the Native and Costa Del Mar brands. We believe that another line would be beneficial to AT Cross and are confident that senior management would be able to grow an additional brand at a similar rate to that of Costa Del Mar and Native Eyewear over the next three years, of approximately 15%.

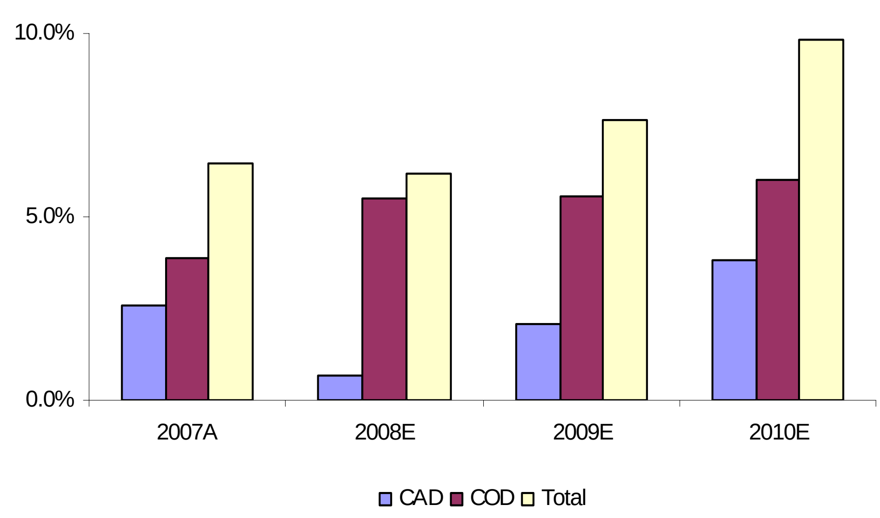
AT Cross' sunglass business grew 40% in Q308, the most recent quarter. Costa Del Mar continued to show strong results, delivering 12% growth in the quarter amidst a turbulent economic environment. Further, investments in the brand have helped grow revenue outside the core market of the Southeast United States at rates of 15% to 25%. Costa Del Mar grew business in 20 of the company's top-25 customers during the year. New product launches in 2008 such as Man-O-War, BlackFin, and Isabella appear to be selling well and the first production run of the company's 508 silver mirror lens sold out extremely quickly. AT Cross continues to invest in the Costa Del Mar business unit and the brand continues to be involved with the Bassmaster Elite 100 fishing series, where 50% of the top 100 pros wear the brand.

Cross continues to ramp up production on its Native Eyewear line for 2009. While the brand should prove to be nominally accretive during FY08, we believe that growth should pick up significantly in FY09 as the company rolls out new styles. Currently, the brand has five new products, which will be displayed at current trade shows for the 2009 season. We believe that the introduction of the new products, which could be greater in number than the aforementioned five, should increase store penetration and expand the brand's footprint.

Cost Reduction Initiatives Taking Hold; CAD Margins Expanding

The Cross Accessories Division, which was established in 1846 maintains the well known Cross brand name, and participates within the $900mm quality writing instrument market and $6bn accessories market. Over the past four years, sales within the division have remained relatively constant at roughly $115mm in annual sales with Y/Y declines/growth trends ranging from down 4% to up 3%. While sales have been stagnant, the division's gross margins have been expanding quite steadily and materially. In FY04, the division's gross margins were at 47.8% but have expanded each fiscal year since then to 55.7% in FY07. Margin expansion began with a 2003 corporate reorganization program that shifted the majority of the company's manufacturing overseas, in addition to the elimination of roughly eighty non-manufacturing jobs domestically. The initiatives, as demonstrated by the improved profit margins, appear to have taken hold.

Table 5: Projected EBIT Margin Growth Contribution – 2007A to 2010E



Source: Company reports and Morgan Joseph estimates

While first quarter fiscal year 2008 gross margins declined Y/Y to 55.1% from 56.4%, the reduced profit margin was attributed to initiatives to sell discontinued products earlier in the year than normal. Similar activities should be minimal going forward in FY08 and the impact should normalize over the course of the year. Prior to the global economic slowdown, expectations were for a 100 basis point gross margin improvement Y/Y. Now we are modeling for a 30 bps Y/Y gain with 4Q results negatively impacted by reduced sales leverage. However, improved product sourcing and supply chain efficiencies should provide the next phase of cost reductions and help offset this impact.

Currently, the Asian manufacturing plant provides logistical problems as to product sourcing. The company obtains raw materials for use in writing instruments from both domestic and international suppliers including Germany, Switzerland, France, and Japan. AT Cross is qualifying local Asian suppliers in an effort to minimize freight costs as well as quicken time to market. Other improvements include the completion of its state-of-the-art lacquer line, of which lacquer-coated products have been expanding in number. Previously, the lacquer shells were coated by a supplier in Europe, but now this is accomplished within AT Cross's China facility. This process improves supply chain efficiencies while lowering costs of production.

In addition to sourcing parts locally, the company should be able to increase margins in the CAD as the remaining 20% of manufacturing operations is shifted to China. While we do not believe that AT Cross will ever have all of its manufacturing done in China, we do believe that the company will ultimately reach a level close to 95%. As the manufacturing process in China matures, we also believe that AT Cross will consolidate its operations and reduce the number of warehouses in China from four down to one. Through the steps outlined, we believe that operating margins in the CAD will expand by 250 basis points.

We note that in conjunction to the cost reductions, AT Cross should be able to further increase profitability through several other initiatives. First, footprint expansion into India, China, and several other new markets should increase the firm's leverage and expand margins. Second, increased production from the firm's new Chinese facility should increase AT Cross' scale, allowing the company to ship more orders and be better suited to adapt to any changes in demand. Finally, new product introductions of higher margined accessories should add to the firm's bottom line. Overall, we believe that by 2010, AT Cross will see EBIT margins expand to 6% in the CAD and 10% overall.

Cross Accessory Division product diversification. The Cross accessory division offers a variety of products ranging from pens, pencils and ink refills to watches, desk and leather accessories, stationary, cuff links, and computer bags, to name a few. Approximately 60% of its sales are generated outside the United States with approximately 25% of overall revenues generated from corporate gift giving. In 2002, its core and best known lines of pens and pencils accounted for roughly 98% of accessory sales but has been supplemented with new categories and lines that have reduced that percentage to roughly 93%. By 2010, non-writing product lines could account for 15% of accessory division revenue base.

