SHAW MINOR M
Form SC 13D/A
August 11, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 13D

(Rule 13d-101)

Information to be Included in Statements Filed Pursuant to Rule 13d-1(a) and

Amendments Thereto Filed Pursuant to Rule 13d-2(a)

Under the Securities Exchange Act of 1934

(Amendment No. 4)*

Delta Apparel, Inc.

(Name of issuer)

Common Stock

(Title of class of securities)

247368 10 3

(CUSIP number)

Minor M. Shaw, 28 East Court Street, Greenville, SC 29601, (864) 271-7171

(Name, address and telephone number of person authorized to receive notices and communications)

July 28, 2010

(Date of event which requires filing of this statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box ¨.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 247368 10 3

1	Name of reporting person I.R.S. IDENTIFICATION NOS. OF ABOVE PERSON (ENTITIES ONLY) Minor M. Shaw	
2	Check the appropriate box if a member of a group (see instructions) (a) ¨ (b) ¨	
3	SEC use only	
4	Source of funds: Not applicable	
5	Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e): ¨	
6	Citizenship or place of organization: United States	

Number of shares beneficially owned by each reporting person with	7	Sole voting power 10,000
	8	Shared voting power 667,216
	9	Sole dispositive power 10,000
	10	Shared dispositive power

667,216

11 Aggregate amount beneficially owned by each reporting person

677,216

12 Check box if the aggregate amount in Row (11) excludes certain shares (see instructions) ¨

13 Percent of class represented by amount in Row (11)

7.95%

14 Type of reporting person

IN

Explanatory Note: This Schedule 13D/A amends the Schedule 13D originally filed by Mrs. Shaw on July 11, 2000 and most recently amended on June 11, 2010 (the Original Schedule 13D) with respect to shares of common stock (the Common Stock) of Delta Apparel, Inc., a Georgia corporation (the Issuer). Except as amended herein, the Original Schedule 13D remains in full force and effect and should be read together with this Amendment No. 4.

Item 1. Security and Issuer

a. Title and class of equity securities:

Common Stock

b. Name and address of principal executive offices of Issuer:

Delta Apparel, Inc.

322 South Main Street

Greenville, SC 29601

Item 2. Identity and Background

a. Name of filing person:

Minor M. Shaw

b. Business Address:

28 East Court Street

Greenville, SC 29601

c. Principal occupation:

Private Investor

d. During the last five years, Mrs. Shaw has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

e. During the last five years, Mrs. Shaw has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction resulting in a final judgment, final decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

f. Citizenship:

United States of America

Item 3. Source and Amount of Funds or Other Consideration

Not applicable.

Item 4. Purpose of Transaction

Between June 10, 2010 and July 28, 2010, Mrs. Shaw sold an aggregate of 87,330 shares of Common Stock in open market transactions for the purpose of diversifying the holdings in her individual investment portfolio**.**

Except as described above, Mrs. Shaw holds her Shares primarily for investment and has no plan or proposal which would relate to or result in:
(a) the acquisition by any person of additional securities of the Issuer, or

the disposition of securities of the Issuer; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries; (c) a sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries; (d) any change in the present board of directors or management of the Issuer, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board; (e) any material change in the present capitalization or dividend policy of the Issuer; (f) any other material change in the Issuer s business or corporate structure; (g) changes in the Issuer s charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person; (h) causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association; (i) a class of equity securities of the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act; or (j) any action similar to any of these enumerated above.

Item 5. Interest in Securities of the Issuer

a. Aggregate number and percentage of class of securities beneficially owned by the filing person:

Number of Shares	Percentage
677,216	7.95%

Mrs. Shaw individually owns 10,000 shares of Issuer Common Stock. In addition, Mrs. Shaw owns one-third of the outstanding shares and is an officer and director of Micco Corporation, holder of 474,052 shares of Common Stock. Mrs. Shaw disclaims ownership of two-thirds of the shares owned by Micco Corporation.

As Co-Executor of the estate of Buck A. Mickel, Mrs. Shaw s deceased brother (the Decedent), Mrs. Shaw has shared power to vote and to dispose of 189,664 shares of Common Stock owned by the Decedent directly, 3,500 shares of Common stock held by the Decedent as custodian for a minor child, and 474,052 shares held by the Decedent as an officer and director of Micco Corporation, with respect to two-thirds of which shares the Decedent disclaimed beneficial ownership.

b. Number of Shares as to which there is:

(i) Sole power to vote or to direct the vote:
10,000 (see note a. above)

(ii) Shared power to vote or to direct the vote:
667,216 (see note a. above)

(iii) Sole power to dispose or direct the disposition:
10,000 (see note a. above)

(iv) Shared power to dispose or direct the disposition:
667,216 (see note a. above)

(v) Parties with whom stock powers are shared:
Mrs. Shaw is an officer, director and one-third owner of Micco Corporation, the holder of 474,052 shares of Common Stock. As Co-Executor of the estate of the Decedent, Mrs. Shaw now beneficially owns an additional one-third of the outstanding shares of Micco Corporation formerly owned by the Decedent. Mrs. Shaw disclaims beneficial ownership of the remaining one-third of the shares owned by Micco Corporation. The

power to vote and to direct the disposition of 474,052 shares of Common Stock is shared with the other executive officer and director of Micco Corporation. The other executive officer and director of Micco Corporation is as follows:

Charles C. Mickel (Vice President, Secretary and Director)

Micco Corporation (Investments)

Business Address:

28 East Court Street

Greenville, SC 29601

The following gives certain information regarding Micco Corporation:

a. State of incorporation: South Carolina

b. Principal business: Investments

c. Address of principal business and office:
28 East Court Street

Greenville, SC 29601

During the last five years, neither Micco Corporation nor the above individual has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction resulting in a final judgment, final decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws. The foregoing individual is a United States citizen.

c. Description of any transactions in the class of securities reported on that were effected during the past sixty days or since the most recent filing of Schedule 13D, whichever is less, by the person named in response to paragraph (a):

Between June 10, 2010 and July 28, 2010, Mrs. Shaw sold an aggregate of 87,330 shares of Common Stock in open market transactions for the purpose of diversifying the holdings in her individual investment portfolio. Information regarding the sales is as follows:

Date	Number of Shares Sold	Price per Share
6/10/2010	2,450	$15.9491
6/11/2010	4,250	$15.4116
6/14/2010	1,900	$15.6242
6/15/2010	3,100	$15.5981
6/16/2010	1,574	$15.7640
6/17/2010	1,374	$15.3152
6/18/2010	1,250	$15.2740
6/21/2010	885	$15.3248
6/22/2010	7,191	$15.2279
6/23/2010	5,988	$15.1721
6/28/2010	1,000	$15.1730
7/1/2010	5,849	$14.4684
7/2/2010	4,133	$14.4023
7/6/2010	2,400	$14.0131
7/7/2010	50	$14.0100
7/8/2010	1,050	$14.0071

7/9/2010	650	$14.0335
7/12/2010	199	$14.0000
7/13/2010	1,000	$14.7200
7/14/2010	2,233	$14.7789
7/15/2010	13,550	$14.0418
7/16/2010	50	$14.0300
7/19/2010	100	$14.1000
7/20/2010	3,450	$14.0687
7/21/2010	3,087	$14.1209
7/22/2010	4,532	$14.4173
7/23/2010	4,306	$14.5475
7/26/2010	4,292	$14.6469
7/27/2010	5,222	$14.9766
7/28/2010	215	$14.8297

d. Statement regarding the right of any other person known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities.

Not applicable.

e. Statement regarding the date on which the reporting person ceased to be the beneficial owner of more than five percent of the class of securities:

Not applicable.

Item 6.

Contracts, Arrangements, Understandings, or Relationships with Respect to Securities of Issuer:

Not applicable.

Item 7.

Material to be Filed as Exhibits:

None.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: August 9, 2010

/s/ Minor M. Shaw
Minor M. Shaw

ne">Level 2

Level 3

Total

Assets:				
Money market funds	$42,801	$—	$—	$42,801
Trading securities associated with deferred compensation plans	20,422	—	—	20,422
Interest rate swaps	—	12,486	—	12,486
Forward foreign currency exchange contracts	—	172	—	172
Total assets	$63,223	$12,658	$—	$75,881
Liabilities:				
Guarantees of bank loans to tobacco growers	$—	$—	$19,678	$19,678
Forward foreign currency exchange contracts	—	272	—	272
Total liabilities	$—	$272	$19,678	$19,950

Money market funds

The fair values of money market funds, which are reported in cash and cash equivalents in the consolidated balance sheets, are based on quoted market prices (Level 1). The fair values of the Company's money market funds approximate cost due to the short-term maturities and high credit quality of the issuers of the underlying securities.

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Trading securities associated with deferred compensation plans

Trading securities represent mutual fund investments that are matched to employee deferred compensation obligations. These investments are bought and sold as employees defer compensation, receive distributions, or make changes in the funds underlying their accounts. Quoted market prices (Level 1) are used to determine the fair values of the mutual funds and their underlying securities.

Interest rate swaps

The fair values of interest rate swap contracts are determined based on dealer quotes using a discounted cash flow model matched to the contractual terms of each instrument. Since inputs to the model are observable and significant judgment is not required in determining the fair values, interest rate swaps are classified within Level 2 of the fair value hierarchy.

Forward foreign currency exchange contracts

The fair values of forward foreign currency exchange contracts are also determined based on dealer quotes using a discounted cash flow model matched to the contractual terms of each instrument. Since inputs to the model are observable and significant judgment is not required in determining the fair values, forward foreign currency exchange contracts are classified within Level 2 of the fair value hierarchy.

Guarantees of bank loans to tobacco growers

The fair values of the Company's guarantees of bank loans to tobacco growers are determined by using internally-tracked historical loss data for such loans to develop an estimate of future losses under the guarantees outstanding at the measurement date. The present value of the cash flows associated with those estimated losses is then calculated at a risk-adjusted interest rate. This approach is sometimes referred to as the "contingent claims valuation method." Although historical loss data is an observable input, significant judgment is required in applying this information to the portfolio of guaranteed loans outstanding at each measurement date and in selecting a risk-adjusted interest rate. The guarantees of bank loans to tobacco growers are therefore classified within Level 3 of the fair value hierarchy.

A reconciliation of the change in the balance of the financial liability for guarantees of bank loans to tobacco growers (Level 3) for the nine months ended December 31, 2010, is as follows:

(in thousands of dollars)		Nine Months Ended December 31, 2010
Balance at beginning of year	$	25,997
Transfer to allowance for loss on direct loans to farmers (removal of prior crop year loans from portfolio and addition of current crop year loans)		(7,336)
Assumption of guarantees related to assignment of farmer contracts (see Note 3)		(1,110)
Change in discount rate and estimated collection period		1,001
Currency remeasurement		1,126
Balance at end of period	$	19,678

The effects of currency remeasurement and the change in discount rate and estimated collection period are recorded in earnings and reported in selling, general, and administrative expense. Universal has not elected to report at fair value any financial instruments or other items not otherwise required to be reported at fair value under current accounting guidance.

NOTE 10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has several defined benefit pension plans covering U.S. salaried employees and certain foreign and other employee groups. These plans provide retirement benefits based primarily on employee compensation and years of service. The Company also provides postretirement health and life insurance benefits for eligible U.S. employees attaining specific age and service levels.

The components of the Company's net periodic benefit cost were as follows:

	Pension Benefits Three Months Ended December 31,		Other Postretirement Benefits Three Months Ended December 31,	
(in thousands of dollars)	2010	2009	2010	2009
Service cost	$ 1,261	$ 1,030	$ 203	$ 162
Interest cost	3,601	3,710	624	705
Expected return on plan assets	(3,728)	(3,469)	(35)	(38)
Settlement cost	—	2,084	—	—
Net amortization and deferral	1,006	245	(77)	(255)
Net periodic benefit cost	$ 2,140	$ 3,600	$ 715	$ 574

	Pension Benefits Nine Months Ended December 31,		Other Postretirement Benefits Nine Months Ended December 31,	
(in thousands of dollars)	2010	2009	2010	2009
Service cost	$ 3,743	$ 3,071	$ 611	$ 489
Interest cost	10,704	11,076	1,873	2,116
Expected return on plan assets	(11,127)	(10,360)	(107)	(114)
Settlement cost	—	3,334	—	—
Net amortization and deferral	2,999	735	(233)	(765)
Net periodic benefit cost	$ 6,319	$ 7,856	$ 2,144	$ 1,726

During the nine months ended December 31, 2010, the Company made contributions of approximately $5.2 million to its qualified and non-qualified pension plans. Additional contributions of approximately $1.5 million are expected during the remaining three months of fiscal year 2011.