Expanding this business, particularly with current market conditions extremely challenging, may be a bit more difficult; yet, a few initiatives are in the works nonetheless. The accessories products are sold through roughly 4,200 retail and wholesale accounts, directly through the company's website, www.cross.com, and the Cross retail stores. Growth is expected to be achieved by expanding floor space through increased point-of-purchase, or shop-in-shop, locations, continue to expand catalog/online sales and direct to consumer interaction, while building new category development. Currently the company has roughly one hundred shop-in-shop locations. The shop-in-shop is essentially a designated area at retail solely for Cross merchandise with ample marketing and name recognition established. The company expects this number to expand to one hundred and ten shop-in-shop locations by the end of 2008, which would represent roughly 30 new 2008 SIS locations. Once constituted, the shop-in-shops typically increase Cross's business by 25% to 30%.

The second initiative is to expand direct relationships with customers via catalog and e-commerce. www.cross.com receives approximately 2mm visitors per year and the site has seen a 40% increase in sales in 2007. The company has recently launched its cross.com site in Europe which could further add to growth. From the catalog side, the company sends out roughly 1mm catalogs per year.

Increased retail exposure and penetration is expected via expanded shop-in-shop placement. AT Cross should have approximately 110 Shop-In-Shops (SIS) by the end of this year. These Shop-In-Shops average about twenty five to two hundred and fifty square feet in size and allow the company to display its entire product line. AT Cross pays for the instillation of the SIS and usually shares the cost of the salary for SIS employees with the store's owner. Once up and running, the SIS typically expand Cross's sales in that location by 25% to 30%. In Q108, the company secured agreements for an additional 32 SIS locations and expects to have a total of 111 by the end of 2008. At a cost, on average, of $25,000-$30,000 in capital expenditures, the SIS's typically have a payback period of two years. The company has stated its goal is to have a total of 150 Shop-In-Shops.

Table 7: Shop-In-Shop Picture

Source: Cross Presentation

Investment Risks

Overseas manufacturing could create possible delivery disruptions. AT Cross maintains sales offices and operations in eight countries and distributors worldwide. Most of its products are also manufactured which could make the company susceptible to changes in export controls, foreign laws and regulations, and/or disruptions in transportation networks. Any negative impact within these areas could increase costs or disrupt on-time delivery of its products.

A large percentage of AT Cross's sales are generated from a few customers. While the company is not dependent upon any single customer for more than 10% of its overall revenues, Staples, Inc., OfficeMax, Inc., and Office Depot, Inc. account for a significant portion of AT Cross's sales and a material drop in sales from one of these companies could have a material impact on future results.

Economic conditions could continue pressuring demand for AT Cross's products. Office Depot recently announced that it continues to be negatively impacted by the challenging economic environment in the second quarter of 2008. North American retail comparable store sales decreased by 10% with a worsening trend during the latter part of the quarter. While Office Depot does not account for more than 10% of AT Cross's overall sales base, it could be an indicator for negative demand and the weakening U.S. environment obtaining and/or deferring some products AT Cross manufacturers.

Company is dependent upon U.S. and International economies. While the company's diversified revenue (roughly 60% of sales generated in the United States and 40% Internationally), does provide some insulation from ongoing U.S. economic weakness, ongoing declines in the U.S. economy and/or weakness overseas could negatively impact future business. In Q308, revenue from international markets increased 18% Y/Y. However, this increase was offset by a similar US decline and a disappointing outlook for several of AT Cross' international markets. Should a global turndown occur, AT Cross' revenues could be significantly impacted, especially the CAD.

Integration of Native Eyewear or new acquisitions could disrupt operations. The acquisition of Native Eyewear could create operational distractions and/or inefficiencies which could negatively impact future earnings.

Growth through acquisition strategy could be dependent upon securing added financing. While the company's balance sheet appears sufficient to maintain current operations, cash levels may not be sufficient to fund future acquisitions. Should AT Cross not be able to secure appropriate funding, future acquisitions may not materialize.

Low trading volume and large base of insider ownership creates significant share price volatility. While the company currently has 15mm shares, over 50%, or roughly 8.3mm shares, are owned by directors and executive officers, and approximately 3mm shares are owned by the Boss family or trustees related to the Boss family (Walter Boss purchased the company in 1916). While strong insider ownership and limited insider selling could be viewed as a positive, it also limits daily trading volume, which averages roughly 20,000 shares per day, while increasing daily share price volatility. For example, on October 15, shares opened at $5.58, traded at a low of $3.51, and closed at $5.54.

Holders of Class B Shares maintain preferred voting power. Most voting power is vested in the holders of Class B common stock so long as any shares of Class B common stock are outstanding. Class A and Class B common stock vote together:

- For the reservation in the future of shares to be issued pursuant to options granted or to be granted to directors, officers or employees; and
- With respect to the acquisition of assets or shares of any other company if:

    1. An officer, director or holder of ten percent or more of either Class A or Class B common stock has an interest in the transaction.
    2. The transaction would, in the reasonable judgment of the Board of Directors, presently or potentially increase by nineteen and one-half percent or more the aggregate of the Class A or Class B common stock outstanding immediately prior to such transaction; or
    3. The transaction would involve the issuance of any Class A or Class B common stock and in the reasonable judgment of the Board of Directors the value of consideration furnished by the company is nineteen and one-half percent or more of the aggregate market value of all Class A and Class B common stock outstanding immediately prior to such transaction.

As of July 26, 2008, the number of Class A common stock shares outstanding was 14.1mm while Class B common stock was 1.8mm.

Valuation

Target P/E conservatively below estimated long term growth rate; EV/EBITDA in-line with peer group. AT Cross currently trades at 7.2x trailing twelve months (TTM) EPS. While substantially below its five year historical multiple of nearly 40x, we do not believe it to be a valuable measure as EPS have been relatively low to slightly negative. While our targeted P/E multiple is above the 7.7x peer group multiple our $6.00 price target represents a 5.3x 2009E EV/EBITDA multiple, which is roughly in line with the current peer group average of 5.2x.

Based upon the company's strong market presence and opportunities for growth, we are initiating coverage of AT Cross with a Buy rating and $6.00 price target derived from an EV/EBITDA multiple of 5.3x to our 2009 EBITDA estimate of $19mm. Based upon relatively low trading volume (currently averaging roughly 25,000 shares traded per day) and wide daily price fluctuations (shares opened at $5.58, traded down 37% to $3.51, and closed flattish at $5.54, all in one day), we recommend AT Cross shares to investors with a long-term horizon. Based upon current economic conditions, limited visibility for near term consumer spending patterns, and past share trading patterns, we expect share price volatility to continue and would recommend accumulating shares at or below current levels. Additionally, AT Cross's shares are trading just above its tangible book value of $3.84, which could limit some downside risk.

Table 8: AT Cross and Peer Group Valuation Multiples

Company	ACCO Brands	Ennis Inc.	Office Depot	Office Max	Staples Inc.	Standard Register	Average	AT Cross
Symbol	ABD	EBF	ODP	OMX	SPLS	SR	AVG	ATX
Price	$2.1	$9.7	$2.4	$5.8	$17.1	$7.2	$7.4	$3.5
Shares Outstanding	54.2	25.7	274.9	76.0	712.1	28.8	$195.3	15.4
Market Capitalization	$113.8	$248.0	$657.0	$439.8	$12,155.2	$206.6	$1,437.8	$54.0
Cash	$35.3	$10.2	$394.6	$254.8	$258.4	$0.3	$158.9	$14.0
Debt	$800.7	$77.3	$940.3	$2,088.6	$4,442.1	$40.8	$1,398.3	$21.7
EBITDA	$193.6	$84.3	$411.1	$398.0	$1,980.0	$37.1	$517.4	$17.3
EV	$879.2	$315.1	$1,202.7	$2,273.6	$16,338.9	$247.0	$2,677.2	$61.7
EV/EBITDA	4.5x	3.7x	2.9x	5.7x	8.3x	6.7x	5.2x	3.6x
2008 EPS	0.87	1.46	0.26	1.48	1.37	0.30	0.96	0.39
2009 EPS	0.83	1.56	0.10	0.87	1.41	0.20	0.83	0.47
2008 P/E	2.4x	6.6x	9.2x	3.9x	12.5x	23.9x	7.7x	9.0x
2009 P/E	2.5x	6.2x	23.9x	6.7x	12.1x	35.9x	8.9x	7.4x
EPS Growth	-4.6%	6.8%	-61.5%	-41.2%	3.1%	-33.3%	-13.4%	21.9%
PEG	(0.5x)	1.0x	(0.1x)	(0.1x)	4.0x	(0.7x)	(0.6x)	0.4x

Source: Company reports and Morgan Joseph estimates

Discounted Cash Flow Analysis supports our $6.00 price target: AT Cross's free cash flow (cash from operations less capital expenditures) has been slightly positive to slightly negative. Most recently in 2007, free cash flow was ($11.5mm) but YTD has been trending positive (YTD FCF $1.5mm) and should improve as 4Q is traditionally a cash generating quarter. In 2006, the company generated $3.2mm in FCF. We believe 2007 was negatively impacted by increased capital expenditures associated with the transition of manufacturing overseas and inventory build. The inventory expansion was derived from expansion of its supply chain and anticipated 2H sales growth, which came in slightly below expectations. The supply chain should improve with more efficient sourcing and reduced lead times while excess 2007 inventories appears to be working through in 2008 and is down slightly Y/Y. With capital expenditures and depreciation and amortization projected to roughly equal going forward, improved net income and working capital should provide positive free cash flow going forward. Utilizing a 3% terminal growth rate and 10.1% weighted average cost of capital.

Table 9: Discounted Cash Flow Analysis

	2007	2008E	2009E	2010E	2011E	2012E	2013E	Terminal Value
Revenues	151.9	161.4	168.5	180.6	189.7	199.1	206.1	
Less: Operating expenses	142.5	152.6	157.0	164.2	170.9	178.4	184.6	
Pre-tax Earnings	9.4	8.8	11.5	16.5	18.7	20.7	21.5	
Tax Rate	0.28	0.33	0.38	0.38	0.38	0.38	0.38	
EAT	6.7	6.0	7.2	10.3	11.7	12.9	13.4	
Less: Non-recurring Charges	0.0	0.6	0.0	0.0	0.0	0.0	0.0	
Net Earnings	6.7	5.3	7.2	10.3	11.7	12.9	13.4	
Plus: Depreciation	5.0	5.5	6.0	6.5	6.5	7.0	7.0	
Plus: Change in Working Capital	(14.0)	0.9	1.1	(2.1)	(2.5)	(2.8)	(2.0)	
Cash from Operations	(2.4)	11.7	14.3	14.6	15.6	17.1	18.4	
Less: Cap X	(9.1)	(5.0)	(5.0)	(5.0)	(6.0)	(6.0)	(7.0)	
Free Cash Flow	**(11.5)**	**6.7**	**9.3**	**9.6**	**9.6**	**11.1**	**11.4**	**166.4**

Weighted Average Cost of Capital Calucations

Cost of Debt	8.0%	Risk Free Rate	4.5%
Tax Rate	33.0%	Risk Premium	6.0%
After-tax Cost of Debt	5.4%	Beta	1.15
Debt Weight	22.1%	Cost of Equity	11.4%
		Equity Weight	77.9%
Weighted Averge Cost of Capital (WACC):			**10.1%**

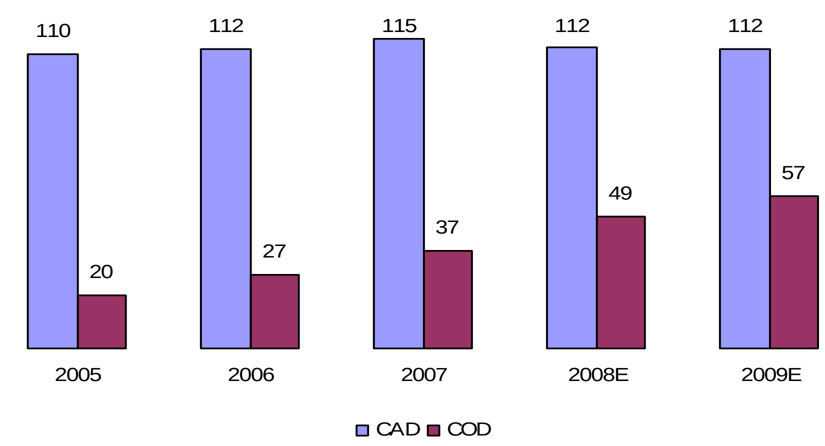
Discounted Cash Flow Fair Value Calculation:	
Discount Rate:	10.1%
Estimated Long Term Growth Rate in FCFs:	3.0%
Net Present Value of Estimated FCFs:	$126
Less Long-Term Debt	$22
Plus Cash	$14
Fair Market Value	$118
Shares Outstanding	15.4
Discount FCF Value per Share (Fair Value)	$7.65

Source: Company reports and Morgan Joseph estimates

Company Background

Founded in 1846, A.T. Cross Company produces and markets branded personal accessories throughout the United States. A.T. Cross Company has two reportable segments, the Cross Accessory Division (CAD) and the Cross Optical Group (COG). The firm's Cross Accessory Division manufactures writing instruments sold under the Cross brands. In addition to writing instruments CAD designs and markets a variety of personnel and business accessories including desk sets, business totes, cufflinks, and stationary. The firm's Cross Optical Group (COG) segment and wholly-owned subsidiary Costa Del Mar Sunglasses, Inc. manufacture and market premium, polarized eyewear under the Costa Del Mar brand name. Native Eyewear is sold to approximately 3,000 retail accounts throughout the United States by employee representatives and manufacturer's agents.