NOTE 11. STOCK-BASED COMPENSATION

Universal's shareholders have approved Executive Stock Plans ("Plans") under which officers, directors, and employees of the Company may receive grants and awards of common stock, restricted stock, restricted stock units ("RSUs"), performance share awards ("PSAs"), stock appreciation rights ("SARs"), incentive stock options, and non-qualified stock options. The Company's practice is to award grants of stock-based compensation to officers on an annual basis at the first regularly scheduled meeting of the Executive Compensation, Nominating and Corporate Governance Committee of the Board of Directors (the "Compensation Committee") in the fiscal year, which is scheduled on a day between two and twelve business days following the public release of the Company's annual financial results. The Compensation Committee administers the Company's Plans consistently following previously defined guidelines. Awards of restricted stock, RSUs, PSAs, SARs, and non-qualified stock options are currently outstanding under the Plans. The non-qualified stock options and SARs have an exercise price equal to the closing price of a share of the Company's common stock on the grant date. All stock options currently outstanding are fully vested and exercisable, and they expire ten years after the grant date. The SARs are settled in shares of common stock, vest in equal one-third tranches one, two, and three years after the grant date, and expire ten years after the grant date, except that SARs granted after fiscal year 2007 expire on the earlier of three years after the grantee's retirement date or ten years after the grant date. The RSUs vest five years from the grant date and are then paid out in shares of common stock. Under the terms of the RSU awards, grantees receive dividend equivalents in the form of additional RSUs that vest and are paid out on the same date as the original RSU grant. The PSAs vest three years from the grant date, are paid out in shares of common stock at the vesting date, and do not carry rights to dividends or dividend equivalents prior to vesting. Shares ultimately paid out under PSA grants are dependent on the achievement of predetermined performance measures established by the Compensation Committee and can range from zero to 150% of the stated award. The Company's outside directors automatically receive restricted stock units or shares of restricted stock following each annual meeting of shareholders. RSUs awarded to outside directors vest three years from the grant date, and restricted shares vest upon the individual's retirement from service as a director.

During the nine-month periods ended December 31, 2010 and 2009, Universal issued the following stock-based awards, representing the regular annual grants to officers and outside directors of the Company:

	Nine Months Ended December 31, 2010	Nine Months Ended December 31, 2009
SARs:		
Number granted	153,600	253,800
Exercise price	$ 39.71	$ 35.30
Grant date fair value	$ 8.35	$ 7.85
RSUs:		
Number granted	53,700	63,450
Weighted average grant date fair value	$ 41.14	$ 35.30
PSAs:		
Number granted	38,400	63,450
Grant date fair value	$ 33.95	$ 29.67
Restricted Shares:		
Number granted	—	17,550
Grant date fair value	$ —	$ 39.76

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The grant date fair value of the SARs was estimated using the Black-Scholes pricing model and the following assumptions:

	2010	2009
Expected term	5.0 years	5.0 years
Expected volatility	35.3%	39.0%
Expected dividend yield	4.73%	5.21%
Risk-free interest rate	2.36%	2.51%

Fair value expense for stock-based compensation is recognized ratably over the period from grant date to the earlier of: (1) the vesting date of the award, or (2) the date the grantee is eligible to retire without forfeiting the award. For employees who are already eligible to retire at the date an award is granted, the total fair value of all non-forfeitable awards is recognized as expense at the date of grant. As a result, Universal typically incurs higher stock compensation expense in the first quarter of each fiscal year when grants are awarded than in the other three quarters. For PSAs, the Company generally recognizes fair value expense ratably over the performance and vesting period based on management's judgment of the ultimate award that is likely to be paid out based on the achievement of the predetermined performance measures. For the nine-month periods ended December 31, 2010 and 2009, the Company recorded total stock-based compensation expense of approximately $4.8 million and $4.6 million, respectively. The Company expects to recognize stock-based compensation expense of approximately $1.2 million during the remaining three months of fiscal year 2011.

NOTE 12. OPERATING SEGMENTS

The principal approach used by management to evaluate the Company's performance is by geographic region, although some components of the business are evaluated on the basis of their worldwide operations. The Company evaluates the performance of its segments based on operating income after allocated overhead expenses (excluding significant non-recurring charges or credits), plus equity in pretax earnings of unconsolidated affiliates.

Operating results for the Company's reportable segments for each period presented in the consolidated statements of income and retained earnings were as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(in thousands of dollars)	2010	2009	2010	2009
SALES AND OTHER OPERATING REVENUES				
Flue-cured and burley leaf tobacco operations:				
North America	$ 124,072	$ 101,302	$ 243,990	$ 187,308
Other regions (1)	506,568	502,624	1,468,326	1,570,973
Subtotal	630,640	603,926	1,712,316	1,758,281
Other tobacco operations (2)	57,568	57,279	178,996	166,954
Consolidated sales and other operating revenues	$ 688,208	$ 661,205	$ 1,891,312	$ 1,925,235
OPERATING INCOME				
Flue-cured and burley leaf tobacco operations:				
North America	$ 26,693	$ 23,826	$ 42,383	$ 32,080
Other regions (1)	47,620	42,320	138,530	167,706
Subtotal	74,313	66,146	180,913	199,786
Other tobacco operations (2)	3,466	10,582	15,492	31,825
Segment operating income	77,779	76,728	196,405	231,611
Deduct: Equity in pretax (earnings) loss of unconsolidated affiliates (3)	1,439	(7,783)	(953)	(17,029)
Restructuring and impairment costs (4)	(10,995)	—	(13,964)	—
Add: Other income (4)	19,368	—	19,368	—
Reversal of European Commission fines (4)	—	—	7,445	—
Consolidated operating income	$ 87,591	$ 68,945	$ 208,301	$ 214,582

(1) Includes South America, Africa, Europe, and Asia regions, as well as inter-region eliminations.
(2) Includes Dark Air-Cured, Special Services, and Oriental, as well as inter-company eliminations. Sales and other operating revenues for this reportable segment include limited amounts for Oriental because its financial results consist principally of equity in the pretax earnings of an unconsolidated affiliate.
(3) Item is included in segment operating income, but not included in consolidated operating income.
(4) Item is not included in segment operating income, but is included in consolidated operating income.