Table 10: AT Cross Sales Breakdown



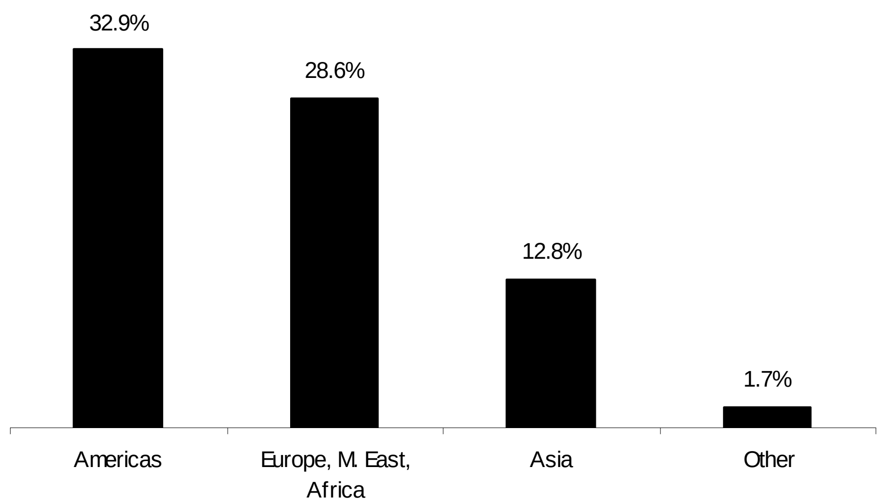
Source: Company reports and Morgan Joseph estimates

Cross Accessory Division (CAD)

A.T. Cross Company's CAD operates in the global non-disposable writing instrument market. This market is estimated to be approximately $900 million at wholesale. For the most recent quarter, approximately 68% of A.T. Cross Company's revenue was generated from the Firm's CAD division. The Firm manufactures writing instruments at virtually every price point with the majority of sales coming from items with a MSRP between $10 and $50. A.T. Cross and Company has repeatedly stated its belief that the Firm is a market leader at these price points. This division sells to approximately 4,200 retail and wholesale accounts. While no single customer is responsible for greater than 10% of consolidated revenues, the Firm is dependant on Staples, Inc., OfficeMax, Inc., and Office Depot, Inc., for a significant portion of its revenue.

Approximately 55% of A.T. Cross accessory sales in 2007 were in foreign markets, up 3% Y/Y. Notably, Europe, the Middle East, and Africa have averaged double digit Y/Y CAD sales growth over the past five quarters while the Americas have declined (2.4%) per quarter over that same time. However, this decrease in CAD strength in the Americas has been offset by immense growth from the Firm's COG. Over the past three years, Y/Y sales growth in this segment has never dropped below 23%. Currently, the Cross Optical Group's products are well represented in the Southeast, Northeast and in the Mountain West regions.

Table 11: AT Cross Net Sales By Region



Source: Company reports and Morgan Joseph estimates

Cross Optical Division (COG)

On March 24th, 2008, A.T. Cross Company completed the acquisition of Native Eyewear, Inc., a designer and marketer of a branded line of sport polarized sunglasses and goggles for $17.8 million along with the assumption of $1 million in short-term working capital financing. Native Eyewear's primary concentration is in the outdoor and mountain sports, such as hiking, climbing, trail running, road and mountain biking, kayaking, and to a limited degree the snow sports. This addition increases A.T. Cross Company's presence in the premium sport segment of the sunglass industry and adds diversity to its marine focused Costa Del Mar brand. With the acquisition, the firm believes that it will increase its share of the $850 million premium sport segment by 3% - 4% to the 8% - 9% range over the next three years. Native Eyewear is currently sold through Amazon.com, L.L. Bean, REI, Campmor, as well as other outdoor oriented shops. Many of the stores that sell the Native Eyewear line also sell the Costa Del Mar brand. Additionally, we believe Native's addition should allow A.T. Cross Company to compete with Oakley, Ray-Ban, and Nike, across all sections of the premium sports sunglass landscape.

The success of the COG has caused the company to restructure its business with a goal of increasing total firm revenue derived through COG from 24% in 2007 to 34% by 2010, which is currently in place. Increased growth in the segment is mirrored in the outdoor industry as a whole and A.T. Cross Company looks to capitalize on this strength and economic fortitude. For April 2008, especially strong dollar growth was seen in outdoor equipment and apparel with 11% and 12% respective gains in dollar sales for the month over April 2007.

In March 2008, A.T. Cross Company amended its secured revolving line of credit with Bank of America. This amendment increased the bank's commitment to $35 million from $20 million. These borrowings were used to finance the acquisition of Native Eyewear. For the most recent quarter ended March 29, 2008, the outstanding balance of the company's amended line of credit was $21.7 million, bearing an interest rate of approximately 6.0%. This is an increase of $18.8 million over the previous quarter. However, even with the added borrowings, debt-to-equity remains under 0.3x. Additionally, under the agreement, A.T. Cross Company may not grant any dividends on its common stock.

Competition

AT Cross is the only publicly traded entity to compete in both the office supply and sunglass industry. However, the firm's CAD has tremendous competition in the highly fragmented, highly discretionary writing instrument market. While Cross stands out for having entries at a wide variety of price points, competition remains strong. The company has stated that Cross' most popular writing instruments fall in the $40-$90 price range. At this level, significant competitors are Parker, and Waterman. At higher prices, such as those seen for the Century II Collection, Cross competes with Montblanc, Cartier, and other high-end manufacturers. We believe that while Cross may lose selling power at these high levels, it remains the strongest competitor in the $40-$90 space, and that it will continue to do so.

Cross' leather goods and accessories products also face high competition in a crowded market. While competition is also highly fragmented in these markets, we believe that Cross will be able to leverage its writing instruments to draw customers to its accessories. Additionally, we believe that many customers will be inclined to trade up to Cross' genuine leather products in order to make a statement at a job interview or an important meeting.