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NOTE 13. CHANGES IN SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS IN SUBSIDIARIES

A reconciliation of the changes in the Company's shareholders' equity and noncontrolling interests in subsidiaries for the nine months ended December 31, 2010 and 2009 is as follows:

	Nine Months Ended December 31, 2010			Nine Months Ended December 31, 2009		
(in thousands of dollars)	Universal Corporation	Noncontrolling Interests	Total	Universal Corporation	Noncontrolling Interests	Total
Balance at beginning of year	$ 1,122,570	$ 5,805	$ 1,128,375	$ 1,029,473	$ 3,771	$ 1,033,244
Changes in common stock						
Issuance of common stock	—	—	—	205	—	205
Repurchase of common stock	(6,297)	—	(6,297)	(3,457)	—	(3,457)
Accrual of stock-based compensation	4,808	—	4,808	4,609	—	4,609
Withholding of shares for grantee income taxes (RSUs)	(565)	—	(565)	—	—	—
Dividend equivalents on RSUs	316	—	316	286	—	286
Changes in retained earnings						
Net income (loss)	129,449	6,337	135,786	141,956	4,994	146,950
Cash dividends declared						
Series B 6.75% convertible perpetual preferred stock	(11,137)	—	(11,137)	(11,137)	—	(11,137)
Common stock	(33,891)	—	(33,891)	(34,384)	—	(34,384)
Repurchase of common stock	(27,074)	—	(27,074)	(13,006)	—	(13,006)
Dividend equivalents on RSUs	(316)	—	(316)	(286)	—	(286)
Other comprehensive income (loss)						
Translation adjustments, net of income taxes	(1,164)	73	(1,091)	13,712	102	13,814
Foreign currency hedge adjustment, net of income taxes	161	—	161	14,750	—	14,750
Other changes in noncontrolling interests						

Dividends paid to noncontrolling shareholders	—	(100)	(100)	—	(105)	(105)
Balance at end of period	$ 1,176,860	$ 12,115	$ 1,188,975	$ 1,142,721	$ 8,762	$ 1,151,483

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q and the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Among other things, these statements relate to the Company's financial condition, results of operation, and future business plans, operations, opportunities, and prospects. In addition, the Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in other filings with the Securities and Exchange Commission and in reports to shareholders. These forward-looking statements are generally identified by the use of words such as we "expect," "believe," "anticipate," "could," "should," "may," "plan," "will," "predict," "estimate," and simila or words of similar import. These forward-looking statements are based upon management's current knowledge and assumptions about future events and involve risks and uncertainties that could cause actual results, performance, or achievements to be materially different from any anticipated results, prospects, performance, or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, anticipated levels of demand for and supply of its products and services; costs incurred in providing these products and services; timing of shipments to customers; changes in market structure; changes in exchange rates; and general economic, political, market, and weather conditions. For a further description of factors that may cause actual results to differ materially from such forward-looking statements, see Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2010. We caution investors not to place undue reliance on any forward-looking statements as these statements speak only as of the date when made, and we undertake no obligation to update any forward-looking statements made in this report. This Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

Liquidity and Capital Resources

Overview

After significant seasonal working capital investments during the first half of our fiscal year, we generally see contraction in inventory and other working capital elements in the second half of the fiscal year as major crops in Africa are being shipped and South American shipments near completion. Our seasonal working capital requirements typically increase significantly from March to September. In the last three years, funding for that increase has averaged about $300 million. Reflecting this seasonal pattern, since the seasonal peak in the second fiscal quarter, inventory levels have declined, cash balances have increased, short-term bank borrowings have decreased, and operating cash flow used by operations has decreased. However, these changes have not been as large as in prior years due to delays in shipment of African crops caused by port congestion. In addition, we continued our share repurchase program, which is based on free cash flow generated in prior years with certain adjustments and an assessment of our future capital needs.

Our liquidity and capital resource requirements are predominantly short term in nature and relate to working capital for tobacco crop purchases. Working capital needs are seasonal within each geographic region. The geographic dispersion and the timing of working capital needs permit us to predict our general level of cash requirements, although crop size, prices paid to farmers, shipment and delivery timing, and currency fluctuations affect requirements each year. Peak working capital requirements are generally reached during the first and second fiscal quarters. Each geographic area follows a cycle of buying, processing, and shipping, although in many regions, we also provide agricultural materials to farmers during the growing season. The timing of the elements of each cycle is influenced by such factors as local weather conditions and individual customer shipping requirements, which may change the level or the duration of crop financing. Despite a predominance of short-term needs, we maintain a relatively large portion of our total debt as long-term to reduce liquidity risk. We also will periodically have large cash balances that we will utilize to meet our working capital requirements.

Operating Activities

We used $89 million in net cash flows to fund our operating activities during the nine months ended December 31, 2010. Tobacco inventory, at $940 million, increased by $128 million over this period on seasonal leaf purchases. Tobacco inventory levels were $169 million higher than December 31, 2009 levels, primarily due to later African shipments and larger crops in Africa and the Philippines. Inventories also reflected higher leaf costs partially due to the effect of the weaker U.S. dollar. Inventory is usually financed with a mix of cash, notes payable, and customer deposits, depending on our borrowing capabilities, interest rates, and exchange rates, as well as those of our customers.

Advances to suppliers were $133 million at December 31, 2010, a reduction of $35 million from March 31, 2010, as crops were delivered in payment of those balances primarily in Asia, South America, and Africa. Accounts receivable increased by $26 million compared to March 31, 2010, reflecting seasonal increases, and increased $37 million over December 31, 2009, levels, primarily due to stronger third quarter sales this year. Accounts receivable from unconsolidated affiliates were up $24 million in the nine months and $9 million compared to the same period-end last year reflecting increased funding for purchases of leaf by our affiliate in Zimbabwe due to a larger crop there.