The company's COG relies heavily on outdoorsmen to purchase its products. While Cross plans to enter virtually every subgroup of the premium outdoor sports sunglass market, currently, the brand's Costa Del Mar sunglass unit targets the marine and fishing subgroup and the firm's Native Eyewear serves the camping and outdoor market, with limited entries in the cycling and snow sports marketplace. AT Cross' main competition comes from brands such as Maui Jim, Oakley, Ray-Ban, Spy Optics, and Von Zipper. While competition remains fierce, Costa Del Mar has emerged as a significant player in the marine and fishing market, largely due to its strict adherence to remaining a water-based sunglass line. Additionally, native eyewear has also become a strong player in its space. We believe that AT Cross' ability to define its brands based on superior performance within the brand's sub-industry group is a significant advantage compared to competitors that have pursued a single brand concept across all sub-industry groups. Further, we believe that as the COG continues to grow, each of its brands should be able to adapt to the specific needs of each sub-industry group and become that group's dominant entry.

Financial Discussion

Income Statement

4Q08

We project 4Q08 sales to decrease 10% Y/Y to $43mm. Of the $43mm, we expect revenues from CAD to account for 77% of sales, down 18% from last year. The main revenue increases should be attributable to the COD, which we believe will see a 37% increase in sales, to $10mm, Y/Y. Further, we anticipate operating margins to decrease to 7.2% as a result of lost leverage in the quarter. EPS are projected at $0.11 versus $0.21 in 4Q07. The reduced Y/Y expectations reflect an uncertain global economy, recent weakening international trends and expectations, for ongoing domestic declines.

2008

We currently project 2008 sales to expand 6.3% Y/Y to $161.4mm. Continued cost-saving initiatives and increased production from Cross' Chinese plant should help offset higher labor costs and reduced scale, however we anticipate margins will be down 0.3% to 6.2%. Additionally, we expect COD sales to increase 35% Y/Y and exceed 30% of total company sales. Further, we believe gross profit will continue to increase by 30 bps Y/Y and 2008 should see record levels of $91.1mm.

2009

In 2009, we believe that continued COD expansion should offset continued CAD weakness, total sales growth is projected at 4.6% Y/Y to $168.8mm, a record level. COD should come close to surpassing one-third of total company sales and gross profit margins should increase 70 bps as the cost-saving initiatives should be fully in place. We expect R&D costs to remain stable from 2008 levels and net income to increase approximately 22% to $7.3mm, or $0.47 per share.

While accelerating global economic weakness could create a scenario in which our sales expectations may prove aggressive, we believe the company is currently evaluating over thirty cost reduction programs to offset potential top-line challenges. Should additional cuts be necessary, we believe they would be intended to protect profit margins and should allow the company to achieve its near and long term profit goals.

Balance Sheet

AT Cross maintains a solid balance sheet with $14mm in cash and $22mm in total debt. In 2007, the balance sheet benefited from a sale-leaseback transaction involving its Rhode Island global headquarters and manufacturing facility. Gross proceeds to the company were $15.7mm. The proceeds allowed the company to eliminate long term debt, albeit a small $7mm at 2006 year end, offsetting negative 2007 free cash flow. During the most recent quarter, total debt and cash levels remained stable at $22mm and $14mm, respectively. The debt was used to fund the Native Eyewear acquisition, total consideration of $17.8mm in cash and approximately $1mm in assumed short-term debt. Following the acquisition, the company's F3Q08 debt to capitalization ratio was a manageable 19.9%. The debt was funded through a recently amended revolving credit facility that allows up to $35mm in loans to the company, allowing for an additional $13.3mm in borrowing capacity.

Total Debt of $21.7mm – Revolving line of credit not to exceed $35mm

As of F3Q08 end, AT Cross's total debt was $21.7mm. The debt was funded utilizing a recently amended (March 2008) secured revolving credit facility with Bank of America, N.A. Under the amended line of credit agreement, loans to AT Cross may not exceed $35mm, including up to $5mm equivalent in Eurocurrency loans denominated in pounds, sterling, or Euro, and up to $30mm of other committed loans to the company. The amended credit facility matures March 31, 2011.

Covenants:

1. A restriction on the Registrant's ability to create or permit liens on its property, assets or revenues, other than certain permitted liens.
2. A restriction on the Registrant's ability to make investments in (including to or acquisitions of) other persons and entities except as permitted in the Credit agreement.
3. A restriction on the Registrant's ability to incur or maintain debt outside of the Credit Agreement, other than existing debt and certain other debt permitted by the Credit Agreement.
4. A restriction on the Registrant's ability to enter into certain fundamental corporate transactions, including mergers, consolidations, disposition of assets, and similar transactions.
5. Certain restrictions on the Registrant's ability to declare dividends or sell or redeem its stock.
6. A restriction on the Registrant's ability to make capital expenditures over certain permitted amounts.

Registrant has agreed to:

a. Maintain a consolidated tangible net worth at any time of at least $50mm, increased by 50% of net income in each fiscal quarter ending December 31, 2007, and by 50% of the proceeds of any permitted issuance of equity securities.

b. Maintain a consolidated debt service coverage ratio (in general, the ratio of consolidated EBITDA, as adjusted, to required debt service payments, each calculated in accordance with the Credit Agreement) at the end of any fiscal quarter of at least 1.25 to 1.00.

c. Maintain a consolidated leverage ratio (in general, the ratio of debt to consolidated EBITDA, each calculated in accordance with the credit agreement) over any four consecutive quarter period of no greater than 2.5 to 1.

Management Team

David G. Whalen: President and CEO. Prior to becoming President and Chief Executive Officer in 1999, Mr. Whalen was President, North America, of Ray-Ban Sun Optics, a division of Luxottica Group S.p.A, from 1997 to 1999.

Kevin F. Mahoney: Vice President, Finance and CFO. Prior to becoming Vice President, Finance, and Chief Financial Officer in 2005, Mr. Mahoney was Director, Corporate Development at Raytheon Co. (RTN - $50.23 – NYSE) from 2004 to 2005. From 1984 to 2004, Mr. Mahoney was with Deloitte & Touche LLP, most recently serving as Partner.

Charles S. Mellen: President, Cross Accessory Division. Prior to becoming President, Cross Accessory Division in 2007, Charles S. Mellen was Senior Vice President, Global Marketing and Sales from 2006 to 2007 and Vice President, Global Marketing from 2005 to 2006. From 1996 to 2004, Mr. Mellen was Vice President of Marketing at Tumi, Inc.

Charles R. MacDonald: President, Cross Optical Group and Costa Del Mar Sunglasses, Inc. Prior to becoming President, Cross Optical Group and Costa Del Mar Sunglasses, Inc. in 2007, Charles R. MacDonald was Vice President, A.T. Cross Optical Division and President, Costa Del Mar Sunglasses, Inc. from 2003 to 2007. From 1996 to 2002 Mr. MacDonald was President of Outlook Eyewear Company, a division of the Luxottica Group S.p.A.

Table 12: Quarterly and Annual Income Statements 2006-2009E ($ in millions)

Quarter End	FY 2006	Q1 Mar-07	Q2 Jun-07	Q3 Sep-07	Q4 Dec-07	FY 2007	Q1 Mar-08	Q2 Jun-08	Q3 Sep-08	Q4E Dec-08	FYE 2008	Q1E Mar-09	Q2E Jun-09	Q3E Sep-09	Q4E Dec-09	FYE 2009
Sales	**139.3**	**32.6**	**36.5**	**35.1**	**47.7**	**151.9**	**36.3**	**43.2**	**39.0**	**43.0**	**161.4**	**36.5**	**42.7**	**39.8**	**49.8**	**168.8**
% Increase	7.9%	10.2%	12.2%	10.0%	5.2%	9.0%	11.3%	18.5%	11.0%	-9.9%	6.3%	0.8%	-1.2%	2.1%	15.8%	4.6%
Cost of Goods Sold	65.9	14.2	16.0	15.2	21.2	66.6	16.3	18.8	16.7	18.5	70.4	16.4	18.1	16.7	21.3	72.5
As % Sales	47.3%	43.6%	43.9%	43.3%	44.4%	43.9%	44.9%	43.6%	43.0%	43.1%	43.6%	44.8%	42.5%	42.0%	42.7%	42.9%
% Increase	-0.5%	2.3%	8.4%	2.2%	-5.2%	1.1%	14.7%	17.6%	10.1%	-12.6%	5.7%	0.5%	-3.8%	-0.2%	14.8%	3.0%
Gross Profit	**73.5**	**18.4**	**20.5**	**19.9**	**26.5**	**85.3**	**20.0**	**24.4**	**22.2**	**24.5**	**91.1**	**20.2**	**24.6**	**23.1**	**28.5**	**96.3**
Margin	52.7%	56.4%	56.1%	56.7%	55.6%	56.1%	55.1%	56.4%	57.0%	56.9%	56.4%	55.2%	57.5%	58.0%	57.3%	57.1%
% Increase	16.8%	17.2%	15.4%	16.8%	15.4%	16.1%	8.7%	19.2%	11.6%	-7.7%	6.8%	1.0%	0.8%	3.8%	16.6%	5.8%
SG&A	59.2	15.9	16.5	15.5	19.1	66.9	16.7	18.7	17.2	18.8	71.4	17.2	19.2	17.5	19.3	73.2
As % Sales	42.5%	48.8%	45.1%	44.1%	40.0%	44.1%	46.2%	43.2%	44.0%	43.7%	44.2%	47.1%	45.0%	44.0%	38.8%	43.4%
% Increase	5.6%	17.2%	12.8%	6.0%	16.6%	13.1%	5.4%	13.4%	10.7%	-1.5%	6.6%	2.8%	2.9%	2.0%	2.7%	2.6%
Service/distribution	5.4	1.5	1.3	1.5	1.7	6.0	1.7	1.9	1.8	2.0	7.3	1.9	2.0	1.9	2.1	7.9
As % Sales	3.9%	4.5%	3.7%	4.3%	3.5%	3.9%	4.6%	4.3%	4.6%	4.7%	4.5%	5.3%	4.6%	4.8%	4.2%	4.7%
% Increase	81.0%	20.3%	-16.9%	17.8%	29.5%	10.8%	13.5%	39.9%	16.8%	19.2%	21.8%	17.7%	5.3%	6.6%	5.0%	8.3%
R&D	2.4	0.6	0.6	0.7	0.6	2.5	0.6	0.6	0.6	0.6	2.4	0.6	0.6	0.6	0.6	2.4
As % Sales	1.7%	1.8%	1.7%	1.9%	1.3%	1.7%	1.6%	1.5%	1.6%	1.4%	1.5%	1.6%	1.4%	1.4%	1.2%	1.4%
% Increase	34.5%	12.4%	6.4%	17.2%	-11.1%	5.1%	-4.3%	0.5%	-8.3%	-5.4%	-4.4%	4.7%	-6.1%	-9.1%	0.0%	-2.8%
Operating Expense	67.0	17.9	18.4	17.7	21.4	75.5	19.0	21.2	19.5	21.4	81.1	19.7	21.8	20.0	22.0	83.5
As % Sales	48.1%	55.1%	50.5%	50.4%	44.8%	49.7%	52.3%	49.0%	50.2%	49.8%	50.2%	54.0%	51.0%	50.2%	44.2%	49.4%
Operating Profit	**6.5**	**0.4**	**2.0**	**2.2**	**5.1**	**9.8**	**1.0**	**3.2**	**2.7**	**3.1**	**10.0**	**0.4**	**2.8**	**3.1**	**6.5**	**12.9**
Margin	4.7%	1.4%	5.5%	6.3%	10.8%	6.5%	2.8%	7.4%	6.9%	7.2%	6.2%	1.2%	6.6%	7.8%	13.1%	7.6%
% Increase	NA	13.7%	117.1%	NA	11.3%	51.2%	130.2%	58.5%	20.5%	-40.0%	1.6%	-57.1%	-12.6%	16.2%	112.1%	29.1%
Interest Expense	0.3	0.0	0.2	0.0	0.0	0.3	0.0	0.3	0.2	0.3	0.9	0.3	0.3	0.3	0.3	1.2
Other Income	-1.7	-0.2	-0.1	0.0	0.1	-0.2	0.0	0.0	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Pretax Profit	**4.5**	**0.2**	**1.7**	**2.3**	**5.2**	**9.4**	**1.0**	**2.9**	**2.2**	**2.8**	**8.8**	**0.1**	**2.5**	**2.8**	**6.2**	**11.7**
Margin	3.2%	0.8%	4.5%	6.5%	10.9%	6.2%	2.7%	6.7%	5.7%	6.5%	5.5%	0.4%	5.9%	7.1%	12.5%	6.9%
% Increase	NA	NA	134.0%	NA	32.7%	109.3%	NA	74.4%	-2.2%	-46.5%	-5.5%	-86.0%	-13.2%	26.9%	124.2%	32.1%
Taxes(benefit)	1.2	0.1	0.7	-0.1	1.9	2.6	0.4	1.0	0.5	1.0	2.9	0.1	0.9	1.1	2.3	4.4
Rate	26.5%	50.4%	40.1%	-4.1%	37.4%	28.2%	37.7%	35.0%	20.8%	37.7%	32.6%	37.7%	37.7%	37.7%	37.7%	37.7%
Net Income--Oper.	**3.3**	**0.1**	**1.0**	**2.4**	**3.3**	**6.7**	**0.6**	**1.9**	**1.8**	**1.7**	**6.0**	**0.1**	**1.6**	**1.8**	**3.9**	**7.3**
Margin	2.4%	0.4%	2.7%	6.7%	6.8%	4.4%	1.7%	4.3%	4.5%	4.0%	3.7%	0.2%	3.6%	4.4%	7.8%	4.3%
% Increase	NA	NA	NA	NA	21.0%	104.7%	NA	89.2%	-25.5%	-46.7%	-11.3%	-86.0%	-16.9%	-0.2%	124.2%	22.0%
EPS--Operations	**0.22**	**0.01**	**0.07**	**0.15**	**0.21**	**0.43**	**0.04**	**0.12**	**0.11**	**0.11**	**0.39**	**0.01**	**0.10**	**0.11**	**0.25**	**0.47**
% Increase	NA	NA	138.1%	NA	16.3%	96.1%	NA	83.7%	-23.8%	-45.8%	-10.3%	-86.0%	-16.9%	-0.6%	124.2%	21.9%
Shares Outs. Diluted	14.9	15.3	14.9	15.7	15.7	15.6	15.4	15.4	15.3	15.4	15.4	15.4	15.4	15.4	15.4	15.4