We generally do not purchase material quantities of tobacco on a speculative basis. We consider our uncommitted tobacco inventories to be our inventory at risk. At December 31, 2010, our uncommitted inventories were $117 million, or about 12%, of total tobacco inventory, compared to $161 million, or about 20%, of our March 31, 2010, inventory, and $121 million, or about 16%, of our December 31, 2009 inventory. These percentages are within the normal range for our business for the respective times of year.

Investing Activities

During the nine months ended December 31, 2010, we invested about $32 million in our fixed assets compared to $43 million in the nine months ended December 31, 2009. Depreciation expense was approximately $32 million and $31 million in the nine months ended December 31, 2010 and 2009, respectively. Our intent is to limit maintenance capital spending to a level below depreciation expense in order to maintain strong cash flow. However, from time to time larger projects may be undertaken. Our capital expenditures in fiscal year 2010 included investments to expand and upgrade our processing facility in Lancaster, Pennsylvania, to accommodate the consolidation of our U.S. dark tobacco processing operations. We had several other projects that required about $20 million of capital investment in aggregate. We spent approximately $9 million on these projects in fiscal year 2010, $9 million in the nine months ended December 31, 2010, and we expect to spend the remaining $2 million in the current fiscal year.

Financing Activities

We consider the sum of notes payable and overdrafts, long-term debt (including the current portion), and customer advances and deposits, less cash and cash equivalents on our balance sheet to be our net debt. We also consider our net debt plus shareholders' equity to be our net capitalization. Net debt increased by about $150 million to $619 million during the nine months ended December 31, 2010, primarily due to seasonal working capital requirements. Net debt as a percentage of net capitalization was approximately 34% at December 31, 2010, and reflected normal seasonal expansion, within our target range. It is up from about 29% at March 31, 2010, and up from approximately 28% at December 31, 2009. Net debt was about $164 million higher than December 31, 2009 levels, reflecting later shipments this year and higher green tobacco costs. On average, debt balances have been approximately $100 million higher during the nine months ended December 31, 2010, compared to the same period last year, and cash balances have been lower as we funded working capital requirements for later crop shipments in several origins.

As of December 31, 2010, we were in compliance with all covenants of our debt agreements, which require us to maintain certain levels of tangible net worth and observe restrictions on debt levels. We had $400 million available under a committed revolving credit facility that will expire on August 31, 2012, and $91 million in cash and cash equivalents. Our short-term debt totaled $205 million, and we had $95 million of current maturities of long-term debt. In addition, we had about $487 million in unused, uncommitted credit lines. Our seasonal working capital requirements typically increase significantly between March and September and decline after mid-year. Available capital resources from our cash balances, committed credit facility, and uncommitted credit lines exceed our normal working capital needs, projected cash requirements for restructurings, current maturities of long-term debt, and currently anticipated capital expenditure requirements over the next twelve months.

Our Board of Directors approved our current share repurchase program in November 2009. The program expires in November 2011 and authorizes purchases of up to $150 million of our common stock. Under the authorization, we purchase shares from time to time on the open market or in privately negotiated transactions at prices not exceeding prevailing market rates. In determining our level of common share repurchase activity, our intent is to use only cash available after meeting our capital investment, dividend, and working capital requirements. As a result, our execution of the repurchase program may vary as we realize changes in cash flow generation and availability. During the nine months ended December 31, 2010, we purchased 784,185 shares of common stock at an aggregate cost of $33.4 million (average price per share of $42.56), based on trading dates, which brought our total purchases under the program to 1,180,570 shares at an aggregate cost of $53.2 million (average price per share of $45.03). As of December 31, 2010, we had approximately 23.6 million common shares outstanding.

Derivatives

From time to time, we use interest rate swap agreements to manage our exposure to changes in interest rates. These agreements typically adjust interest rates on designated long-term obligations from fixed to variable. The swaps are accounted for as fair value hedges. At December 31, 2010, the fair value of our outstanding interest rate swap agreements was $12.5 million, and the notional amount swapped was $245 million.

We also enter forward contracts from time to time to hedge certain foreign currency exposures, primarily related to forecast purchases of tobacco and related processing costs in Brazil, as well as our net monetary asset exposure in local currency there. We generally account for our hedges of forecast tobacco purchases as cash flow hedges. At December 31, 2010, there were no such open contracts. We had other forward contracts outstanding that were not designated as hedges, and the fair value of those contracts was not material at December 31, 2010.

Results of Operations

Amounts included in the following discussion are attributable to Universal Corporation and exclude earnings related to non-controlling interests in subsidiaries.

Net income for the third fiscal quarter, which ended December 31, 2010, was $52.3 million, or $1.82 per diluted share, 14% above last year's net income of $45.7 million, or $1.54 per diluted share. Solid operating performance in flue-cured and burley leaf tobacco operations offset declines in the Other Tobacco Operations segment, producing an improvement in earnings compared to the prior year's results. Revenues for the quarter also increased about 4% to $688.2 million reflecting a higher proportion of lamina sales and higher green leaf prices.

During the third quarter, we completed the assignment of tobacco production contracts with approximately 8,100 farmers in Brazil, along with the sale of related assets, to a subsidiary of Philip Morris International ("PMI") and recorded a net gain of $19.4 million before taxes, or $0.44 per diluted share. In addition, the results for the quarter include combined restructuring and impairment charges of $11.0 million before taxes, or $0.26 per diluted share, related primarily to the planned closure and sale of related assets of our processing facility in Simcoe, Ontario.

For the nine months ended December 31, 2010, net income was $129.4 million, or $4.46 per diluted share, compared to last year's net income of $142.0 million, or $4.78 per diluted share, for the same period. Revenues for the nine months of about $1.9 billion were level with the prior year. In addition to the gain on the PMI transaction in Brazil, results for the nine months ended December 31, 2010, also include restructuring and impairment charges of $14.0 million before taxes, or $0.32 per diluted share, and income of $7.4 million before taxes, or $0.17 per diluted share, for the second quarter reversal of a portion of a previously recorded European Commission fine due to a favorable court ruling.