Source: Company Reports and Morgan Joseph & Co. Inc. estimates

Table 13: Annual Balance Sheets 2006-2009E ($ in millions)

Quarter End	2006 Dec-06	Q3 Sep-07	2007 Dec-07	Q3 Sep-08	FY2008E Dec-08	FY2009E Dec-09
Assets						
Cash & equivalent	11.3	7.3	13.6	14.0	19.3	28.6
Accounts receivable	32.0	25.9	31.4	28.3	33.9	35.4
Inventories, net	24.9	39.0	31.8	32.3	29.1	28.7
Deferred income taxes	5.1	5.1	5.2	5.3	5.3	5.3
Other Current Assets	5.2	7.8	8.3	8.7	8.9	9.3
Total Current Assets	**78.5**	**85.1**	**90.3**	**88.6**	**96.4**	**107.3**
Property, plant and equipment, net	22.5	16.1	17.2	16.9	17.4	17.4
Goodwill	7.3	7.3	7.3	17.2	17.1	17.1
Intangibles, net	4.5	4.3	4.3	11.2	11.7	11.7
Deferred income taxes	6.1	9.0	8.2	7.9	8.3	8.3
Other assets	0.6	1.7	1.7	3.1	1.6	1.7
Total Assets	**119.4**	**123.4**	**129.0**	**145.0**	**152.6**	**163.5**
Liabilities & Shareholders' Equity						
Accounts payable	8.9	18.6	7.5	15.6	8.1	8.4
Accrued compensation and related taxes	5.0	5.1	6.7	5.5	7.1	7.4
Accrued expenses and other liabilities	12.0	0.0	12.9	0.0	0.0	0.0
Line of credit	0.0	0.0	2.9	0.0	0.0	0.0
Retirement plan obligation	2.4	2.3	2.4	2.4	2.4	2.4
Restructuring liabilities	0.6	0.0	0.0	0.0	0.0	0.0
Income taxes payable	1.4	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**30.3**	**26.0**	**32.3**	**23.5**	**17.6**	**18.3**
Retirement plan obligations	7.8	6.7	5.1	4.0	5.3	5.6
Deferred on gain of sale of real estate	0.0	4.4	4.3	3.9	4.2	4.2
Long-term debt	7.1	3.3	0.0	21.7	21.7	21.7
Other long-term liabilities	0.0	2.7	2.8	3.1	3.5	3.7
Accrued warranty costs	1.3	1.3	1.3	1.4	1.3	1.3
Commitments and contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Other noncurrent liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**46.5**	**44.5**	**45.8**	**57.6**	**53.7**	**54.8**
Total Shareholders' Equity	73.0	78.9	83.2	87.3	98.9	108.7
Total Liabilities & Shareholders' Equity	**119.4**	**123.4**	**129.0**	**145.0**	**152.6**	**163.5**
Shares Outs. Diluted	15.1	15.7	15.7	15.3	15.4	15.7
Ratio Analysis	**Dec-06**	**Sep-07**	**Dec-07**	**Sep-08**	**Dec-08**	**Dec-09**
Book Value per Share	4.84	5.02	5.31	5.70	6.43	6.93
Tangible book value per share	4.06	4.29	4.57	3.84	4.55	5.09
Working Capital	48.2	59.0	58.0	65.1	78.9	89.0
Current Ratio	2.6	3.3	2.8	3.8	5.5	5.9
Total Debt to Capitalization	8.9%	4.0%	3.4%	19.9%	5.1%	4.9%
Total Debt to Equity	9.7%	4.1%	3.5%	24.9%	5.4%	5.1%
Return on Average Equity (ROAE)	4.8%	8.2%	8.7%	8.8%	6.0%	6.7%
Return on Average Assets (ROAA)	3.0%	5.1%	5.5%	5.3%	3.9%	4.5%

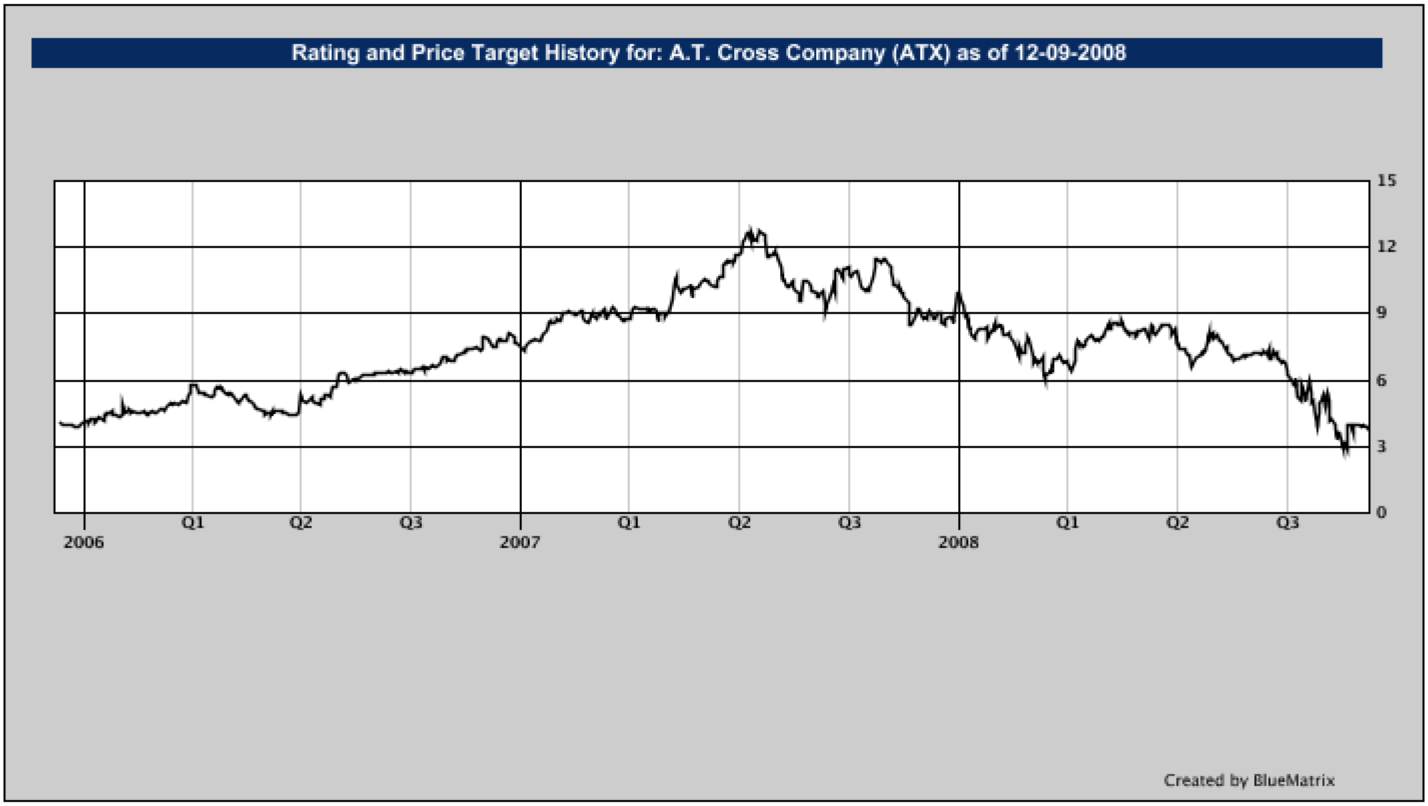
Source: Company reports and Morgan Joseph & Co. Inc. estimates

Table 14: Annual Cash Flow Statements 2006-2009E ($ in millions)

	FY 2006	FY 2007	FYE 2008	FYE 2009
Cash Flow From Operations:				
Net Income:	3.3	6.7	5.3	7.3
Adjustments to reconcile net income:				
Depreciation and amortization	6.3	5.0	5.5	6.0
Restructuring charges	1.7	0.3	0.2	0.0
Restructuring charges paid	-1.3	-0.9	0.0	0.0
Amortization of deferred gain	0.0	-0.4	-0.5	0.0
Provision for bad debts	0.2	0.3	0.1	0.0
Deferred income taxes	-0.4	-2.3	0.3	0.0
Provision for accrued warranty costs	0.5	0.5	0.5	0.0
Warranty costs paid	-0.7	-0.5	-0.7	0.0
Stock-based directors' fees	0.1	0.1	1.2	0.0
Amortization of stock-based compensation	0.3	0.5	0.0	0.0
Excess tax benefit from stock-based awards	0.0	-0.4	0.0	0.0
Unrealized gains on trading securities	0.0	0.0	0.0	0.0
Reversal of payroll and non-income based tax reserves	-0.6	0.0	0.0	0.0
Unrealized foreign currency transaction (gain) loss	-0.2	-0.3	0.0	0.0
Changes in operating assets and liabilities:				
Accounts receivable	2.2	0.7	-2.5	-1.5
Inventories	-9.0	-6.5	2.7	0.4
Receivables from Chinese contract manufacturer	4.6	0.0	0.0	0.0
Other assets, net	-0.3	-3.2	-1.0	-0.5
Accounts payable	3.0	-1.2	0.6	0.4
Other liabilities, net	-0.3	-0.7	0.0	2.3
Cash from Operating Activities (CFO)	9.4	-2.4	11.7	14.3
Cash flow from Investing Activities:				
Net proceeds from sale of real estate	0.0	15.3	0.0	0.0
Additions to property, plant and equipment	-6.3	-9.1	-5.0	-5.0
Additions to patents and trademarks	-0.4	-0.3	-0.2	0.0
Sales or maturities of short-term investments	0.0	0.0	0.0	0.0
Acquisitions of Native, net of cash acquired	0.0	0.0	-18.0	0.0
Other investing activities	0.0	0.0	0.0	0.0
Cash from Investing Activities (CFI)	**-6.7**	**5.9**	**-23.2**	**-5.0**
Cash flows from Financing activities:				
Excess tax benefit from stock-based awards	0.0	0.4	0.0	0.0
Repayment of long-term debt	-6.9	-12.1	-1.7	0.0
Borrowing on long-term debt agreement	3.5	7.9	19.5	0.0
Line of credit proceeds and repayments, net	0.0	0.0	0.0	0.0
Proceeds from sale of Class A common stock	0.2	2.1	0.0	0.0
Purchase of treasury stock	0.0	0.0	-0.5	0.0
Other financing activities	0.0	0.0	0.0	0.0
Cash From Financing Activities (CFF)	-3.1	-1.6	17.3	0.0
Effect of exchange rate changes on cash/equivalents	0.6	0.3	0.0	0.0
Net Increase (Decrease) in Cash	0.2	2.3	5.8	9.3
Cash at Beginning of Year	11.1	11.3	13.6	19.3
Cash at End of Quarter/Year	11.3	13.6	19.3	28.6

Source: Company reports and Morgan Joseph & Co. Inc. estimates

Required Disclosures



For important disclosures and price charts with our historical rating and price target changes go to:
http://www.morganjoseph.com/research_equity.php

Price Target

Our 12-month price target is $6.00.

Valuation

Our price target assumes a 5.3x FTM EV/EBITDA multiple, which is roughly in line with its peer group.

Risks

- Overseas manufacturing could create possible delivery disruptions.
- A large percentage of AT Cross's sales are generated from a few customers.
- Global economic conditions could continue pressuring demand for AT Cross's products.
- Integration of Native Eyewear or new acquisitions could disrupt operations.
- Growth through acquisition strategy could be dependent upon securing added financing.

I, Jeffrey Blaeser, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

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