Flue-cured and Burley Operations

Third Quarter

Operating income for the third quarter of fiscal year 2011, for the flue-cured and burley operations, which include the North America and Other Regions segments, was $74.3 million, reflecting an improvement of $8.2 million, or 12%, compared to the same period last year. Earnings for the quarter were buoyed by additional sales in the North America segment of carryover crop and increases in toll processing volumes in the United States. Results increased in the Asia region on stronger trading volumes and higher volumes sold from the larger crops in the Philippines, as well as the resolution of earlier shipment delays and improved margins. The Africa region showed improvement in the quarter as well, on a combination of benefits from foreign currency remeasurement and one-time employment cost accruals in the previous year. Revenues for the group were up 4% at $630.6 million. The North America segment revenues improved by about $23 million, reflecting increased volumes on old crop sales in this year and higher sales in Mexico. In addition, comparisons benefited from late shipments last year that were delayed into the fourth fiscal quarter. Sales for the Other Regions segment were relatively flat as reduced volumes partly due to the smaller crop in Brazil and lower demand in Argentina were offset by increased sales in the Asia region.

Nine Months

Operating income for the flue-cured and burley tobacco operations decreased by 9% to $180.9 million for the nine months ended December 31, 2010. Those results reflect significantly reduced volumes in Brazil, in part due to the smaller Brazilian crop and lower margins from higher currency-related leaf costs. Earnings in Europe were also down for the nine-month period on lower margins and volumes. Results in Africa were also lower, although the effect of reduced or delayed sales volumes in some origins has been mitigated by increased processing for third parties. These decreases were offset somewhat by improved results in the North America segment on increased sales of carryover crop as well as the effect of prior year shipping delays, which affected comparisons. Also, the Asia region returned improved results for the period on higher volumes from the larger Philippine crops, increased trading earnings, and better experience with the collection of farmer advances. Revenues were down by 3%, as decreased volumes in South America, Africa, and Europe were partially offset by stronger trading results in Asia and the increase from carryover crop sales in North America.

Other Tobacco Operations

The Other Tobacco Operations segment operating income declined in both the quarter and the nine months versus the prior year, driven primarily by significantly lower results from the oriental tobacco joint venture. Reduced sales volumes and margins and smaller currency gains this year have lowered results for this business for both periods. Dark tobacco results are down for the nine-month period due to lower volumes and margins in some areas. Dark tobacco earnings for the third quarter improved, however, on reductions in overhead and some earlier shipments. Revenues for this segment increased 7% for the nine months, to $179 million, primarily related to higher sales in the just-in-time services group and increased dark tobacco shipments after a soft beginning to the prior year, which offset lower imports of oriental tobacco into the United States. For the quarter, revenues in this segment were flat.

Other Information

Cost of sales increased by 1% to about $1.5 billion for the nine months ended December 31, 2010, and increased 3% for the quarter. Both periods were affected primarily by the effect of a weaker U.S. dollar and the third quarter was influenced as well by a higher proportion of lamina in the sales mix. Selling, general, and administrative costs decreased by $30 million, or 14%, for the nine-month period and were relatively flat for the third fiscal quarter compared to the prior year. The decrease in the nine months was due primarily to the $7.4 million effect on the second fiscal quarter of the reversal of the European Commission fine and a $5 million benefit from lower currency remeasurement and exchange losses in the current year, as well as last year's accruals for costs associated with the recently settled Foreign Corrupt Practices Act ("FCPA") matter and for incentive compensation.

Interest expense for the third quarter increased about $1 million due to higher average debt levels in the current year, while interest expense for the nine months ended December 31, 2010, was down about $3 million in part because of interest costs accrued in the prior year related to the FCPA matter and in part because of lower effective interest rates. Interest income in the nine months increased on the recognition of interest income on funds that had been escrowed to bond the appeal of the European Commission fine. The effective income tax rates for the quarter and nine months, at 29% and 30% respectively, were lower than the 35% U.S. federal statutory rate due to the recognition of foreign tax credits and the reversal of accruals due to resolution of some uncertain tax positions. Those rates were slightly lower than the comparable periods last year.

In November 2010, we decided to close our leaf tobacco processing facility in Simcoe, Ontario. We accrued related employee termination benefits of approximately $2.7 million as restructuring costs during the quarter ended December 31, 2010. We recorded an impairment charge of approximately $5.6 million during the quarter ended December 31, 2010, to write those assets down to their fair values, net of expected selling costs. The Canadian operations are included in our North America segment, and revenues and earnings for these operations have not been material to that segment in recent years.

We also recorded other restructuring costs during the quarter and the nine months ended December 31, 2010, associated with initiatives undertaken to adjust various operations and reduce costs. Most of the restructuring costs represent accruals for employee termination benefits at our corporate headquarters and at operating locations in the United States, South America, Africa, and Europe that are part of our North America and Other Regions reportable segments. Total restructuring and impairment costs for the quarter and nine months ended December 31, 2010, were $11.0 million and $14.0 million, respectively.

General Overview

Our operations continue to perform well although comparisons to the prior year are difficult given the record results that were achieved last year. Although transportation challenges remain, some of the shipments that were delayed due to logistical difficulties earlier in the year have been completed, with the remainder on track to be completed by fiscal year end. Except for the effect of the PMI transactions in Brazil, which will begin to impact operations next year, our comparisons this year reflect the majority of the impact of recent customer vertical integration efforts, and we continue to have some success in securing additional sales to replace lost volumes. We are working to make sure that we adjust our operations to accurately reflect these and other business changes and are committed to managing prudently our costs as well as our cash flow. Many of our global restructuring plans are already underway. We extend our sincere thanks to the current and past employees of our Simcoe Leaf organization in Canada. They delivered quality products and provided excellent customer service for decades, but market realities eventually prevailed. These types of decisions are never easy as they involve the livelihoods of valued co-workers, but they are necessary to allow us to adapt profitably and effectively to changes in our markets and in our customers' sourcing requirements.

Looking forward, we continue to believe that global leaf markets are moving into oversupply. We continue our efforts to stabilize markets by working closely with both farmers and customers to carefully plan for crop requirements. At the same time, we are actively managing our uncommitted inventory levels, which remain reasonable at 12% of total inventories at the end of December 2010. There are many challenges underway in the global economy as well as in our industry, and we are pleased with the results we are achieving in this environment.

Assignment of Farmer Contracts in Brazil

In October 2010, our operating subsidiary in Brazil completed the assignment of tobacco production contracts with approximately 8,100 farmers to a subsidiary of Philip Morris International ("PMI"). As part of the transaction, the PMI subsidiary acquired various related assets and hired certain employees who previously worked for us in agronomy and leaf procurement functions. The PMI subsidiary also assumed obligations under guarantees of bank loans to the farmers for crop financing. The farmer contracts assigned represent approximately 20% of the annual volume handled by us in Brazil during the most recent crop year. We have entered into an agreement with the PMI subsidiary to process tobaccos bought directly from farmers beginning with the 2011 crop year. In addition, we expect to continue to sell processed leaf from Brazil to PMI and its subsidiaries. We received total cash proceeds of approximately $34.9 million from the assignment of farmer contracts and sale of related assets and recorded a net gain of approximately $19.4 million, which is reported in other income in the consolidated statement of income.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

After inventory is purchased, interest rate risk is limited in the tobacco business because major customers usually pre-finance purchases or pay market rates of interest for inventory purchased for their accounts. Our customers pay interest on tobacco purchased for their order. That interest is paid at rates based on current markets for variable-rate debt. When we fund our committed tobacco inventory with fixed-rate debt, we may not be able to recover interest at that fixed rate if current market interest rates were to fall. As of December 31, 2010, tobacco inventory of about $940 million included about $823 million in inventory that was committed for sale to customers and about $117 million that was not committed. Committed inventory, after deducting $88 million in customer deposits, represents our net exposure of $735 million. We normally maintain a substantial portion of our debt at variable interest rates either directly or through interest rate exchange agreements in order to mitigate interest rate risk related to carrying fixed-rate debt. We also periodically have large cash balances that we use to fund seasonal tobacco purchases. These cash balances reduce our financing needs. Debt carried at variable interest rates was about $450 million at December 31, 2010. Although a hypothetical 1% change in short-term interest rates would result in a change in annual interest expense of approximately $4.5 million, that amount would be mitigated by changes in charges to customers. Our policy is to work toward a level of floating rate liabilities, including customer deposits, that reflects a substantial portion of our average committed inventory levels over time. In addition to the $450 million of debt with variable interest rates, about $264 million of long-term debt has an effective average fixed rate of 5.36%.

Currency

The international tobacco trade generally is conducted in U.S. dollars, thereby limiting foreign exchange risk to that which is related to production costs, overhead, and income taxes in the source country. We also provide farmer advances that are directly related to leaf purchases and are denominated in the local currency. Any currency gains or losses on those advances are usually offset by decreases or increases in the cost of tobacco, which is priced in the local currency. However, the effect of the offset may not occur until a subsequent quarter or fiscal year. Most of our operations are accounted for using the U.S. dollar as the functional currency. Because there are no forward foreign exchange markets in many of our major countries of tobacco origin, we generally manage our foreign exchange risk by matching funding for inventory purchases with the currency of sale, which is usually the U.S. dollar, and by minimizing our net local currency monetary position in individual countries. We are vulnerable to currency gains and losses to the extent that monetary assets and liabilities denominated in local currency do not offset each other. In addition to foreign exchange gains and losses, we are exposed to changes in the cost of tobacco due to changes in the value of the local currency in relation to the U.S. dollar. For example, when we purchased the Brazilian crop in the beginning of fiscal year 2009, the local currency had appreciated significantly against the U.S. dollar, increasing the cost of the crop over the prior year, in U.S. dollar terms. To reduce the volatility of costs, we enter into forward currency exchange contracts to hedge some of the effects of currency movements on purchases of tobacco and some processing costs, primarily related to the requirements of customer contracts. In addition, we enter some forward contracts to hedge balance sheet exposures.

In certain tobacco markets that are primarily domestic, we use the local currency as the functional currency. Examples of these domestic markets are Hungary, Poland, and the Philippines. In other markets, such as Western Europe, where export sales have been primarily in local currencies, we also use the local currency as the functional currency. In each case, reported earnings are affected by the translation of the local currency into the U.S. dollar.

Derivatives Policies

Hedging interest rate exposure using swaps and hedging foreign exchange exposure using forward contracts are specifically contemplated to manage risk in keeping with management's policies. We may use derivative instruments, such as swaps, forwards, or futures, which are based directly or indirectly upon interest rates and currencies to manage and reduce the risks inherent in interest rate and currency fluctuations. When we use foreign currency derivatives to mitigate our exposure to exchange rate fluctuations, we may choose not to designate them as hedges for accounting purposes, which may result in the effects of fair value changes for the derivatives being recognized in our earnings in periods different from the items that created the exposure.

We do not utilize derivatives for speculative purposes, and we do not enter into market risk-sensitive instruments for trading purposes. Derivatives are transaction-specific so that a specific debt instrument, forecast purchase, contract, or invoice determines the amount, maturity, and other specifics of the hedge.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of other members of management, the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, management concluded that our disclosure controls and procedures were effective. There were no changes in our internal controls over financial reporting identified in connection with this evaluation that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

European Commission Fines and Other Legal Matters

European Commission Fines in Spain

In October 2004, the European Commission (the "Commission") imposed fines on "five companies active in the raw Spanish tobacco processing market" totaling €20 million for "colluding on the prices paid to, and the quantities bought from, the tobacco growers in Spain." Two of our subsidiaries, Tabacos Espanoles S.A. ("TAES"), a purchaser and processor of raw tobacco in Spain, and Deltafina, S.p.A. ("Deltafina"), an Italian subsidiary, were among the five companies assessed fines. In its decision, the Commission imposed a fine of €108,000 on TAES and a fine of €11.88 million on Deltafina. Deltafina did not and does not purchase or process raw tobacco in the Spanish market, but was and is a significant buyer of tobacco from some of the Spanish processors. We recorded a charge of about €12 million (approximately $14.9 million at the September 2004 exchange rate) in the second quarter of fiscal year 2005 to accrue the full amount of the fines assessed against our subsidiaries.

In January 2005, Deltafina filed an appeal in the General Court of the European Union ("General Court"). A hearing was held in June 2009, and on September 8, 2010, the General Court issued its decision, in which it reduced the amount of the Deltafina fine to €6.12 million. The General Court held in part that the Commission erred in finding Deltafina acted as the leader of the Spanish cartel, and that the Commission's corresponding increase of the underlying fine by 50% was not justified. Deltafina filed an appeal to the General Court decision with the European Court of Justice on November 18, 2010. Although Deltafina agreed with the General Court that there was no basis for finding that Deltafina had acted as the leader of the Spanish cartel, Deltafina believed the General Court erred in not reducing the remaining fine further based on numerous grounds. A hearing has not been set and an ultimate resolution to the matter could take several years. We had deposited funds in an escrow account with the Commission in February 2005 in an amount equal to the original fine. We received funds from escrow in an amount equal to the reduction by the General Court plus interest that had accrued thereon. As a result of the General Court's decision in September 2010, during the quarter ended September 30, 2010, we reversed €5.76 million (approximately $7.4 million) of the charge previously recorded to accrue the fine and recognized approximately $1.2 million of interest income returned on the escrow funds. The reversal of the fine is included in selling, general and administrative expense in the consolidated statement of income.

European Commission Fines in Italy

In 2002, we reported that we were aware that the Commission was investigating certain aspects of the leaf tobacco markets in Italy. Deltafina buys and processes tobacco in Italy. We reported that we did not believe that the Commission investigation in Italy would result in penalties being assessed against us or our subsidiaries that would be material to our earnings. The reason we held this belief was that we had received conditional immunity from the Commission because Deltafina had voluntarily informed the Commission of the activities that were the basis of the investigation.

On December 28, 2004, we received a preliminary indication that the Commission intended to revoke Deltafina's immunity for disclosing in April 2002 that it had applied for immunity. Neither the Commission's Leniency Notice of February 19, 2002, nor Deltafina's letter of provisional immunity, contains a specific requirement of confidentiality. The potential for such disclosure was discussed with the Commission in March 2002, and the Commission never told Deltafina that disclosure would affect Deltafina's immunity. On November 15, 2005, we received notification from the Commission that the Commission had imposed fines totaling €30 million (about $40 million at the December 31, 2010 exchange rate) on Deltafina and Universal Corporation jointly for infringing European Union antitrust law in connection with the purchase and processing of tobacco in the Italian raw tobacco market.

We do not believe that the decision can be reconciled with the Commission's Statement of Objections and the facts. In January 2006, Deltafina and Universal Corporation each filed appeals in the General Court. Deltafina's appeal was held September 28, 2010. For strategic reasons related to the defense of the Deltafina appeal, we withdrew our appeal. Based on consultation with outside legal counsel, we believe it is probable that Deltafina will prevail in the appeals process, and we have not accrued a charge for the fine. If both Deltafina and Universal Corporation were ultimately found liable for the full amount of the fine, then accumulated interest on the fine would also be due and payable. Accumulated interest totaled approximately €5.2 million (about $7.0 million) at December 31, 2010. Deltafina has provided a bank guarantee to the Commission in the amount of the fine plus accumulated interest in order to stay execution during the appeals process.

Other Legal Matters

In addition to the above-mentioned matters, some of our subsidiaries are involved in other litigation and tax examinations incidental to their respective business activities. While the outcome of these matters cannot be predicted with certainty, management is vigorously defending these matters and does not currently expect that any of them will have a material adverse effect on our financial position. However, should one or more of these matters be resolved in a manner adverse to management's current expectation, the effect on our results of operations for a particular fiscal reporting period could be material.

ITEM 1A. RISK FACTORS

As of the date of this report, there are no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended March 31, 2010. In evaluating our risks, readers should carefully consider the risk factors discussed in our Annual Report on Form 10-K, which could materially affect our business, financial condition or operating results, in addition to the other information set forth in this report and in our other filings with the Securities and Exchange Commission.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes our repurchases of equity securities for the three-month period ended December 31, 2010:

Period (1)	Total Number of Shares Repurchased	Average Price Paid Per Share (2)	Total Number of Shares Repurchased as Part of Publicly Announced Plan or Program (3)	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3)
October 1, 2010 to October 31, 2010	115,020	$ 40.85	115,020	$ 106,041,740
November 1, 2010 to November 30, 2010	99,972	42.07	99,972	101,835,705
December 1, 2010 to December 31, 2010	123,650	40.45	123,650	96,834,087
Total	338,642	$ 41.07	338,642	$ 96,834,087

(1) Repurchases are based on the date the shares were traded. This presentation differs from the consolidated statement of cash flows, where the cost of share repurchases is based on the date the transactions were settled.
(2) Amounts listed for average price paid per share include broker commissions paid in the transactions.
(3) A stock repurchase plan, which was authorized by our Board of Directors, became effective and was publicly announced on November 5, 2009. This stock repurchase plan authorizes the purchase of up to $150 million in common stock in open market or privately negotiated transactions, subject to market conditions and other factors. This stock repurchase program will expire on the earlier of November 5, 2011, or when we have exhausted the funds authorized for the program.

ITEM 5. OTHER INFORMATION

The following is provided pursuant to “Item 2.05 — Costs Associated with Exit or Disposal Activities” of Form 8-K, which Universal determined in connection with the preparation of the financial statements for the quarter ended December 31, 2010: the information regarding the Company’s restructuring and impairment costs to be recorded during the quarter ending December 31, 2010, which is set forth in Note 4 to the Consolidated Financial Statements of the Company at and for the period ended December 31, 2010, and which may be found under “Part 1. Financial Information — Item 1. Financial Statements” of this Quarterly Report on Form 10-Q, is hereby incorporated by reference in its entirety.

ITEM 6. EXHIBITS

12	Ratio of Earnings to Fixed Charges, and Ratio of Earnings to Combined Fixed Charges and Preference Dividends.*
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.*
101.0	Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly and six-month periods ended September 30, 2010, furnished in XBRL (eXtensible Business Reporting Language)).

Attached as Exhibit 101 to this report are the following documents formatted in XBRL: (i) the Consolidated Statements of Income and Retained Earnings for the three months and nine months ended December 31, 2010 and 2009, (ii) the Consolidated Balance Sheets at December 31, 2010, December 31, 2009 and March 31, 2010, and (iii) the Consolidated Statements of Cash Flows for the nine months ended December 31, 2010 and 2009 and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 8, 2011

UNIVERSAL CORPORATION
(Registrant)

/s/ David C. Moore
David C. Moore, Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Robert M. Peebles
Robert M. Peebles, Controller
(Principal Accounting Officer)